

CALIFORNIA HIGH-SPEED RAIL AUTHORITY

BOARD MEETING

TRANSCRIPT OF PROCEEDINGS

CALIFORNIA SECRETARY OF STATE AUDITORIUM
1500 11TH STREET
SACRAMENTO, CA 95814

TUESDAY, JANUARY 16, 2018

10:00 A.M.

Reported by:
Peter Petty

APPEARANCESBOARD MEMBERS

Dan Richard, Chairman

Tom Richards, Vice Chair

Lynn Schenk

Lorraine Paskett

Mike Rossi

Daniel Curtin

Nancy Miller

Bonnie Lowenthal

Ernest Camacho

EX OFFICIO BOARD MEMBERS

Assemblymember, Dr. Joaquin Arambula (Absent)

Senator, Jim Beall (Absent)

STAFF

Tom Fellenz, Chief Counsel and Interim CEO

Krista Jensen, Board Secretary

Roy Hill, Chief Program Officer

Joe Cazares, Acting Director of Infrastructure Delivery

Margaret Cederoth, Sustainability Manager

APPEARANCES (Cont.)

PRESENTERS:

Tom Fellenz, Chief Counsel and Interim CEO

Roy Hill, Chief Program Officer

Margaret Cederoth, Sustainability Manager

PUBLIC COMMENT

Robert Stanley, Stanley Green Energy

Don Eskes, Fresno Rescue Mission

Ivor Samson, Fresno Rescue Mission

Ivor Samson, Bakersfield Homeless Center

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9:38 a.m.

PROCEEDINGS BEGIN AT 9:38 A.M.

SACRAMENTO, CALIFORNIA, TUESDAY, JANUARY 16, 2018

CHAIRMAN RICHARD: Good morning, I know it's before 10 o'clock, but I am going to open the meeting of the High-Speed Rail Authority slightly before the 10 o'clock opening time solely for the purpose of announcing that the Board is going into closed session to discuss items per the meeting agenda. So we will be in closed session and I am going to guess, probably until about 11 o'clock. I am going to ask the staff to let people who come to the room know that it will probably be about 11 o'clock so if people want to get coffees or things like that and then we will report back for any actions out of the closed session at that time.

(The Board convened into Closed Session at 9:39 a.m.)

(The Board reconvened out of Closed Session at 11:58 a.m.)

CHAIRMAN RICHARD: I think I have four seconds left to say good morning.

Okay. The Board will now be back in session. We've returned from closed session. We will have an announcement coming out of closed session in just a moment, but first I'll ask the Secretary to please call the roll.

1 MS. JENSEN: Director Schenk, Director Schenk?
2 BOARD MEMBER SCHENK: Here.
3 MS. JENSEN: Vice Chair Richards?
4 VICE CHAIR RICHARDS: Here.
5 MS. JENSEN: Director Rossi?
6 BOARD MEMBER ROSSI: Here.
7 MS. JENSEN: Director Curtin?
8 DIRECTOR CURTIN: Here.
9 MS. JENSEN: Director Paskett?
10 BOARD MEMBER PASKETT: (Absent).
11 BOARD MEMBER LOWENTHAL: She's here.
12 MS. JENSEN: She's here, okay.
13 BOARD MEMBER SCHENK: She's here.
14 CHAIRMAN RICHARD: She is here.
15 BOARD MEMBER ROSSI: We swear she's here.
16 MS. JENSEN: Okay. Director --
17 CHAIRMAN RICHARD: I'll ask you to record her
18 presence as soon as she enters the room, so she -- because
19 she is here.
20 MS. JENSEN: Director Lowenthal?
21 BOARD MEMBER LOWENTHAL: Here.
22 MR. JENSEN: Director Camacho?
23 BOARD MEMBER CAMACHO: Here.
24 MS. JENSEN: Director Miller?
25 BOARD MEMBER MILLER: Here.

1 MS. JENSEN: Senator Beall?

2 EX OFFICIO BOARD MEMBER BEALL: (Absent).

3 MS. JENSEN: Assemblymember Arambula?

4 EX OFFICIO BOARD MEMBER ARAMBULA: (Absent).

5 MS. JENSEN: Chair Richard?

6 CHAIRMAN RICHARD: I'm here.

7 Please join me in the Pledge of Allegiance.

8 (The Pledge of Allegiance is made.)

9 CHAIRMAN RICHARD: We're going to take things a
10 little bit out of order this morning. Normally, we start
11 with public comment, but because of some other pressing
12 schedule matters the public will be afforded full
13 opportunity to comment in just a moment. But before that I
14 do want to say that in the closed session this morning, the
15 Board of the High-Speed Rail Authority considered the
16 nomination of a new CEO for the organization and that's a
17 matter that we are able to discuss in closed session, in
18 terms of interviews and deliberations. But in fact, the
19 motion has to occur here in open session.

20 So Director Camacho, would you like to open the
21 conversation with a motion with respect to the new CEO?

22 BOARD MEMBER CAMACHO: Yes, thank you, Mr.
23 Chairman. From much deliberation and much -- many
24 interviews, the Board has contemplated many, many, many
25 individuals and I'd like to put into a motion that we

1 appoint Brian Kelly as our new CEO.

2 BOARD MEMBER SCHENK: Second.

3 BOARD MEMBER CURTIN: Second.

4 CHAIRMAN RICHARD: Okay. That motion was made by
5 Director Camacho. It was seconded by Director Schenk and
6 co-seconded by Director Curtin.

7 Let me just make a few comments on this. I'm
8 sorry; I'm getting feedback in this microphone.

9 (Off mic colloquy.)

10 Yeah, thank you. A few things, first of all
11 since the resignation of Jeff Morales as our CEO last
12 summer this organization has continued to move forward
13 under the direction of Tom Fellenz as the Interim CEO. And
14 he's been assisted by Russ Fong and previously by Jon
15 Tapping as well as Roy Hill from the RDP, the Rail Delivery
16 Partner. And first and foremost, I want to thank Tom who
17 has stepped into this role before, but in this instance had
18 an extraordinarily difficult challenge to keep things
19 moving forward. And Tom, with the assistance of Russ and
20 others, has kept the ship going. And more than that has
21 made very, very substantive changes, particularly in terms
22 of organizational structure and oversight as well as I
23 think bringing a very positive cultural approach to this.

24 So, before we do anything else I want to thank
25 you for that and recognize that.

1 (Applause).

2 MR. FELLEENZ: No, I appreciate that. Thank you,
3 guys.

4 CHAIRMAN RICHARD: Yeah, when I was at NASA as a
5 kid they used to refer to the real superstars as a steely-
6 eyed missile man. That was gender-specific, so we need
7 something similar for somebody who's a real rail builder
8 and, Tom, you're there.

9 Brian Kelly is, without question in my mind, the
10 leading expert on transportation policy in the State of
11 California. He served four different leaders of the State
12 Senate over a quarter century and when Governor Brown
13 tapped him to be Secretary of Transportation one of the
14 things that Brian said then, and he's said to a number of
15 us over the years, is that part of the reason he took that
16 job was because he has a deep abiding belief that high-
17 speed rail is an essential component for the future
18 transportation system of the state.

19 He has proven himself as an able problem solver,
20 a very skilled manager, and someone who I think is deeply
21 committed to not only this project, but also to having the
22 High-Speed Rail Program fit into the broader context of
23 California's future transportation needs. I think we're
24 very fortunate that Brian has been willing to put his name
25 forward to step away from the position that he's had, which

1 is a broad-based position, a member of the Governor's
2 Cabinet and so forth, to take the reins of this project at
3 a time when we're facing a number of challenges, some of
4 which we're going to be talking about today.

5 So I certainly support it. Let me turn to my
6 colleagues and ask if there are other questions or comments
7 that people would like to make at this point?

8 (No audible response.)

9 CHAIRMAN RICHARD: Then, if not there's only one
10 other thing and I apologize, because I should have had this
11 piece of paper in front of me. Is Bob Franzoia around? I
12 just need the salary number, because that's got to be part
13 of this, so I'm going to make an amendment to Director
14 Camacho's motion.

15 Mr. Franzoia is getting this information for me,
16 so let me just say that also in public session we have to
17 set the salary for the CEO. I've -- in this process of
18 looking at a new CEO, not specific necessarily to Mr.
19 Kelly, Mr. Franzoia who works at the State Transportation
20 Agency has been working with the people who do Governor's
21 Office salary surveys, so we are guided by the salary
22 survey that's been done; the comparables that are out
23 there.

24 And I'm sorry Lynn, I should have had this in
25 front of me, but it's got to be part of the motion.

1 BOARD MEMBER SCHENK: Well, I'll accept it and
2 second it.

3 CHAIRMAN RICHARD: Okay. This is just the result
4 of moving too fast.

5 (Off mic colloquy while information is
6 retrieved).

7 MR. FELLEENZ: This is the salary survey that was
8 done (inaudible).

9 CHAIRMAN RICHARD: Okay. There was a salary
10 survey that was done, colleagues, and the numbers that came
11 back would justify a salary -- and I don't know what the
12 monthly number is -- but it would be \$384,984. That is
13 significantly below the -- what was -- had become the
14 salary with adjustments of the prior CEO, which I think is
15 appropriate for a new person to step in at a lower range.

16 So if the makers of the motion would accept that
17 as a change it would be that we offer this position to
18 Brian Kelly at that salary that I just stated --

19 BOARD MEMBER SCHENK: Accepted.

20 CHAIRMAN RICHARD: -- 384,984. Mr. Camacho?

21 BOARD MEMBER CAMACHO: Yes.

22 CHAIRMAN RICHARD: All right, without further
23 discussion we have a motion on the floor. It's been
24 seconded. Would the Secretary please call the roll?

25 MS. JENSEN: Director Schenk?

1 BOARD MEMBER SCHENK: Yes.

2 MS. JENSEN: Vice Chair Richards?

3 VICE CHAIR RICHARDS: Yes.

4 MS. JENSEN: Director Rossi?

5 BOARD MEMBER ROSSI: 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 MS. JENSEN: Director Camacho?

13 BOARD MEMBER CAMACHO: Yes.

14 MS. JENSEN: Director Miller?

15 BOARD MEMBER MILLER: Yes.

16 MS. JENSEN: Chair Richard?

17 CHAIRMAN RICHARD: Yes.

18 Thank you, colleagues. And --

19 BOARD MEMBER SCHENK: Well, thank you.

20 CHAIRMAN RICHARD: -- congratulations to Mr.

21 Kelly.

22 BOARD MEMBERS: Is he here?

23 CHAIRMAN RICHARD: I think he's not here at this

24 point, but he'll -- my understanding is he'd be available

25 to start as early as February 1st and so he'll definitely

1 be at the next Board meeting. And we'll look forward to a
2 new era as we come into 2018, so thank you.

3 With that, we'll turn back to the regular agenda.
4 I appreciate the patience of the public this morning, both
5 with our closed session and with our going somewhat out of
6 order. Normally, we start with the public comment period
7 and we'll proceed to public comment period right now.

8 I have essentially three speaker requests. The
9 first one is Robert Stanley of Stanley Green Energy and
10 he'll be followed by Dan -- I'm sorry, is it Don Eskes or
11 Dan? Don, yes.

12 Good morning, Mr. Stanley.

13 MR. STANLEY: Good morning, Board, Mr. Chairman.
14 I have a new sustainable design for trains that I'd like
15 you to consider. It's -- the High-Speed Rail said they're
16 interested in sustainable design, so I came up with a solar
17 train, solar skin train with solar embedded windows. And
18 it also has a rejuvenative -- regenerative braking that
19 charges the batteries also. And yeah, I realize the
20 surface area of the train is enough to power the train with
21 the solar skin and it can also be plugged in at a station
22 to receive a quick charge, is another benefit of it.

23 And then I'm also working on a fuel cell train
24 patent. I'm not done with that one yet. This one's still
25 patent pending and then I also have a, what I call a solar

1 canal, but it's a renewable energy generating system. And
2 the solar canal actually has enough power left over to
3 power the high-speed rail. It has -- it makes 12 billion
4 kilowatts of power and it only needs 6 billion to power the
5 water pumps around the State of California.

6 So there's two ways you could sustainably power
7 your train system. I hope you'll consider these.

8 CHAIRMAN RICHARD: Thank you very much, sir.
9 We'll ask the staff to take a look at that.

10 Mr. Eskes, I'm sorry I couldn't read, is it Dan
11 or Don?

12 MR. ESKES: It's Don.

13 CHAIRMAN RICHARD: Don Eskes and he'll be
14 followed by Ivor Samson.

15 MR. ESKES: Good morning, I'm Don Eskes, the CEO
16 of the Fresno Rescue Mission.

17 CHAIRMAN RICHARD: Excuse me, sir. I just want
18 to make sure your microphone is on. Can people hear?

19 MR. ESKES: Can you hear it?

20 CHAIRMAN RICHARD: Okay. Go ahead, thank you.

21 MR. ESKES: Fresno Rescue Mission's been in
22 existence since 1949 and over the years we've served tens
23 of thousands of individuals. Last year alone we had over
24 2,500 individuals come to us that had needs, which were
25 homelessness and all of the associated issues with that.

1 We're the only 24/7 facility for the public in Fresno and
2 Fresno County. And we've been in negotiations and
3 discussions with the Authority since 2013. Because of the
4 complexity of our relocation, we estimate it's another
5 three to five years before that relocation will be
6 complete. And as a community benefit organization, and
7 because of the length of the relocation, it's a two-to-
8 three step relocation process.

9 We are concerned that we be fully protected in
10 that move and that we have a seamless transition.

11 In October, we signed a Possession Use Agreement.
12 There were changes made subsequent to that, which we could
13 not accept. And in addition, the person that we were
14 dealing with, Don Grebe, has since retired. And we would
15 like to see the PUA executed, but there are some issues and
16 we're at a loss at this point how to go forward.

17 Our attorney, Ivor Samson, is also on the dais
18 this morning and he can explain it a little better than I
19 can. But we've had a good relationship with the Authority
20 and the staff, but we seem to have reached a bit of an
21 impasse and would like to see how we can move forward and
22 move this forward.

23 Thank you.

24 CHAIRMAN RICHARD: Thank you, sir.

25 Mr. Samson?

1 MR. SAMSON: Thank you, Mr. Chairman, Members of
2 the Board. My name is Ivor Samson. I'm with Dentons and I
3 represent the Fresno Rescue Mission. And I'd like to just
4 amplify a couple of the points that Don Eskes made.
5 There's really two issues that I'd like to address you on,
6 on behalf of the Mission.

7 First, is the possession and use agreement, which
8 the Authority needs in order to be able to get possession
9 of the property to do the construction. And we've been
10 working cooperatively with the staff to try and meet your
11 schedule, but we need some guarantees to make it happen.
12 The second issue which I'd like to address, is the failure
13 to respond to our request to even consider a resolution
14 that would reaffirm the Authority's adopted mitigation
15 measures, as it would relate to the relocation of our
16 facility.

17 So let me address the possession and use
18 agreement first. As Mr. Eskes said, we signed a possession
19 and use agreement on October 10th. On October 20th, we
20 received a "revised possession and use agreement" after we
21 had already signed the document, with unilateral changes
22 that were made, we understand by the Public Works Board,
23 that are just simply unacceptable to the Mission.

24 On October 31st, I sent a letter to Chairman
25 Richard that specifically rescinded our earlier executed

1 document, based on those unilateral changes. And asked for
2 the Board's help in setting up a meeting with the key
3 players at the Authority, at the Public Works Board, at the
4 Mission to try and see if there was some way to resolve
5 that impasse.

6 We've had subsequent meetings with the high-speed
7 rail staff. In November, we had a meeting. It was not
8 until the 4th of January that we got a revised, another
9 version of the PUA. In fairness, staff has been very
10 helpful. They addressed a number of those issues, but the
11 major issues dealing with financial guarantees, are still
12 there. Those are unresolved and we appear to be at a log
13 jam.

14 We had a meeting last week, again the meeting was
15 in good faith and in good spirits by everyone, but we're
16 still at a log jam. We need your help to try and move the
17 log jam, cut the Gordian Knot, whatever you want to call
18 it. You need that possession and use agreement to move
19 forward. We want to put this behind us so we can get on
20 with other business of the Mission.

21 So I guess I'm asking you again, nothing really
22 constructive has happened since Mr. Eskes and I appeared
23 before you in November. This is a unique situation. We
24 need to get all the players together. And I'm asking you,
25 particularly Mr. Richard, in your capacity as Chairman of

1 the Board, to do something to get everybody, the key
2 players, to sit around a table and let's see if we can
3 resolve this.

4 That's the first issue that I'd like to address.

5 CHAIRMAN RICHARD: All right. Why don't you go
6 ahead and finish your remarks. And then I may have a
7 question for you.

8 MR. SAMSON: Sure. Sure. The second involves a
9 resolution, regarding the mitigation measures that were
10 adopted by this Board, I think in 2014, when you approved
11 the final EIR/EIS.

12 In July of 2016, we entered into a temporary
13 relocation agreement with the Authority. The
14 implementation of that agreement has been difficult, to put
15 it politely. We need to negotiate a permanent relocation
16 agreement. And to avoid the past problems that we've had,
17 I wrote to you on October 19th, requesting that the Board
18 consider adopting a resolution that quotes from the exact
19 language of the mitigation measures that you had adopted,
20 that would provide guidance both to staff going forward
21 with the negotiation of the permanent relocation agreement,
22 and give comfort to the Mission that we're not going to be
23 left high and dry, which quite frankly we feel like we have
24 been sometimes, with the temporary relocation agreement.

25 I've not received any response to that letter

1 that I wrote on the 19th. And quite frankly, this could be
2 a win-win situation for both the Mission and High-Speed
3 Rail. The Mission would get assurances that the adopted
4 measures in the EIR will in fact be implemented. And I
5 specifically quoted the exact language that you've adopted.
6 We don't want you to do anything more but adopt a
7 resolution the reaffirms that. And it would allow us all
8 to get on with negotiating the permanent relocation
9 agreement.

10 Again, this was addressed by me in November.
11 Nothing has happened. Just simply nothing has happened.
12 And I would at the very least like a response to my October
13 19th letter and hopefully a favorable consideration by the
14 Board.

15 CHAIRMAN RICHARD: All right. My normal practice
16 is that we don't engage in colloquy with people who come to
17 speak before the Board. And that's because it's the
18 public's time to speak and being challenged or questioned
19 by Board Members could be viewed as chilling what is
20 essentially a First Amendment and due process right by the
21 public.

22 In this case, we have an advocate, a
23 practitioner. I think it's very unlikely that if I ask you
24 a question it's going to chill your willingness to come
25 before the Board, so I'm just going to do that, and also

1 since you're the last speaker. I have stayed apprised of
2 this issue. I know that my colleague, the Vice Chair Tom
3 Richards, is very, very focused on this issue. All of us
4 respect the work of Fresno Rescue Mission and we don't want
5 to interfere with it. So on your second point, yes, I will
6 get back to you on that. I apologize for that.

7 On the first one, it was just my question for
8 you. Perhaps I'm misunderstanding it, but on the issue of
9 the financial guarantees my understanding is that the
10 Public Works Board did reject that and would continue to
11 reject that, basically feeling it's ultra vires to what
12 they could do. If there's a different legal understanding
13 than that, that probably should be brought forward. But I
14 think the reluctance has been to try to pull a meeting
15 together if they simply do not have the legal capacity to
16 do the things that you're asking be done.

17 MR. SAMSON: My response, Mr. Chairman, I don't
18 know if they do or not. Bottom line, we want the State of
19 California to be the financial guarantor. We do not want
20 the Authority to be the guarantor in the event that the
21 Authority runs out of funding. It's a tautology if for
22 whatever reason the funding stops, the project stops, then
23 we could be 125th in line. That's what we don't want.

24 CHAIRMAN RICHARD: All right. Then we'll respond
25 back to you on that through the appropriate channels. I

1 just wanted to try to clarify that, at this point.

2 MR. SAMSON: That's essentially our position and
3 the dilemma. I'm not asking for the Public Works Board to
4 guarantee it.

5 CHAIRMAN RICHARD: All right. I wanted to try to
6 understand it.

7 MR. SAMSON: Okay.

8 CHAIRMAN RICHARD: Okay. Thank you, Mr. Samson.
9 We'll get back to you on that.

10 MR. SAMSON: Mr. Chairman, I turned in one other
11 speaker slip on behalf of --

12 CHAIRMAN RICHARD: I know. We usually -- I
13 ignored that, because we usually give people one shot. So
14 this is -- but you're the next one anyway, so just finish
15 what you needed to say.

16 MR. SAMSON: Do you want me to go back and then
17 call me up again? (Laughter).

18 CHAIRMAN RICHARD: No, that's fine.

19 MR. SAMSON: This is on behalf of the Bakersfield
20 Homeless Center.

21 CHAIRMAN RICHARD: Okay. I hadn't noticed that.

22 MR. SAMSON: If I may briefly address that?

23 CHAIRMAN RICHARD: Yes. Go ahead.

24 MR. SAMSON: And again, I appeared in November
25 before you to discuss the issues, along with Louis Gill,

1 who is the Executive Director of the Bakersfield Homeless
2 Center, but couldn't be here.

3 Three years ago, a little bit over three years
4 ago, the Authority and the Bakersfield Homeless Center
5 started to engage in negotiations about the early
6 acquisition of the Center's property. And the thought was
7 that given the lead time needed to move to new facilities,
8 locate a new site, build it, etcetera, etcetera, and move
9 in, to have a seamless operation that if there was an early
10 acquisition of the property it would be beneficial both to
11 the Homeless Center and those they serve, as well as
12 beneficial to High-Speed Rail in effect being a poster
13 child, if you will, for the High-Speed Rail's relocation
14 policies.

15 An appraisal was done in 2016 or pardon, yeah it
16 was 2016, fall of 2016, by the High-Speed Rail Authority's
17 appraiser. We never received a copy of it, but there was a
18 continual dialogue all last year between the Homeless
19 Center and High-Speed Rail. And it was our understanding,
20 literally for months that, "We would be on next month's
21 agenda. We would be on next month's agenda for early
22 acquisition."

23 In September of last year, we understood that the
24 Public Works Board essentially pulled the plug and said
25 that they would not fund the early acquisition. I've not

1 seen any documentation. This was an understanding, a
2 representation from Ms. Gomez, which I understand.

3 On October 10th, I sent a letter describing the
4 history of these negotiations, what the damages were over a
5 three-year period to the Homeless Center and requested a
6 meeting between High-Speed Rail, Public Works Board, and
7 what other entity would be necessary to try and resolve
8 this situation.

9 On October 24th I got a letter from Ms. Gomez, in
10 response to my letter to you saying, "No meeting is
11 necessary." And quite frankly the Homeless Center feels
12 like it was led down the primrose path, if you will,
13 despite Ms. Gomez' best intentions. And I addressed the
14 Board on this in November and absolutely nothing has
15 happened.

16 We need High-Speed Rail and the Public Works
17 Board to sit down together, with us, to try and resolve
18 this situation that's been created by High-Speed Rail's
19 well-intentioned acts, but ultimately misguided actions.

20 CHAIRMAN RICHARD: Okay, understood. Thank you.
21 Thank you, Mr. Samson.

22 All right, with that I have no more public
23 speakers. And so the public comment period will be closed.
24 Thank you for coming here today to provide input to us.
25 We'll move on to the next items in the agenda, which will

1 be the consideration of the minutes from the last meeting.

2 MS. JENSEN: Chair Richard?

3 CHAIRMAN RICHARD: Yes?

4 MS. JENSEN: May I reopen the roll?

5 CHAIRMAN RICHARD: Yes, please. Reopen the role.

6 MS. JENSEN: Director Paskett?

7 BOARD MEMBER PASKETT: Here.

8 MS. JENSEN: Thank you.

9 CHAIRMAN RICHARD: Okay. Do I have a motion on
10 the minutes from the last meeting?

11 VICE CHAIR RICHARDS: So moved.

12 CHAIRMAN RICHARD: Moved by Vice Chair Richards.

13 BOARD MEMBER MILLER: Second.

14 CHAIRMAN RICHARD: Seconded by Director Miller.
15 Secretary, please call the role.

16 MS. JENSEN: Ms. Schenk?

17 BOARD MEMBER SCHENK: (Absent).

18 MS. JENSEN: Vice Chair Richards?

19 VICE CHAIR RICHARDS: Yes.

20 MS. JENSEN: Director Rossi?

21 BOARD MEMBER ROSSI: Yes.

22 MS. JENSEN: Director Curtin?

23 BOARD MEMBER CURTIN: Yes.

24 MS. JENSEN: Director Paskett?

25 BOARD MEMBER PASKETT: Yes.

1 MS. JENSEN: Director Lowenthal?

2 BOARD MEMBER LOWENTHAL: Yes.

3 MS. JENSEN: Director Camacho?

4 BOARD MEMBER CAMACHO: Yes.

5 MS. JENSEN: Director Miller?

6 BOARD MEMBER MILLER: Yes.

7 MS. JENSEN: Chair Richard?

8 CHAIRMAN RICHARD: Yes.

9 Okay. Item two is going to be changed somewhat.
10 It has to do with the question of additional funding for
11 Construction Package 1, for a change order. (Off mic
12 colloquy). But I think we want to put that in context and
13 we'll probably end up deferring the vote on that particular
14 item.

15 So Mr. Fellenz, would you like to open this
16 conversation?

17 MR. FELLEENZ: Mr. Chairman, Board Members. I
18 just wanted to put in context the next agenda item. And
19 that is that there's been for some time, dating back to
20 2016, some discussion within the Board, through its
21 documents like the Business Plan, that there's been some
22 cost pressures and particularly in the Central Valley.

23 And in early 2017, the High-speed Rail Authority
24 working with its contract partner, WSP, formerly Parsons
25 Brinckerhoff, has been looking to update the costs for the

1 program, including the Central Valley. And what WSP did,
2 as one of the initial steps in that, is to bring in a
3 global high-speed rail expert. And that is our Chief
4 Program Director, Roy Hill, who had been working in the
5 past on HS2, a high-speed train system in England that I'm
6 sure many of you have heard about. And so since he came on
7 board in the spring of 2017, Roy has put a team together of
8 various RDP members, or rail delivery partner, or WSP
9 members as well as state staff, and has put together these
10 cost estimates.

11 So what I'm going to do now is introduce Mr.
12 Hill, Roy Hill. And he's going to go through a two-slide
13 presentation to show a cost comparison between the cost to
14 complete the Central Valley piece of our program from what
15 was shown in the funding plan, the Central Valley Funding
16 Plan, that gave access to the Prop 1A funds and what the
17 new estimate is.

18 Mr. Hill?

19 MR. HILL: Thank you, Tom. Good afternoon. This
20 is the fourth time I've carried out one of these cost
21 estimate baseline updates. This is the first one on High-
22 Speed Rail here. I can say I am very pleased that it was
23 an integrated team of Authority members and RDP staff. We
24 undertook it over a three-month period, which in some ways
25 is a short period, but given what has happened on the

1 project to date, it has allowed us to have a comprehensive
2 review.

3 So this is related to the estimate for the
4 Central Valley only. It is a number of items, which were
5 really looked from a top down approach, but also given the
6 experience, the work undertaken, it allows us to go from a
7 bottom-up approach with the estimates and numbers and
8 quantities. So we've established this update through the
9 Central Valley.

10 We are comparing it with the funding plan that
11 was established earlier. The funding plan you will see
12 split out into a number of component parts. For clarity
13 the CP1, CP2-3, CP4 line items are project numbers not
14 contract numbers, so please, there's a distinction between
15 the project of CP1 geographical area, compared to CP1
16 design-build contract, so that's what those numbers relate
17 to. You will see an increase for CP1, CP2-3, CP4 stayed
18 the same.

19 The numbers, "Preliminary Engineering," etcetera,
20 lat (lateral) line item was included in the numbers in the
21 funding plan above, but in this situation we have pulled
22 them out to make sure that we can better manage them and
23 identify them.

24 And below those numbers there are a number of
25 what we call route-wide items, track systems. And that

1 number has increased from 1.9 billion to 2.5 billion in the
2 current estimate to complete. "Heavy Maintenance Facility"
3 stays the same. "Northern Extension" added, and therefore
4 the final numbers for the Central Valley Funding Plan was
5 7.8 billion. Currently, the estimate or the estimate as of
6 today we're saying for the Central Valley sector, is 10.6.
7 The number includes contingency previously, was 923
8 million, almost a billion in the funding plan.

9 And we have identified a further 600 million for
10 the project at this stage of completion. It is lower
11 obviously, because we've had a number of years of work
12 completed, design developed, understood the issues and
13 that's why we have only a further 600 million. I say
14 "only," but relative to the percentages that's what we've
15 included.

16 What are the drivers for these? This is increase
17 -- is a 2.8 billion increase. They are categorized and the
18 main ones are the following: "Railway related." This where
19 we got close to the railway line and had to construct and
20 will be constructing intrusion barriers to protect the
21 current freight railways with our high-speed rail. And
22 that took up 450 million.

23 "Right-of-way," I know has been a discussion
24 topic at many numerous meetings. And that falls into two
25 categories. One is acquisition, the increase of 400

1 million there. And that's not only additional parcels that
2 have had to be purchased, but also the increase cost of
3 those parcels when we've purchased them versus the budget
4 originally. But then there's also the protracted access or
5 achievement or achieving those parcels, access to those
6 parcels. We have estimated a delay impact to the contracts
7 of 325 million.

8 "Third party-related costs." This is what I call
9 "stakeholder agreements." And there's been a numerous
10 number of those, but basically you can see the types of
11 things that we've come to agreement with local communities,
12 cities, etcetera. And therefore we've had to reflect a new
13 number and that is 250.

14 Third-party relocations, this is PG&E, AT&T
15 relocation costs that were not estimated comprehensively
16 enough or sufficient funds. We've had bids returned. And
17 those have been increased. So therefore, we had to
18 increase it by 350 million. That represents 1.8 billion
19 out of the 2.8, basically 63 percent of the increase has
20 occurred by these main drivers.

21 This is a estimate that if you look at is not at
22 this stage a plus or minus, on average. A number of the
23 items that we've undertaken are probably minus 5 percent,
24 plus 15 percent tolerance. On some of them, because of the
25 packages in the Central Valley, the future packages, we

1 would be looking at minus 15 percent to plus 30 percent,
2 because they're in the future.

3
4 So this is a, what I consider a reasonable
5 baseline number. It is not aggressive that it will not
6 have a chance of being achieved and is not over excessive
7 that we've built so much float and number into it that we
8 can easily achieve it. We will have to work hard as an
9 entity to deliver this number and certainly, there are
10 still ongoing challenges. But as you can see from the
11 statement there, we will continuously work to reduce the
12 number. We will take that contingency number of 600
13 million that's been established by taking out what we call
14 "a haircut," a reduction of all the future work packages by
15 reducing it by 10 percent.

16 So we created a contingency by actually targeting
17 lower costs to drive down this budget as best we can.
18 That's it.

19 CHAIRMAN RICHARD: Okay. I think we'll probably
20 have some questions here from the Board, colleagues,
21 questions for Mr. Hill? Director Miller, did?

22 BOARD MEMBER MILLER: Is, can you hear me? I
23 just wanted you to explain for the public that on page --
24 your slide one, the first slide, the 2016 BP total, what
25 that indicates and why it's not applicable for your

1 purposes.

2 MR. HILL: Well, it is relevant in the sense of
3 the 2016 was the Business Plan established at that point.
4 We have taken those numbers, we've done as I said a bottom
5 up, but also a top-down assessment work undertaken to date
6 and come up with a new estimate based on current one,
7 experience, two, performance, three likely outturn costs.
8 We looked at the schedule. We looked at the scope details
9 of what's included. So we have a comprehensive package now
10 of scope, schedule, risk, cost developments and that's
11 where now we come up with the estimate to complete.

12 BOARD MEMBER MILLER: So that number was just a
13 number that was in the Business Plan for that segment. Is
14 that right?

15 MR. HILL: The terminology, just a number, no
16 (indiscernible). You could say yes, yes, yeah.

17 BOARD MEMBER MILLER: Okay. Thank you.

18 CHAIRMAN RICHARD: Okay, other questions?

19 BOARD MEMBER PASKETT: I do. So --

20 CHAIRMAN RICHARD: Pull the microphone close.

21 BOARD MEMBER PASKETT: A little bit better?

22 CHAIRMAN RICHARD: Yes.

23 BOARD MEMBER PASKETT: Mr. Hill, can you restate
24 the method you used to arrive at the contingency? I didn't
25 follow that. You reduced future costs and shifted the cost

1 savings fully forward.

2 MR. HILL: We've got a number of ways of
3 establishing the contingency. We've gone through the
4 scope, the schedules. We've looked at the outturn costs,
5 and we've come up with a number for contingency.

6 We've also looked at the future packages to be
7 delivered and basically said, for all future work in order
8 to be aggressive and to make sure those packages are
9 brought in on, but hopefully below, the current numbers
10 that we have in our plan that we've taken a 10 percent
11 slice across those and created a contingency. So
12 basically, it's a target cost. We've set ourselves and
13 will set ourselves, a target cost for delivering the future
14 work. And in doing so, we've established a contingency pot
15 that will be controlled and only executed under authority,
16 delegation authority.

17 BOARD MEMBER PASKETT: So that's what I thought
18 you said the first time. So I have a follow up question.
19 Given the large projected increase that you're presenting
20 to us today, do you think it makes sense to assume that the
21 costs that we're estimating and project in the future are
22 going to go down?

23 MR. HILL: I think it's -- I would suggest that
24 we must work to reduce those costs as much as we possibly
25 can by putting in a target element. I think that helps us

1 manage aggressively those packages. We will look at --
2 we've taken a number of items of design, value engineering,
3 value management, new solutions, lessons learned,
4 procurement methods, etcetera. I think we have to work
5 very hard, and will to bring those down. I, from my
6 experience, I think if you set a number people work to that
7 number, absolute. And the chances then you have of going
8 over it, where as if we bring in very aggressively a target
9 below, we work hard to achieve that number rather than a
10 higher number.

11 BOARD MEMBER PASKETT: So, thank you. Just one
12 more comment.

13 CHAIRMAN RICHARD: Of course.

14 BOARD MEMBER PASKETT: Okay. So, Mr. Hill, I
15 appreciate you bringing forward this information. Today is
16 the first time I've had a chance to see it, so it's going
17 to take me a little while to digest it.

18 What I would ask of the Chair is that we spend
19 some time to dig in and look at these numbers in the near
20 future to try to have a better understanding of the
21 categories that were presented on these two slides.

22 CHAIRMAN RICHARD: I think that's very
23 appropriate, Director Paskett. And I also think, given our
24 earlier action this morning, this should really be front
25 and center for one of the very first things that the new

1 CEO sinks his teeth into.

2 I also appreciate Mr. Hill saying that this is
3 his best professional estimate, recognizing that there are
4 puts and takes on this. But I think it's always good with
5 the new leadership, to bring a fresh perspective to see
6 what we can do to aggressively manage this, both to make
7 sure that the numbers don't go any higher than this and to
8 drive these numbers down.

9 So I think that your suggestion that the Board
10 delve further into this may be -- I know you've been an
11 advocate of Board workshops or things. When we have the
12 opportunity to really do that we'll go forward with that.

13 Director Miller?

14 BOARD MEMBER MILLER: I just wanted to reiterate
15 that the Board workshop, I know Director Schenk is no
16 longer here, but I believe my colleagues -- we would really
17 benefit by something like that where we spend some time
18 understanding numbers, projections and how you arrived at
19 this with our new CEO on board. So I would look to staff
20 to help us schedule maybe a day long, or the Chair, however
21 that's appropriate.

22 CHAIRMAN RICHARD: I'll work with staff on that.

23 BOARD MEMBER MILLER: Thank you.

24 MR. HILL: We'd be delighted to show you all the
25 backup we have, so.

1 CHAIRMAN RICHARD: All right.

2 Director Camacho?

3 BOARD MEMBER CAMACHO: Roy, realizing you've only
4 you've only been here less than a year, and inherited this,
5 and --

6 BOARD MEMBER ROSSI: Microphone closer.

7 BOARD MEMBER CAMACHO: -- and inherited this, the
8 issue of budget and where we are in terms of progress. The
9 RDP was contracted to build a system on time and within
10 budget and we failed in both regards. Certainly, there are
11 a lot of mitigating circumstances. I understand that. And
12 as a Board Member, with the rest of the Board, we were just
13 informed this, this morning. It's horrifying, when we look
14 at the amount of money that we're going to have to reinvest
15 into this, to make this program work.

16 How do we assure or ensure the public that we're
17 going to do a better job as monitoring, spending their
18 dollars in a way that gives them the biggest bang for their
19 buck?

20 MR. HILL: There are several items I would need
21 to cover on this. One is obviously having this detailed
22 estimate that has detailed scope, detailed schedule,
23 detailed risk analysis, allows us to, and the word I use, a
24 baseline program. You know, you establish information and
25 you manage against that information. And to do that is

1 absolutely essential. I think we have now the level of
2 detail that will be fundamentally what we have to monitor
3 and manage against on a daily, weekly, monthly basis. So
4 that is fundamentally the first step, is to manage against
5 realistic information.

6 We have an amazing amount. I hate to say it,
7 it's a difficult thing to say positively, but we have
8 lessons learned. The right-of-way experience, the third-
9 party agreements that we've had to establish, how we've
10 procured things, the experience we've gained now we must
11 make sure is implemented in every future package going
12 forward. We have implemented stronger management, Joe
13 Cazares, who is here to present the next item. We have
14 brought in at least six new senior managers into the
15 construction arm, and now are bringing in more people to
16 manage construction. And that is a joint effort between
17 ourselves, and the Authority, etcetera.

18 We are also looking at how we have better
19 approvals, governance, how we sign off design variations,
20 ATCs. And as you know, from other support papers that
21 we're looking at, we're looking at whole management process
22 from design-build contractor right through to ourselves and
23 how we sign things off.

24 So there is not one single thing. And if I could
25 sit here and say or stand here and say, "Look, this is it.

1 There's the panacea. This is it. This will be great," I
2 would give that to you gladly. Unfortunately, as I said
3 earlier, there is a lot of items we have to address. The
4 governance, the organization, which we've taken in place
5 with the control, the Program Delivery Committee, the
6 Business Oversight Committee, is that start of that journey
7 going forward to maturity.

8 So I look at it now and say, "I am far, far more
9 comfortable and confident that we are putting steps in
10 place to manage the budgets, schedules, going forward."

11 BOARD MEMBER CAMACHO: I think the Board for this
12 -- if we have this retreat, we'll review how we do business
13 and how we manage these projects better. And even to the
14 extent who we have managing them.

15 MR. HILL: Yes.

16 BOARD MEMBER CAMACHO: I'm in this -- I'm in the
17 construction industry and I realize that if we don't get
18 the desired results by the way we're doing things, we have
19 to do something different. And I want you to really think
20 about that, because we owe a fiduciary responsibility to
21 the state, to the general public, to ourselves to do a
22 better job.

23 MR. HILL: Yeah, and part of the process we've
24 done to identify the cost estimate we, even in the Central
25 Valley, has been to identify those improvements and whether

1 it's organization, whether it's process, whether it's
2 design, design-specification levels, etcetera, that's what
3 we've addressed.

4 BOARD MEMBER CAMACHO: Thank you, Mr. Chairman.

5 CHAIRMAN RICHARD: Thank you, Director.

6 Other questions or comments for Mr. Hill?

7 Seeing none let me just turn to a couple, myself.

8 In addition to this, obviously we need to look at how these
9 cost increases go through to the rest of the system. I
10 think we're doing that as part of the Business Plan work.
11 Is that your -- that's your understanding, Mr. Hill?

12 MR. HILL: That's correct, yes. We're looking at
13 costs for the whole program.

14 CHAIRMAN RICHARD: Okay. So let me just make a
15 couple of remarks here.

16 First of all, obviously we would prefer a
17 different assessment at this point, but our first
18 responsibility is to -- the first responsibility of the
19 staff to this Board, and our first responsibility to the
20 public, is to be transparent and forthright about where we
21 see things. So Mr. Hill, we brought you in from your
22 experience building high-speed rail in the UK. I think
23 you've been an extremely positive addition to the
24 organization. And frankly, this baseline assessment was
25 something that probably should have been done all along.

1 So I'm glad we're doing it now.

2 Without commenting on the numbers themselves,
3 because I think my colleagues have pointed out that the
4 Board wants the opportunity to delve further into the
5 methodologies and the assumptions that went into these
6 numbers, and that's appropriate. But just saying in
7 general, on the good news side I guess or on the positive
8 side, I don't think it's good news, on the positive side
9 from what you're saying some two-thirds of these cost
10 drivers were risk factors that we identified in 2016 in our
11 report to the Legislature.

12 Now, on the not positive side, we didn't
13 accurately forecast what the magnitude of those risk
14 factors was going to be. But I think we clearly had them
15 in our sights, that these were things that were
16 problematic.

17 Right-of-way acquisition, both because of the
18 pressure to get the project underway because of the
19 statutory deadline for stimulus money funding, litigation
20 that in fact did have the damaging effect of forcing us to
21 go back and redo 500 appraisals, so right-of-way has
22 continued to be a problem. But I think as we look to the
23 future, we're not going to start segments without having
24 right-of-way in hand. So that is, as you said, a lesson
25 learned, or maybe a situation that we found ourselves in

1 that we really couldn't do much about.

2 Alignment issues that trigger the need for
3 railroad intrusion barriers, I mean I think these are
4 lessons learned of things that we can do something about.
5 And frankly, we need to get our arms around this third
6 party and utility relocation issue, because that is
7 something that is going to exist across the entire project.
8 Any place we build, there are going to be utilities and so
9 forth. But I do think that we have learned that even some
10 things that look like attractive alternatives, the
11 alternative technical concepts for example in CP2-3, had
12 implications for utility relocation that perhaps were not
13 fully thought through and understood.

14 So look, the numbers are going to be what the
15 numbers are going to be. I think that we've got to
16 continue to actively manage this program. Actually, let me
17 amend that. We've got to enhance active management of this
18 program. We are moving into the new year with a new
19 leadership team. And I think that will be important as we
20 do that. And it'll be important for us to more fully
21 understand these numbers.

22 This is a very big and complex project. I think
23 the public probably understands that there are going to be
24 times like this where we have to come in and say some
25 things are difficult. What they want to see from us is

1 both honesty, and our absolute commitment to managing this
2 thing to protect every dollar that we can.

3 So yes, we'll head into the new year with that.

4 With that --

5 BOARD MEMBER PASKETT: Mr. Chairman?

6 CHAIRMAN RICHARD: Yes, Ms. Paskett?

7 BOARD MEMBER PASKETT: Delayed reaction.

8 CHAIRMAN RICHARD: You have a delayed reaction?

9 BOARD MEMBER PASKETT: It happens rarely, may I
10 ask one more question first?

11 CHAIRMAN RICHARD: Yes. Of course, please.

12 BOARD MEMBER PASKETT: Okay. Mr. Hill, the --
13 there were these risks that represent 62 percent of the
14 increase. What's the remainder of that? What's the other
15 one billion?

16 MR. HILL: A number of those include probably the
17 biggest one that's beyond that now is the tracking system
18 increases. That's on the first slide. They're probably
19 the area that we need to yeah, address. But that's caused
20 the --

21 BOARD MEMBER PASKETT: So the largest one for
22 you?

23 MR. HILL: And that's basically, we've looked at
24 benchmarking the outturn of other high-speed rail costs,
25 program costs, and looked at it and those two items have

1 gone up. So that's probably the bulk of the next level.

2 BOARD MEMBER PASKETT: Okay. Okay, so as I
3 listened to the conversation I -- and then internalizing
4 these numbers -- would say that there are numbers that are
5 being presented to us today and they were risks that were
6 identified. But I would hope that there would be
7 mitigation plans presented for those risks going forward,
8 and not that just we -- that we accept an increase knowing
9 there were risks. I think that's irresponsible. And sort
10 of wait to see if there's an opportunity to bring this
11 number down.

12 MR. HILL: We will work to bring this number
13 down, aggressively. That is what we've got to do.

14 The risk, there are certainly with the packages
15 that going forward we will learn the process of making sure
16 that we don't repeat the assumptions, perhaps we made. I
17 think in fairness, if asked, was it estimates that were the
18 issue or was it the fact that actually things happened?
19 And believe it or not, a lot of bad things happened and
20 cumulatively, this has caused the problem. Right-of-way,
21 the third parties, the railroad, the worst case scenario
22 has happened, probably the decision taken on how to
23 approach it. And that's what we need to learn more than
24 the items.

25 BOARD MEMBER PASKETT: Right. And you're

1 committed to looking at mitigation strategies --

2 MR. HILL: Yes, absolutely. We --

3 BOARD MEMBER PASKETT: -- for those worst case
4 scenarios?

5 MR. HILL: Absolutely. We've got a whole list of
6 detailed mitigations, how we're addressing things, how we
7 can reduce things, going forward. Yes.

8 BOARD MEMBER PASKETT: Thank you.

9 CHAIRMAN RICHARD: Yeah, I would just close on
10 this, based on what Director Paskett just said. Listening
11 to her, I mean it seems to me that what we need to
12 articulate to the public is that there will be a budget for
13 this program. The budget will be based on our realistic
14 assessment of things that it could cost. But then there
15 will be a target which will be below the budget of what
16 we're going to try to drive to.

17 So on the one hand, we're being honest and open
18 about what it could be. And on the other, our
19 responsibility is to do everything we can to manage to a
20 target that's below that. And I think if that's how we
21 approach this program, that that's the appropriate way.

22 MR. HILL: And, you know, and again from my
23 experience one day we will unfortunately have a major
24 increase in cost on one item. We will discover it. It's
25 what I call the funnel of things happening. Hopefully, the

1 next day we will drive a major cost saving. And these will
2 level out at the right level see, that we've now
3 established. This is where I genuinely believe we're at
4 the point now of being able to have major hits if they
5 occur. They will occur on this program. I always say
6 until two years after the contract's finished we will get
7 that variation. But we'll drive down these items, these
8 cost factors, to reduce it to the minimum. Yes.

9 BOARD MEMBER CAMACHO: So the next meeting you'll
10 have a \$2 billion savings? (Laughter).

11 MR. HILL: I'll be here if we do.

12 CHAIRMAN RICHARD: As long as the next meeting --

13 MR. HILL: Yes, I look to it, exactly.

14 CHAIRMAN RICHARD: As long as the next meeting is
15 far enough in the future.

16 MR. HILL: That's right, yeah.

17 CHAIRMAN RICHARD: Okay. Thank you, Mr. Hill.

18 MR. HILL: Thank you.

19 CHAIRMAN RICHARD: And Mr. Hill, I know that you
20 had a number of staff people who worked with you on this.
21 And so for better or for worse, convey our thanks to them
22 for a lot of hard work.

23 MR. HILL: It was certainly a team effort. Thank
24 you.

25 CHAIRMAN RICHARD: And then I'm -- Mr. Cazares,

1 I'm going to suggest that given some of the questions that
2 came from the Board about getting a deeper look, a deeper
3 dive into some of this, that we hold off on the specific
4 contract amendment today and roll that over to the next
5 month, as part of that bigger conversation.

6 Okay, item three. Ms. Cederoth, the
7 Sustainability Report. And I know this is important, but
8 in terms of human sustainability (laughter), if you can
9 keep it short.

10 MS. CEDEROTH: Of course, yes. Nope, yes I think
11 this is very different than the discussions that have gone
12 on today, but I do appreciate the opportunity to address
13 the Board and focus on our progress against sustainability,
14 because we've achieved some very positive results that I'd
15 like the Board to appreciate as its reflection of your
16 leadership on this topic.

17 So, we of course, live in a state where public
18 policy is grounded in the ethic of meeting the needs of
19 today's society without sacrificing the ability of future
20 generations to enjoy that same quality of life, the
21 definition of sustainability. We know that this high-speed
22 rail system is a large, complex project that requires
23 substantial dedication of assets. And the leadership of
24 the Board has meant that as we use these critical assets,
25 we also deliver social, environmental and financial

1 benefits back to the citizens of California. This is a
2 part of our duty as an agency, meeting the regulatory
3 policy and statutory mandates of the state, but it's also
4 inherent in our DNA as illustrated by our Prop 1A. And, of
5 course, crucially the system can incentivize the compact
6 growth patterns that are necessary to protect the state's
7 agricultural lands and ecosystems. And then move that, as
8 necessary, to achieve the state's ambitious climate targets.

9 So as you know, we have been implementing
10 sustainability practices across the program for the past
11 several years. This annual report is an opportunity to
12 illustrate our progress. We arrange the report across the
13 five key areas of sustainability and this is an opportunity
14 to update progress to the Board and our larger, external
15 community toward our key industry-leading commitments that
16 are illustrated here. And that I'll talk about in detail,
17 today.

18 These are indicators, of course, that are of high
19 interest to our internal and external stakeholders and we
20 use a global reporting initiative standard, the GRI G4
21 Standard, which is the most common sustainability standard,
22 reporting standard.

23 These are a sampling of the environmental,
24 social, and governance indicators that are reviewed in
25 detail in the report. And I'll go into more detail on the

1 remaining slides on these.

2 So, of course, you are familiar with this graphic
3 from other presentations. It illustrates the construction
4 net greenhouse gas emissions and criteria air pollutants
5 boundary. Of course, our first philosophy is to minimize
6 the emissions we produce through a number of practices.
7 And we've identified renewable diesel as a commonly
8 available, and widely available and now commonly used fuel.
9 It's use by Caltrans, it's also used by the City of
10 Sacramento and the City of Oakland as well as other cities
11 in the state. It's an approach that can reduce greenhouse
12 gas emissions by 60 percent. And it will be required on
13 future contracts as we move forward.

14 We, of course, have required the use of Tier 4
15 equipment since the beginning of construction. This has a
16 tremendous positive benefit on criteria air pollutants,
17 which we'll look at in detail in a moment. But it also
18 diminishes the production of PM2.5, part of which is black
19 carbon, which is one of the short-lived climate pollutants.
20 And so by using Tier 4 equipment we're able to mitigate the
21 production of those short-lived climate pollutants as well.

22 And then, of course, there's offsetting. CAL
23 FIRE has executed its first two contracts for urban tree-
24 planting, which will focus in part on disadvantaged
25 communities in the Central Valley and near our alignment.

1 So the Authority has worked very closely with ARB
2 to develop forecasting methods for our greenhouse gas
3 emissions total to demonstrate how the system contributes
4 to both AB 32 and SB 32 targets. We see that we should
5 contribute about 58 to 72 million metric tons of carbon
6 dioxide reductions, over the first 50 years of operations
7 of the train. I know it's difficult to appreciate the
8 context of that in the context of global climate change.
9 And so, I'd like you to understand that within the context
10 of California's climate investments, the investments of
11 funds associated with Cap and Trade proceeds, the high-
12 speed rail system alone contributes four times as many as
13 all other total climate investments combined. So we are a
14 significant investment, but we are also -- we achieve
15 significant results for the state on this context.

16 And not just in the future, but currently the use
17 of Tier 4 equipment means that our construction site is
18 about 50 to 60 percent cleaner than your average California
19 construction site in terms of these criteria pollutants
20 that have a human health effect.

21 And this, of course, is taking place in areas of
22 the state, which are suffering from environmental, social
23 and economic hardship. These are disadvantaged communities
24 as identified by the State of California. And this is
25 where we've already offset a thousand lifetime tons of

1 criteria air pollutants through our agreement with the San
2 Joaquin Air District. It's also where crucially, our
3 economic team has illustrated that we're spending -- we
4 have spent 52 percent of the project expenditure to date in
5 these disadvantaged communities.

6 These are communities that are in need of
7 investment and economic opportunity, and this is manifest
8 most clearly of course, in the context of jobs. And the
9 jobs to date have been very positive in terms of turning
10 around some of these areas, which had not seen the kind of
11 recovery from the '08 economic downturn.

12 Now, we've seen actually a very positive result
13 when it comes to our construction.

14 To date, reporting has shown that the project has
15 recycled 99 percent of all construction materials. That's
16 over 87,000 tons of material and it's 100 percent of the
17 concrete and steel that comes out of this construction
18 site. That means we've kept this out of landfills and have
19 returned that to the use stream to be reused in our
20 construction site or other construction sites. This is a
21 unique result for infrastructure projects in the state.
22 And you should take a sense of pride in actually having
23 required this of contractors and seen that result from our
24 contracts to date.

25 In addition, over the past year we have relied on

1 the expertise of the California Energy Commission, to
2 understand the rapidly evolving policy and regulatory
3 contexts for renewable energy. Their staff have pointed to
4 possibilities of emerging technologies for peak shading and
5 energy storing techniques that we could deploy on the
6 system to manage our energy. And we'll be moving ahead
7 with modeling the system demand more dynamically, to
8 understand the opportunities that these emerging
9 technologies have on our system.

10 We've also taken several concrete steps on the
11 subject of net zero energy stations. We have, of course,
12 been developing a robust set of owners' project
13 requirements in order to meet these net zero energy
14 targets. But we've also taken the opportunity to
15 incorporate climate change data into our energy analysis to
16 understand that we can still meet net zero energy targets
17 in this new normal that we are seeing emerging, due to the
18 climate change.

19 In addition, we've used a life cycle analysis
20 tool to explore the net benefits to our system, to riders
21 and to the community associated with these sustainability
22 approaches.

23 And finally, as we talked about in our December
24 Transit and Land Use Committee, as part of the vision work
25 undertaken for the system, we took a very close look at how

1 best to incorporate photovoltaics into our canopy, which is
2 a critical analysis for understanding how much energy we
3 can produce onsite.

4 Governor Brown, of course, has provided global
5 and national leadership on the topic of mitigating climate
6 change. He is also very quick to point out that we do live
7 in a new normal and need to look at adaptation techniques
8 in order to accommodate the changing conditions that
9 climate change is presenting to us. So, over the past few
10 years, we of course have been analyzing the exposure of the
11 system to various climate threats.

12 We've been actively participating in state
13 climate action committees as well as participating in the
14 development of technical guidance, which you see
15 illustrated here. Later this afternoon, if we have the
16 opportunity, at the Transit and Land Use Committee --

17 CHAIRMAN RICHARD: Which we may not. It depends
18 on --

19 MS. CEDEROTH: -- which we may not. Well --

20 CHAIRMAN RICHARD: -- sustainability.

21 MS. CEDEROTH: In terms of sustain -- you are
22 missing a very good presentation by Nuin-Tara Key.

23 CHAIRMAN RICHARD: Okay. We'll see.

24 MS. CEDEROTH: -- from the Governor's Office of
25 Planning and Research. But I think the key take away for

1 you is that staff is moving forward with a working group to
2 analyze adaptation practices that we can incorporate into
3 the system.

4 So you're familiar with this graphic. Various
5 iterations of this graphic, it illustrates our whole life
6 carbon boundary. Of course, we tend to focus on the
7 positive outcomes that come to pass in terms of emission
8 savings to come, as well as our progress towards our net
9 zero energy commitment. But this is also a helpful tool
10 for illustrating areas where the Authority can exert its
11 influence to improve outcomes, such as in the supply chain.
12 And in 2016, the Board of course, directed staff to take a
13 very close look at the supply chain to identify the means
14 for improving the environmental characteristics of our
15 materials.

16 We've long understood the influence of concrete
17 and steel on this boundary. And so we require contractors
18 to -- beginning with CP4 to submit to us their
19 environmental declarations disclosure documents. And with
20 the adoption of AB 262 in 2016, this is a practice that
21 will now be much more common among infrastructure projects
22 in the State of California.

23 The modeling work has validated our assumption to
24 focus on concrete and steel. And we will update this work
25 with the 2018 Business Plan information, and work closely

1 with engineering and procurement staff to refine
2 requirements in future contracts to move towards better
3 outcomes.

4 And the project, of course, is already seeing
5 innovation in this space. I'm sure you're familiar with
6 our concrete supplier for CP1, Outback Materials, who has
7 been studying the use of CarbonCure, a technique that takes
8 sequestered carbon and uses it in the concrete, which
9 further diminishes the use of cement. And so, of course,
10 has a positive influence on carbon from construction.

11 Now, for the past two years, we've participated
12 in a baselining, a benchmarking exercise, the GRESB
13 infrastructure benchmarking exercise. This is an activity
14 using a third-party assessment technique that was developed
15 at the behest of global institutional investors. It
16 analyzes not just financial, your kind of classic financial
17 indicators that we typically use for major infrastructure
18 projects, but also looks at environmental, social and
19 governance indicators to evaluate asset performance against
20 those.

21 All results are remarkably good. We were 15th of
22 all projects, globally. And again we were the top
23 infrastructure project in North America. So these results
24 are a reflection of the leadership of the Board on these
25 policy issues, and a reflection of the hard work that

1 everyone -- delivering the project.

2 So I'd be happy to answer questions, although I
3 know it's been a very long day.

4 CHAIRMAN RICHARD: Well, I'd just like to make a
5 couple comments quickly, before I turn to my Board Members.
6 The first is I want to thank you for this presentation. I
7 thought it was excellent. I want to thank you for your
8 leadership, and your hard work, which has directly resulted
9 in the scores that you just showed there.

10 And I also just wanted to come back to one point,
11 to emphasize it, that you made when you were talking about
12 the results on this chart, of the net zero emissions from
13 GHG and criteria air pollutants. I'm not an air quality
14 expert, but I know a little bit. And we tend to focus on
15 greenhouse gas emissions, because that's the threat to the
16 planet at this point. But as you noted, the Legislature in
17 reauthorizing the Cap in Trade Program, wanted to make sure
18 that there was a specific focus on a portion of those
19 dollars being aimed at disadvantaged communities, because
20 often what creates greenhouse gas emissions also creates
21 local criteria pollutants. And those are particularly
22 sensitive communities.

23 And on the avoiding black carbon, you mentioned
24 that that's PM2.5s and I just wanted to emphasize that. My
25 understanding is those are particularly deleterious in

1 terms of brain cancers for children and things that are
2 very bad, and that show up in particularly disadvantaged
3 communities near those kinds of construction sites. And so
4 not only do the Tier 4 diesel help us in terms of avoiding
5 black carbon, as a greenhouse gas pollutant, but also has
6 some I think incredibly important benefits for a community
7 in the Central Valley where one out of every five children
8 has asthma. And so this is something that I feel very
9 strongly about.

10 Director Camacho, I know this has been a
11 particular interest of the Senate Leader, to make sure that
12 greenhouse gas emission control dollars were also having
13 these effects on improving air quality in local
14 communities. So I just wanted to make sure we emphasize
15 that as well.

16 MS. CEDEROTH: Yes.

17 CHAIRMAN RICHARD: With that, let me turn to my
18 Board Members. We have somebody who used to serve as Chief
19 Sustainability Officer for LADWP, so does she want to ask
20 any questions?

21 BOARD MEMBER PASKETT: She does.

22 CHAIRMAN RICHARD: Okay. Good.

23 BOARD MEMBER PASKETT: I actually don't have any
24 questions, but wow, this is fantastic. This is so much
25 more advanced and thorough and comprehensive than two years

1 ago.

2 CHAIRMAN RICHARD: Yeah.

3 BOARD MEMBER PASKETT: I am so impressed with
4 this presentation. And it's --

5 CHAIRMAN RICHARD: And it's going to lead all the
6 news stories tomorrow. (Laughter).

7 BOARD MEMBER PASKETT: I was just going to say
8 after that really bad news that we got, I understand now
9 why the Chair put this at the end. So thank you, because
10 it seems like you put a lot of time and energy not only
11 into this presentation, it's one of the best I've seen as a
12 Board Member --

13 CHAIRMAN RICHARD: It's an excellent
14 presentation.

15 BOARD MEMBER PASKETT: -- but in to developing
16 the programs. This is fantastic. Dan and I tend to focus
17 on the same things, which is the energy components.

18 Just one suggestion? When you look at the net
19 zero energy and you look at the storage and you look at
20 integrating the photovoltaics, look beyond the Energy
21 Commission. There's a body of work that's been done at the
22 CAISO that's fantastic. And there's also a very
23 progressive forward thinking body of work at NREL in
24 Colorado, that's gone beyond what California's done under
25 the last administration and continues with this

1 administration. So I would just encourage you to rip off
2 their work matter or work product.

3 But thank you. This is a really nice
4 presentation.

5 MS. CEDEROTH: Well, thank you very much. I
6 appreciate that feedback. And yes, NREL was a partner back
7 in 2012, who helped develop our initial strategic energy
8 plan. So it certainly would be good to revisit that with
9 them as well in the future.

10 CHAIRMAN RICHARD: Other questions, comments?
11 Director Camacho?

12 BOARD MEMBER CAMACHO: Just real quickly, I don't
13 want to belabor this, but one of the slides you mentioned
14 there was the benefits to California communities; 52
15 percent of the project expenditure occurred in designated
16 disadvantaged communities throughout California thus
17 spurring economic activity in these areas. What do you
18 mean by that?

19 MS. CEDEROTH: So this is an analysis undertaken
20 by the economic team, the sort of data analytics team
21 headed by Boris Lipkin who is seated there. And what it
22 did was to analyze the investments. This was an exercise
23 they undertook as they were analyzing the fiscal impact and
24 economic impact of the system. So California has
25 identified specific geographic locations that are

1 disadvantaged communities. It's a very specific mapping
2 exercise they undertake. It looks at indicators as I
3 mentioned: economic, and environmental, and social
4 indicators. And so their analysis actually examined where
5 that investment went physically in terms of locations of
6 businesses, the physical location of our construction
7 projects. And so in aggregate they determined that about
8 52 percent of it had gone into those communities.

9 BOARD MEMBER CAMACHO: Well, the -- as I look at
10 the map, most of this, the numbers or at least the
11 asterisks that you have there, are located in Southern
12 California. Most of the construction activity is happening
13 in Central California.

14 MS. CEDEROTH: Uh-huh.

15 BOARD MEMBER CAMACHO: So I would just like to
16 get more information on the locations of those in Southern
17 California that are being impacted.

18 And secondly, you have adjacent to that, 96 of
19 417 small businesses are under contract located in the
20 disadvantaged communities. The same reference, I'd like to
21 get more information about those that are being impacted.

22 MS. CEDEROTH: Yes, we'd be happy to get you more
23 details about our small businesses, their locations, and
24 that (indiscernible).

25 BOARD MEMBER CAMACHO: Yeah. But once again, the

1 activity is Central, most of the construction activity is
2 in Central California, most of these that you have listed
3 here are -- it appears to be at least in Southern
4 California. And I'd just like to get more information
5 about that.

6 MS. CEDEROTH: Of course.

7 BOARD MEMBER CAMACHO: Thank you.

8 MS. CEDEROTH: Uh-huh.

9 BOARD MEMBER CAMACHO: Thank you, Mr. Chairman.

10 CHAIRMAN RICHARD: Thank you.

11 I think with no other questions we'll just say
12 one more time, excellent presentation, Meg. And excellent
13 work, thank you.

14 MS. CEDEROTH: Great, thank you.

15 CHAIRMAN RICHARD: Okay. We've come to the end
16 of the agenda. There is a Transit Land Use Committee
17 meeting scheduled today and I think what I'd like to do,
18 frankly some of us need a little bit of break, so I'd like
19 to push that if we can. And I'll confer with the staff, so
20 hopefully we don't blow out people who are going to
21 present, but if we could push that to like 3:30 or
22 something, 3:30 that would give us a chance to get some
23 lunch. And I don't drink during lunch despite these
24 proceedings (laughter).

25 BOARD MEMBER PASKETT: Dan, can I --

1 CHAIRMAN RICHARD: Yeah?

2 BOARD MEMBER PASKETT: -- before we close, I know
3 you've already said this, but I personally want to thank
4 Tom Fellenz. We've been in a transition for longer than we
5 expected and you probably have been pinch-hitting for us
6 for longer than you wanted. But I'm so grateful to have
7 had you in that position during this time, so thanks for
8 everything you've done.

9 MR. FELLEENZ: You're welcome. It's been a
10 pleasure, truly. It really has been.

11 CHAIRMAN RICHARD: Well, and he goes back to
12 being Chief Counsel and Counsel in every sense of the word,
13 which is good.

14 Actually colleagues I just realized one more
15 thing I wanted to do just as we adjourn, and I know that
16 this -- we didn't have a Board meeting in December, so we
17 could have done it, but we recently lost both a great civic
18 leader and a great advocate for high-speed rail in Mayor Ed
19 Lee of San Francisco. And every interaction we had with
20 him, he brought his optimism and enthusiasm and so forth.
21 And I just -- I think we should adjourn today's meeting in
22 the memory of Mayor Ed Lee, the former Mayor of San
23 Francisco, and convey to his family our sympathy.

24 So with that, our Board meeting will be
25 adjourned. Thank you.

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(Having no further business, Chairman Dan Richards
adjourned the Board Meeting at 1:15 p.m.)

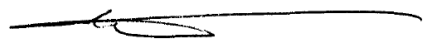
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