

CALIFORNIA HIGH-SPEED RAIL AUTHORITY

BOARD MEETING

TRANSCRIPT OF PROCEEDINGS

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

TUESDAY, MARCH 20, 2018

10:00 A.M.

Reported by:
Gigi Lastra

APPEARANCESBOARD MEMBERS

Dan Richard, Chairman

Tom Richards, Vice Chair

Lynn Schenk

Lorraine Paskett

Mike Rossi (Absent)

Daniel Curtin

Nancy Miller (Absent)

Bonnie Lowenthal

Ernest Camacho

EX OFFICIO BOARD MEMBERS

Assemblymember, Dr. Joaquin Arambula (Absent)

Senator, Jim Beall (Absent)

STAFF

Brian Kelly, Chief Executive Officer

Krista Jensen, Board Secretary

Joseph Hedges, Chief Operating Officer

Pam Mizukami, Chief Deputy Director

Jeannie Jones, Chief Administrative Officer

Terry Ogle, Director of Design and Construction and Interim
Director of Infrastructure Delivery

APPEARANCES (Cont.)

STAFF (Cont.)

Scott Jarvis, Chief Engineer

Tom Fellenz, Chief Counsel

PRESENTERS:

Brian P. Kelly, Chief Executive Officer

Terry Ogle, Director of Design and Construction and Interim
Director of Infrastructure Delivery

Scott Jarvis, Chief Engineer

PUBLIC COMMENT

Mike Murphy, Mayor, City of Merced

Steve Roberts, Rail Passenger Association of California

Ted Hart, Self

Lisa Larrabee, Wong/Harris JV

Roland Lebrun, Self

Ivor Samson, Bakersfield Homeless Center

Ivor Samson, Fresno Rescue Mission

Lee Ann Eager, Fresno County EDC

Chuck Riojas, Building Trades

Jim Schmidt, Self

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P R O C E E D I N G S

9:03 a.m.

PROCEEDINGS BEGIN AT 9:03 A.M.

SACRAMENTO, CALIFORNIA, TUESDAY, MARCH 20, 2018

VICE CHAIR RICHARDS: The 2018 meeting of the California High-Speed Rail Authority Board is brought to order. We are immediately going to go into closed session. After closed session we'll come back and continue the public portion of today's meeting and report any actions taken in closed session. Thank you.

(The Board convened into Closed Session at 9:03 a.m.)

(The Board reconvened out of Closed Session at 10:11 a.m.)

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

DIRECTOR SHENK: No Response.

CHAIR RICHARD: She is here, so.

MS. JENSEN: Vice Chair Richards?

VICE CHAIR RICHARDS: Here.

MS. JENSEN: Director Rossi?

BOARD MEMBER ROSSI: (Absent).

MS. JENSEN: Director Curtin?

DIRECTOR CURTIN: Here.

MS. JENSEN: Director Paskett?

1 BOARD MEMBER PASKETT: Here.

2 MS. JENSEN: Director Lowenthal?

3 BOARD MEMBER LOWENTHAL: Here.

4 MR. JENSEN: Director Camacho?

5 BOARD MEMBER CAMACHO: Here.

6 MS. JENSEN: Director Miller?

7 BOARD MEMBER MILLER: (Absent).

8 MS. JENSEN: Senator Beall?

9 EX OFFICIO BOARD MEMBER BEALL: (Absent).

10 MS. JENSEN: Assemblymember Arambula?

11 EX OFFICIO BOARD MEMBER ARAMBULA: (Absent).

12 MS. JENSEN: Chair Richard?

13 CHAIRMAN RICHARD: I'm here.

14 Okay.

15 BOARD MEMBER SCHENK: And I'm here.

16 CHAIRMAN RICHARD: And I'm sorry, Director Schenk

17 is here.

18 Director Camacho, would you please lead us in the

19 Pledge of Allegiance today?

20 (The Pledge of Allegiance is made.)

21 CHAIRMAN RICHARD: Okay. We'll move first to

22 public comment and I see no comment cards -- actually,

23 that's not quite true. We start public officials, elected

24 officials and so forth, and so we'll begin with Mike

25 Murphy, the Mayor of Merced. And then proceed in the order

1 in which I receive the cards after that.

2 So Mr. Mayor, good morning.

3 MAYOR MURPHY: Good morning. Good morning to the
4 Board and to staff. I'm Mike Murphy, the Mayor of Merced.
5 Merced would like to take the opportunity today to reaffirm
6 our strong support for the California High-Speed Rail
7 Project. I'm pleased you have consistently made clear that
8 connecting Merced is a priority. As you know, Merced
9 stands to gain so much from increased connectivity.
10 Connecting Merced will allow us to shape our growth and
11 quality of life through a strengthening and diverse
12 economy. We also believe that California will benefit from
13 connecting Merced sooner rather than later.

14 In addition to offering much-needed housing as
15 well as access to a quality workforce, and a first-rate
16 university in Merced, we can increase high-speed rail
17 ridership given the ACE expansion plans to Merced. These
18 numbers could be significant and I encourage us all to
19 further analyze increased ridership resulting from ACE
20 expansion.

21 Finally, connecting Merced provides you, the
22 Authority, the opportunity to fully consider siting the
23 heavy maintenance facility in Merced. Merced has made
24 clear our desire to compete for the heavy maintenance
25 facility. Siting the heavy maintenance facility in Merced

1 will achieve all of your project goals and cost far less
2 than doing so in more impacted areas of the Central Valley.
3 Connecting high-speed rail to Merced is mutually beneficial
4 to Merced, and to our state. And this relationship serves
5 as the basis of our strong working relationship.

6 I would like to extend my sincere thanks to
7 Chairman Richard, members of the Board and the California
8 High-Speed Rail executives and staff for our partnership.
9 And look forward to our continued collaboration. Thank
10 you.

11 CHAIRMAN RICHARD: Thank you, Mayor.

12 Before we go to our next speaker, I should have
13 clarified one thing, which is that while we always have a
14 public comment period at the beginning of our High-Speed
15 Rail Board meetings. We also, this public comment period
16 today, is also serving as part of the public comment
17 process on our 2018 Business Plan. The Draft 2018 Business
18 Plan was issued on March 9th. And Mayor, if it's all
19 right, I'd like to make sure that your comments are
20 incorporated as part of the record of public comment on the
21 Draft 2018 Business Plan. I think that's what you
22 intended.

23 MAYOR MURPHY: Yeah. I appreciate that. Thank
24 you, Chairman.

25 CHAIRMAN RICHARD: Thank you, very much. And we

1 will be having other public comment periods at future Board
2 meetings, which will exceed the minimum requirements under
3 the statute. But we'd like to afford the public the
4 maximum opportunity to participate in this Business
5 Planning process.

6 So with that, I'll move through to the next
7 speakers. Next is Steve Roberts from the Rail Passenger
8 Association of California. He'll be followed by Ted Hart
9 and then Lisa Larrabee.

10 MR. ROBERTS: Good morning.

11 CHAIRMAN RICHARD: Good morning.

12 MR. ROBERTS: My name is Steve Roberts and I'm
13 speaking on behalf of the Rail Passenger Association of
14 California. Thank you for the opportunity to address you.

15 First, we compliment the Authority on its
16 straightforward presentation of the project's current
17 status that you've reflected in the updated Business Plan.
18 Despite the challenges outlined, RailPAC continues to
19 strongly support this project.

20 RailPAC believes that the High-Speed Rail
21 continues to be the best value in increased mobility in
22 California. Our Board Members noted the reality is that
23 any other alternative would face the same challenges in
24 inflation, litigation, right-of-way issues that as the
25 current project and the No-Build/Modal Alternative is not a

1 viable alternative. That said, RailPAC feels the Authority
2 must ensure that something of benefit and transformational
3 is built in Southern California.

4 That key project is noted in the Business Plan as
5 L.A. Union Station run-through tracks, Link US. This
6 project will transform commuter rail in Southern
7 California. However, RailPAC is concerned that L.A. Metro
8 not only does -- isn't a champion of the project, but is
9 showing signs of gold-plating it, focusing on retail, and
10 eventually making Link US unaffordable. At which point
11 they will try to spend the MOUs on other bright, shiny
12 objects. This must not happen. RailPAC asks the Authority
13 and the Board to assist RailPAC in championing Link US.

14 Finally, RailPAC believes the Authority should
15 establish a stretch goal of outlining a funding plan to
16 close the gap between Chowchilla and Gilroy by this time
17 next year. Without this RailPAC fears the confidence in
18 the project and its public support will suffer significant
19 erosion. Thank you.

20 CHAIRMAN RICHARD: Thank you very much, sir.

21 Ted Hart followed by Lisa Larrabee followed by
22 Roland Lebrun.

23 Good morning, Mr. Hart.

24 MR. HART: Good morning. I would be commenting
25 on the 2018 Draft Business Plan. The Plan opens with a

1 letter from CEO Brian Kelly and, "Ten years ago when the
2 state went to the polls to decide whether the system
3 would," -- excuse me, my glasses are a little fogged up
4 here -- "to decide whether the state should build a high-
5 speed rail system, they voted yes. They did so, because
6 they recognized that an environmentally clean, fast and
7 efficient high-speed rail system would," and then etcetera,
8 etcetera.

9 Fifty-one percent voted yes, but you failed to
10 acknowledge what they voted for is not what they got.
11 Millions of voters consulted the *2008 Voter Information*
12 *Guide* before making a decision. Voting yes, the voters
13 authorized 9.95 billion in funds to construct an 800-mile
14 statewide rail system to cost about \$45 billion with the
15 balance from the feds, private investors and others. A yes
16 established an agreement between the voter and high-speed
17 rail, an agreement which the High-Speed Rail Authority has
18 broken.

19 In 2018, ten years later, these costs increased
20 to an unbelievable \$120 billion for an entire statewide
21 rail system and there's no evidence of outside funding to
22 complete the project. This amounts to approximately \$3,000
23 for every man, woman and child in the state and would cost
24 a family of four approximately \$12,000 for the right to
25 then buy a ticket to ride on the train.

1 I stood before this Board in 2009, 2012, 2014 and
2 2016, and brought up these same concerns regarding the
3 costs and funding. Those concerns have never been
4 addressed. Why not? Those yes voters deserve
5 transparency. They need the weigh-in on an outcome for
6 which they did not vote yes.

7 And following Brian Kelly's recent statements
8 regarding complete transparency I request the following
9 sentence be placed in the front of the 2018 Business Plan.
10 "The cost of the 800-mile statewide rail system is now
11 estimated to be about \$120 billion. And we are unable to
12 identify the sources of funding necessary to complete this
13 project."

14 My reason for this request is that all 106 pages
15 of the 2018 Business Plan are irrelevant until this
16 statement is addressed. Thank you for your time.

17 CHAIRMAN RICHARD: Thank you, Mr. Hart.

18 Lisa Larrabee followed by Roland Lebrun and then
19 Ivor Samson.

20 Good morning, Ms. Larrabee.

21 MS. LARRABEE: Good morning. I'm Lisa Larrabee,
22 CEO of Harris & Associates representing the Wong + Harris
23 JV for the CP1's PCM services. And I'm a slight extrovert,
24 thus I'm at the podium. My partner here, Cliff Wong, is
25 also in the audience.

1 I just would like to make a few comments to
2 address the Board in terms of an articulation and an
3 affirmation of the commitment the PCM has in respect to the
4 CP1 alignment and segment of the High-Speed Rail Project.
5 We've been there since the beginning and we're fully
6 committed to the successful outcome of the services that
7 are being proposed in item number four.

8 We have 38 people present in Fresno, fully
9 dedicated to the project including minority businesses,
10 small businesses and other sub-consultants represented that
11 live, and are fully dedicated to high-speed rail and
12 Fresno, also known as the gateway to Yosemite, which is
13 becoming a very vibrant community as a result of this
14 project.

15 If the Board does approve item number four with
16 respect to the extension of our contract you'll look
17 forward to enhanced teamwork between the PCM, the RDP, and
18 High-Speed Rail and the new leadership that you put in
19 place for the successful outcome of this project. And I
20 want to put in terms, high-functioning teamwork that will
21 improve upon your experience to date.

22 With respect to this item, if you are to approve
23 this extension we will have greater security and able to
24 attract talent to this important project. You will be able
25 to provide the security of careers that are fully dedicated

1 to Fresno and the High-Speed Rail Project.

2 And just a footnote on a personal note, my
3 mother's maiden name was Jean Hopkins. She's a descendant,
4 and therefore I am a descendant of Mark Hopkins, who's the
5 Treasurer of the Central Pacific Railroad, an early pioneer
6 that drives in my blood as well. Thank you so much.

7 CHAIRMAN RICHARD: Thank you.

8 Roland Lebrun followed by Ivor Samson, once not
9 twice, Ivor, and Lee Ann Eager.

10 MR. LEBRUN: Good morning, Mr. Richard and
11 Directors.

12 CHAIRMAN RICHARD: Good morning.

13 MR. LEBRUN: And a nice warm welcome to Mr. Brian
14 Kelly. Welcome to the party.

15 So today I'd like to start on a high note and to
16 thank you and your staff for recognizing that the San Jose
17 to Gilroy Corridor is a high-density 125-mile corridor.
18 But the thing I really want to talk to you about today is
19 what happened to the Valley to Valley connection and how
20 are we going to put it back in the Plan, because a plan
21 without a connection between Fresno and Silicon Valley is
22 not a plan. It's an admission of failure.

23 So let's start with what happened to Fresno and
24 CP1 and what the gentleman by the name of Richard Tolmak,
25 (phonetic) which Ms. Schenk might remember him appearing in

1 front of the Board eight years ago. And what Richard said
2 to this Board is that the 54-mile section between Fresno
3 and Corcoran had more viaducts than 1,000 miles of French
4 high-speed lines.

5 So the question is what is the real issue here?
6 It is not Mr. Hill's contracts and it's certainly not the
7 1,500 people who are currently hard at work that are doing
8 this project. The real issue is the project itself, namely
9 a fatally flawed alignment aimed at the heart of cities on
10 the route instead of an alignment that bypasses cities and
11 uses existing rail infrastructure to connect downtown
12 stations to the high-speed line. So what is the solution?

13 Twenty years ago the alignment was I-5 and the -
14 - (timer sounds) can I finish?

15 CHAIRMAN RICHARD: Yes.

16 MR. LEBRUN: -- and the connection between I5 and
17 Silicon Valley was Panoche Pass not Pacheco. It was a
18 faster, shorter and cheaper route that requires ten miles
19 less tunnels than Pacheco Pass. Peace River City's
20 alignment, including a branch connection to Fresno via
21 Highway 180 or the existing UP freight line, instead of
22 wasting any more money between Fresno and Bakersfield. And
23 when you do, you will discover an alignment that is not
24 only the shortest and the fastest between Fresno and
25 Silicon Valley, but it also leaves the door open to future

1 private investment on the I-5.

2 Thank you very much.

3 CHAIRMAN RICHARD: Thank you, Mr. Lebrun.

4 Ivor Samson, then Lee Ann Eager.

5 Ivor, I know you're here on behalf of two
6 clients, but just go ahead and make your remarks.

7 MR. SAMSON: Thank you, Mr. Chairman. My name is
8 Ivor Samson with Dentons, and I'm appearing on behalf of
9 two clients. The first is the Bakersfield Homeless Center
10 and the second is the Fresno Rescue Mission. And I will be
11 brief in my comments, because you've heard them many times
12 before.

13 The Bakersfield Homeless Center is located on
14 Truxtun Avenue just south of downtown Bakersfield. For
15 roughly three years from some time in 2014 through 2017
16 there were discussions with the High-Speed Rail where Rail
17 Authority offered to purchase the property as an early
18 acquisition. Those discussions were moving along until
19 September of last year when the Center was told that there
20 was no longer going to be funding available at the
21 direction of the Board of Public Works.

22 In fact, it had even gotten to the point where an
23 appraisal, an appraiser was hired by the Authority, and an
24 appraisal was done. It was 180 degree switch last
25 September. We tried to meet with the Board of Public

1 Works, the Board of Public Works has refused to meet with
2 us. The Bakersfield Homeless Center has relied for three
3 plus years on the representations that an acquisition was
4 going to be made in terms of deferring capital
5 improvements, things like that.

6 In January, at the suggestion of Ms. Gomez or
7 through the cooperation of Ms. Gomez, I should say, we met
8 with Assemblymember Salas, Ms. Gomez, and others from the
9 Authority regarding how to make this acquisition come
10 about. And we were told to address it in the upcoming
11 Business Plan.

12 I realize the Business Plan is complicated.
13 There's a lot of things in play and we intend to file
14 written comments on the Business Plan before the cutoff
15 date. And those comments will essentially be to the effect
16 that we request that the Business Plan include the
17 acquisition of the Bakersfield Homeless Center.

18 If high-speed rail is ever intending to go south
19 of Bakersfield then the Homeless Center is on the route and
20 it is a necessary acquisition. And for reasons of equity,
21 if nothing else, for reasons of representations that were
22 made if nothing else, we request that this acquisition be
23 made sooner rather than later. And I know that I'll have
24 the opportunity to address you again after our written
25 comments are submitted.

1 Let me turn next to the Fresno Rescue Mission, if
2 I may?

3 CHAIRMAN RICHARD: Uh-huh.

4 MR. SAMSON: In July of 2016, we entered into a
5 temporary relocation agreement. The High-Speed Rail is
6 essentially wiping out the Mission's 11 buildings, which
7 sit on roughly 13 acres. We have to have a seamless
8 operation. The day that we shut down, you have to have new
9 buildings up and operating to serve the homeless community,
10 both in terms of meal, shelter, health care and so on. So
11 we entered into a Temporary Relocation Agreement that
12 basically said we're going to put up temporary buildings.
13 We will vacate the premises, so that High-Speed Rail can
14 have possession 21 days after those temporary buildings are
15 erected and ready for occupancy.

16 And that's really moving forward pretty fast. We
17 understand probably end of March, early April that the
18 County will issue whatever necessary occupancy certificates
19 are required. We have tried to be cooperative. We have
20 worked hard with High-Speed Rail staff and I must say that
21 Ms. Gomez and her crew, have been very cooperative.
22 There's been issues, but we work hard to work them out.

23 One place where we've had tremendous difficulty,
24 tremendous difficulty, is on the Relocation Plan. The
25 Temporary Relocation Plan that was implemented to allow us

1 to move into the temporary structures has been a nightmare
2 in its implementation. I don't know if it is attitude, or
3 quite frankly sheer incompetence on the part of the
4 consultants that the Authority has retained, but bills are
5 not being paid. The Mission right now, is funding its own
6 move, which should be paid for by federal relocation funds.
7 We're in the hole about \$400 and some thousand. There is a
8 meeting tomorrow to address this. It has reached a crisis
9 point. I understand that new consultants have been brought
10 on board and I only hope that will be better. But this has
11 left a very, very bad taste and that's the politest way
12 that I can put it.

13 To avoid these past problems, on October 19th I
14 wrote to the Chairman requesting that the Board adopt a
15 resolution that quoted exactly from the mitigation
16 language, in your adopted EIR/EIS as it related to
17 relocation and mitigation. I quoted the exact language and
18 asked that that be adopted in a resolution. I got no
19 response.

20 That was an opportunity for a win-win to assure
21 the Mission that the adopted measures will be implemented
22 and it would allow us to move forward on a Permanent
23 Relocation Agreement, which is absolutely necessary.

24 I came here in November and gave the same
25 statement effectively, that I'm giving today. I heard

1 nothing. I came here in January, gave the same statement
2 again, I've gotten no response. No follow-up to my letter.
3 No follow-up to the statements that I made in November and
4 January and I'm here again today. At the very least, just
5 as a matter of respect, it's discourteous not to respond.
6 At worst, it sends a very, very bad signal about the High-
7 Speed Rail Authority's integrity and your commitment to
8 your adopted mitigation measures. It's creating an
9 unnecessary confrontation. It's very, very bad optics for
10 the Authority, which you don't need. And this could be a
11 win-win situation if you would at least consider a
12 resolution that does no more than reaffirm that which you
13 have already adopted.

14 And I guess I'm here to say, please consider the
15 resolution that I submitted. If you won't do that at least
16 have the courtesy of getting back to me and telling me that
17 you won't do it and explain why. Thank you.

18 CHAIRMAN RICHARD: Thank you, Mr. Samson. We
19 will do that, so --

20 MR. SAMSON: Thank you, Mr. Chairman.

21 CHAIRMAN RICHARD: -- we will do that.

22 Okay. Lee Ann Eager followed by Chuck Riojas.

23 MS. EAGER: Good morning. I'm Lee Ann Eager,
24 President and CEO of Fresno County Economic Development
25 Corporation.

1 So I have to say a little something first. So
2 you might have seen recently in the *Fresno Bee* that they
3 did an article about if you are from Fresno you need to
4 support high-speed rail. And I was quoted in there often
5 with examples of why high-speed rail is good for the
6 Valley. Online there were some responses on there, which
7 you might have expected. One of them called me a
8 Pollyanna. I think I've heard that here before too. And I
9 just have to say that having been a Creditors Rights
10 attorney and doing economic development during the
11 recession, I think Pollyanna left me a long time ago.

12 My response to the current Business Plan is
13 certainly I'm an optimist, but I'm also a realist. And
14 thank you so much, Mr. Kelly, for putting together a
15 transparent document that shows exactly what had happened
16 in the past and where we need to go in the future. And I,
17 for one, do not want a bargain basement system. I don't
18 want us to go back and say, "Okay. Well, we could actually
19 do it for \$68 billion, but it's not going to be the system
20 that we need in California. We need to do it right and if
21 it costs more to do it right then we need to do that." So
22 thank you so much for putting that into effect.

23 Recently, I was asked by the Secretary Ross, not
24 the California one, but the Washington D.C. one, Wilbur, to
25 put together a white paper on why high-speed rail is

1 important for the Central Valley. And so I gave you a copy
2 of that, it's the two-page one. What he's using that for
3 is when they're putting together where they're going to be
4 spending money in infrastructure, in the United States, my
5 role was why they should put it in the Central Valley and
6 why they should put it in our transportation project. So I
7 gave you a copy of what I sent them.

8 And also, for the State of California, had asked
9 me to do a one-pager on the pro for high-speed rail for the
10 Central Valley and so I gave you that one too. And that
11 was for the Treasury.

12 The other really positive thing is that the CALED
13 organization, which is the California organization for all
14 economic developers, just had their annual meeting. And in
15 that, they gave away awards for the best projects in the
16 State of California, so I'd like Diana Gomez to come down.

17 We were awarded the Partnership Award from CALED,
18 that is the partnership between High-Speed Rail and the
19 Economic Development Corporation in the City and County of
20 Fresno, for our High-Speed Rail Business Support Program
21 that we've had in effect, I think, for the last four years.
22 Yes? And they gave us the award for really showing the
23 epitome of how partnerships can work well, especially for
24 businesses in the State of California.

25 So Diana and I are going to share this in Fresno.

1 We'll pass it back and forth to each other, but we wanted
2 to make sure that you knew you were a part of this really
3 special award for partnerships in the State of California
4 between us.

5 CHAIRMAN RICHARD: Thank you, very good.
6 Congratulations, both of you. Thank you.

7 MS. EAGER: Thank you.

8 CHAIRMAN RICHARD: Thank you, Ms. Eager.

9 Our last speaker is Chuck Riojas of the Building
10 Trades. Good morning, sir.

11 MR. RIOJAS: Good morning. Thank you. Thank you
12 for allowing me an opportunity to speak today. I was here
13 for the Legislative Conference and heard this meeting was
14 this morning, so I took advantage of being in Sacramento to
15 basically, hopefully give you a good update on what we've
16 been doing in the Central Valley with regards to high-speed
17 rail to date.

18 I came before you years ago looking for pre-
19 apprenticeship opportunities, apprenticeship opportunities
20 on high-speed rail. We have moved the ball significantly
21 forward since then. We have put on in the recent three or
22 four years, probably, 22 classes in 10 counties in the
23 Central Valley; 22 classes roughly equates to 450
24 participants. People coming from Welfare to Work, Helmets
25 to Hardhats, wherever they find themselves in their stage

1 of life gaining access to apprenticeship, gaining access to
2 the trades. Of those 450, roughly 500 participants we have
3 a high 80 percentile placement rate. Not all of them in
4 apprenticeship, but in jobs, real jobs.

5 All of these I attribute to the success of high-
6 speed rail in the Central Valley. Without it, without this
7 particular project, this narrative, we wouldn't be able to
8 draw down the funds for the pre-apprenticeship training.
9 I'd like to publicly thank Blake Konczal from the Fresno
10 Workforce Investment Board. I've been fortunate here this
11 last year to be appointed to the California Workforce
12 Board. So Mr. Tim Rainey and others are highly successful
13 in drawing down these funds. What I'd like to impart to
14 you is we are being responsible with those funds, targeting
15 those demographics that call for, in the CBA, for high-
16 speed rail. We're putting on the classes and having good,
17 good, great success with it.

18 I am happy to report that we've been doing it to
19 the level, and I hope to come back in June or July, this
20 year June 1st, we are turning out five people to
21 journeymanship who started five-and-a-half years ago as
22 pre-apprentices in the respective metal trades, the
23 electrical, sheet metal and plumbing.

24 So I hope to be able to come back to you,
25 hopefully with them, and they can come and tell you their

1 story of how a project like this not only benefits the
2 community, but it truly benefits the citizens of that
3 community. Because of the foresight that you guys had as a
4 Board to participate and elected to accept the CBA and give
5 us the opportunity to do pre-apprenticeship, so thank you.

6 CHAIRMAN RICHARD: Thank you very much, Mr.
7 Riojas and thank you for your work on that. I think
8 certainly speaking for myself, but I suspect others, it is
9 very gratifying to think about the number of people whose
10 lives have been changed by getting good employment, good
11 wages on this program. So we appreciate that.

12 With that, I have no more requests for public
13 speaking, so the -- somebody's got their hand up, but --

14 MR. SCHMIDT: We were delayed due to the traffic
15 in Silicon Valley.

16 CHAIRMAN RICHARD: Would you give a comment card
17 to this person and we will accommodate you since you've
18 come a long way.

19 Okay. Why don't you make your way to the
20 microphone, sir? Thank you, Mr. Jim Schmidt, yes.

21 MR. SCHMIDT: I'm a commercial broker working in
22 Silicon Valley and I was delayed by the traffic and
23 (indiscernible).

24 CHAIRMAN RICHARD: That's fine, sir, go ahead and
25 make your comments.

1 MR. SCHMIDT: I wanted to point out the editorial
2 in this morning's *San Jose Mercury*, the bullet train is a
3 solution in search of a problem. As you probably know, and
4 all of us know, there's a lot of negative talk about the
5 bullet train.

6 The fact of problem, the biggest problem is
7 Silicon Valley. Silicon Valley is so crowded. The houses
8 are ridiculously high in price. The traffic is getting
9 crazy. The high-speed rail is a solution to Silicon
10 Valley's problems, but it seems to me that the high-speed
11 rail has not gone into the companies and talked about their
12 expansion along 152 and out into the Valley. This is
13 critical to Silicon Valley, but it seems to me it's also
14 critical to the high-speed rail. You've got to get into a
15 partnership with the companies in Silicon Valley to find
16 out what they want and where they want it.

17 The idea of locating a satellite operation in
18 Madera is probably not high on their list, but there are
19 places that are a lot of closer right on I-5 and 152 that
20 would be very attractive, I think, to a high-tech company
21 to perhaps locate a Silicon Valley extension.

22 So I think it's very important to use the
23 companies in Silicon Valley to tell you what they need to
24 expand into the Valley. It's going to be good for Fresno.
25 It's going to be good for Bakersfield. But most of us up

1 there don't really feel a need for a high-speed rail from
2 San Francisco to L.A. I mean, what does that do for me?
3 It doesn't do much, but I've got a traffic problem. I've
4 got a housing problem. I've got a crowding problem. I
5 can't employ people, because they can't afford to live in
6 Silicon Valley. And you guys have got the solutions at
7 your hand, but you've got to put it more into your game
8 plan.

9 CHAIRMAN RICHARD: Thank you, sir. Thank you for
10 coming up here today. I'm sure that was difficult from
11 Silicon Valley.

12 MR. SCHMIDT: Yes, and I'll give you a card if
13 you want to follow-up on that.

14 CHAIRMAN RICHARD: Why don't you give it to the
15 Board Secretary here? Okay. Thank you, Mr. Schmidt.

16 Okay. With that, that does conclude the public
17 comment period, both the public comment period for the
18 Business Plan and the coterminous public comment period for
19 today's Board meeting. I want to thank everyone for coming
20 and sharing their thoughts today.

21 With that we will turn to the regular agenda, but
22 before we do this is the first meeting of the Authority
23 where we have the benefit of the leadership of our new CEO,
24 Mr. Brian Kelly. I'm just delighted that he's sitting up
25 here with us. I'm even more delighted that he has taken on

1 this tremendous challenge and one of his first daunting
2 tasks was to deliver a Draft Business Plan on a date,
3 certain. And he led the staff to do that and so I want to
4 welcome Brian Kelly. And Mr. Kelly, give you an
5 opportunity to make some remarks, introduce your leadership
6 team.

7 MR. KELLY: Thank you, Mr. Chairman, Board
8 Members. We've had the opportunity to talk some time ago,
9 I'm very pleased to take on this challenge and this is
10 quite a challenge. But I guess you'd suspect or expect no
11 less, for a project that is of this magnitude and can
12 present the benefits it can present to the people of the
13 State of California. I'm honored to be here. I'm actually
14 blessed to be part of this challenge, because I think it's
15 that important for the future of the state. And I really
16 welcome the opportunity and thank the Board for this
17 chance.

18 I also want to just take a moment, if I could
19 Mr. Chairman, to introduce our new Chief Operating Officer
20 who we brought on board in February, Joe Hedges, who's
21 sitting right over there. Joe and I have rolled up our
22 sleeves and are getting to work, not just up in Sacramento
23 but he's been down to the field a couple of times already.
24 He'll be going back again soon to ensure that we can meet
25 all of our commitments on this project and keep the work

1 going, so I'm very happy Joe is here.

2 And while she's not here today, I also brought
3 over Pam Mizukami who came over and is the Chief Deputy in
4 helping with -- oh, she is there, hi Pam. And Pam has come
5 over and she's an important part of our leadership team to
6 help on the contract management side, and along with some
7 of our HR issues. So I'm very pleased that Pam has come
8 over with us.

9 Sitting next to Pam, I think is Jeannie Jones, is
10 that Jeannie there? Yeah, Jeannie is our new Chief
11 Administrative Officer, who we just brought over as well
12 too. So we are in the middle of change, but it's good
13 change and we're bringing in high-caliber talent to help us
14 move this project forward. So thank you, Mr. Chairman.
15 Thank you all for taking this journey with me and I look
16 forward to making progress in the days ahead.

17 CHAIRMAN RICHARD: Thank you, Brian. And I'm
18 glad you introduced Pam and Jeannie, so at least one of us
19 has some hair. (Laughter). I don't think Joe or Brian and
20 I will be doing any haircare product commercials any time
21 soon.

22 Okay. We'll turn now to the regular agenda, item
23 one is consideration of approval of the Board minutes from
24 the January 16th --

25 BOARD MEMBER CAMACHO: Move approval.

1 CHAIRMAN RICHARD: -- Board meeting of this year.
2 It's been moved by Director Camacho.

3 BOARD MEMBER SCHENK: Second.

4 CHAIRMAN RICHARD: Second by Director Schenk.
5 Will the Secretary, please call the roll?

6 MS. JENSEN: Director Schenk?

7 BOARD MEMBER SCHENK: Yes.

8 MS. JENSEN: Vice Chair Richards?

9 VICE CHAIR RICHARDS: Yes.

10 CHAIRMAN RICHARD: Is your mic on Krista? Go
11 ahead.

12 MS. JENSEN: How's that?

13 CHAIRMAN RICHARD: Well, go on --

14 MS. JENSEN: How's that?

15 CHAIRMAN RICHARD: There you go.

16 MS. JENSEN: I'm going to -- I'll start over.
17 Director Schenk?

18 BOARD MEMBER SCHENK: Yes.

19 MS. JENSEN: Vice Chair Richards?

20 VICE CHAIR RICHARDS: Yes.

21 MS. JENSEN: Director Curtin?

22 BOARD MEMBER CURTIN: Yes.

23 MS. JENSEN: Director Paskett?

24 BOARD MEMBER PASKETT: Yes.

25 MS. JENSEN: Director Lowenthal?

1 BOARD MEMBER LOWENTHAL: Yes.

2 MS. JENSEN: Director Camacho?

3 BOARD MEMBER CAMACHO: Yes.

4 MS. JENSEN: Chair Richard?

5 CHAIRMAN RICHARD: Yes. Thank you.

6 Okay. Item two is a report by Mr. Kelly and the
7 staff on the Draft 2018 Business Plan.

8 MR. KELLY: Thank you, Mr. Chairman. I'm going
9 to do the best that I can here to both control the screen
10 behind me and present as I'm facing this way. I have a
11 PowerPoint document that will go through some of the
12 highlights of the Business Plan, the 2018 Draft Business
13 Plan, which we produced and released publicly on March 9th.

14 A couple of high-level issues about the process
15 wherein in this Business Plan it is required under current
16 law, under the Public Utilities Code Section 85033
17 represents the status of the program at this point and
18 time, summarizes our approach to implementing the system
19 and it includes the following elements that are required in
20 the statute, updated capital costs and other estimates,
21 updated ridership and revenue forecasts, a summary of
22 progress over the last couple years, and a review of our
23 current challenges and how we address them.

24 This year, the final draft is due to Legislature
25 by June 1st, 2018. What we have kicked off with the

1 release of the Draft Plan is a 60-day public comment
2 period. This is the first public hearing where we reviewed
3 the draft at a high level. We are looking forward to
4 legislative hearings in the beginning of April, at least
5 two, maybe three there. And, of course, we'll have
6 opportunity for further comment as we have Board hearings
7 in April before final adoption by this Board in May of
8 2018. So we really are at the front end of the public
9 comment period and the adoption of the final Draft 2018
10 Plan.

11 I'm just going to roll through some of the
12 important elements of the Plan here and, of course, open to
13 any questions that the Board may have. The first important
14 part that I want to say about this Plan is that it does
15 reiterate our current commitments. It was stated earlier
16 that the voters did approve Proposition 1A in 2008 and with
17 that came an expectation to build the statewide Phase 1
18 system outlined in that bond measure. And our commitment
19 is reiterated in this Plan that that is our objective and
20 that's the direction that we will head.

21 Consistent with the 2016 Plan we advocated in
22 this plan the delivery of the Silicon Valley to Central
23 Valley line known as the Valley to Valley line. There is a
24 bit of a change from the 2016 Plan in that we are really
25 describing the Valley to Valley line here as San Francisco

1 to Bakersfield, having our southern termination point be in
2 the City of Bakersfield, and making some investments north
3 of San Jose to assure that we can get a ride all the way
4 into San Francisco.

5 As we stated in 2016, Merced as a connecting
6 point remains a high priority. Just as our challenge was
7 in 2016, there is an issue with identifying additional
8 funding to incorporate the Merced point as soon as we can.
9 And, of course, we continue planning working with the local
10 and regional partners on Phase 2 extensions, both Merced to
11 Sacramento and Southern California, Los Angeles to San
12 Diego via the Inland Empire.

13 Our commitment here in this Plan is to continue
14 to work with our valued partners to advance the modern and
15 integrated statewide rail network.

16 Just a moment on this, Mr. Chairman, it is
17 important I think to remind folks that this project has
18 really been part of a broader effort in the state to
19 modernize rail and passenger rail trains in California.
20 The electrification of Caltrain is an example of that, but
21 what's important is that this becomes the spine or the
22 center piece of a high-speed rail network that connects
23 seamlessly and well with regional and transit rail
24 providers up and down the state.

25 This is probably best articulated in the State

1 Rail Plan, which is a draft has been out and is now
2 forthcoming by the California State Transportation Agency,
3 who has worked with partners up and down the state to lay
4 out a vision for increased passenger rail travel in
5 California going forward with the high-speed rail system as
6 the core of the spine of that approach.

7 This Business Plan offers a very candid
8 discussion about our challenges. We, of course, are
9 implementing a series of complex and integrated mega-
10 projects. Even the smallest things on this project in
11 terms of the total scope are big, difficult, tough
12 infrastructure projects to deliver.

13 Our initial challenge is the 119-mile stretch in
14 the Central Valley. And if you think about that, any
15 single transportation project that's 119 miles long makes
16 it about the longest anywhere in the country, just that
17 part alone. and you drive that it takes two hours simply
18 to drive the project. So the smallest elements of this are
19 big and are challenging.

20 We face the same challenges that international
21 projects of similar magnitude and complexity have
22 successfully addressed and those include everything from
23 cost, schedule, scope. And some of those are outlined in
24 our plan as the challenges that we are now facing.

25 Our Draft Business Plan shows that our cost

1 estimates have increased. We need greater certainty on
2 funding and our delivery schedule has been extended. Those
3 are all very clear in the Plan and we use the Plan to then
4 identify, not just these challenges but provide a strategy
5 for moving forward.

6 On the revised cost estimates that again are
7 outlined in the Plan, it's first noteworthy to say that
8 about 83 percent of the higher costs are driven by one, the
9 previously identified Central Valley construction delays
10 and cost issues that this Board first aired publicly back
11 in January, estimated at a \$2.8 billion increase that, of
12 course, rolls into and effects the costs for the entire
13 project.

14 Inflation tied to the schedule delays, because
15 we're pushing out the schedule on some of these we have a
16 greater impact on costs due to inflation. And, of course,
17 we establish higher contingency that better reflect the
18 risk and uncertainty. One of the things that we outline in
19 this Plan rather candidly is that for much of the program
20 outside of the Central Valley segment, we are early in
21 project development work. We are still in the
22 environmental process on much of it and we are on the front
23 end of refining design further to really get a solid, more
24 refined sense of what actual costs will be. This Plan
25 recognizes that, and in our cost estimates you see

1 increased contingency to deal with some of that risk and
2 uncertainty that's still out there.

3 We have new baseline estimates that are
4 articulated in this Plan for each element of the statewide,
5 Phase 1 program. The first, as I mentioned earlier which
6 was described by this Board in January, our cost increases
7 in the Central Valley. That is now estimated at a 10.6
8 billion as the cost to complete undertaken by the RDR,
9 Regional Delivery Partner, in 2017 and again, aired in
10 January by this Board. That's about a \$2.8 billion
11 increase in that segment alone and our intention is to move
12 forward and deliver that section by 2022 consistent with
13 our agreements with the federal government, who are key
14 funding partners on that stretch of the program.

15 Silicon Valley to Central Valley line is
16 estimated in this program, the Valley to Valley, at 29.5
17 billion with an opening date of 2029. It is worthwhile to
18 note that this is a -- 1.9 billion of this is tied to the
19 redefinition of what we mean by Valley to Valley wherein
20 2016 the Board had described that as north of Bakersfield
21 to San Jose. We are clarifying here that we see the
22 Southern Terminus in Bakersfield itself with a ride option
23 all the way into San Francisco coming north.

24 And a Phase 1 estimate is moved to 77.3 billion
25 with a cost to complete -- or sorry, with a completion date

1 assumed of 2033.

2 There is a new approach in this Plan that has not
3 been part of prior Business Plans, but that I certainly
4 think is important and that we have applied to this
5 Business Plan. And that is to apply ranges to the stage of
6 the projects and to our cost estimates as I mentioned
7 earlier. And the Plan goes into much detail on this.
8 Because we're fairly early in the project development
9 process on elements of this program simply putting out a
10 dollar sign and trying to stick to that is not sufficient
11 in my view, in terms of trying to estimate where we are and
12 where costs might go. So this program includes both the
13 low and a high against our base estimate of cost.

14 Again, these numbers here: 10.6, 29.5 are our
15 redefined Valley to Valley and the 77.3 are our best
16 estimates to date and establishes a base case for us. But
17 we also think it's important, because there is sufficient
18 unknown and risk, particularly with Phase 1 and the total
19 of Valley to Valley that we apply ranges. And the Plan
20 does that.

21 We are working in an environment with some
22 uncertain funding that is part of this program. And, you
23 know, candidly from my perspective that has been a
24 trademark of this program ever since the voters passed Prop
25 1A in 2008. As it was stated earlier, on the day that

1 passed the voter pamphlet suggested the cost for Phase 1
2 for 45 billion and the bond provided 9. So since that time
3 it's been a process of how you develop this to provide
4 benefits as you go. You build this generally, in an
5 incremental way and you do work to find funding partners as
6 you go to be able to develop the project. And we see that
7 here as well.

8 So we do talk in the program about delivering
9 this program involving -- it does involve major
10 procurements and long lead times. Currently, the program
11 has been operating on a pay as you go approach to funding,
12 which is really our federal commitment already made, our
13 Prop 1A dollars that remain and Cap and Trade funding that
14 was assumed originally in the 2016 Business Plan and has
15 been affirmed by the Legislature last year.

16 Those have been the sources of funding, and the
17 2016 Business Plan, in order to complete the Valley to
18 Valley system, proposed that the Cap and Trade revenues be
19 financed, so that you can bring dollars forward. And
20 invest in the capital needs to build the project in a
21 timeline that is sooner. It is very difficult to build a
22 project of this magnitude on strictly a pay as you go
23 basis. So again the 2016 Business Plan raised the
24 prospects that we would need to finance the Cap and Trade
25 revenue stream. And the Draft 2018 Plan is consistent with

1 that assumption.

2 There has been some important progress here since
3 the 2016 Plan, most notably last year in 2017 the
4 Legislature passed and the Governor signed AB 398, which
5 extended the Cap and Trade program from 2020 to 2030
6 allowing ten more years of revenue, 25 percent of which on
7 a statewide basis is dedicated to this program. And that
8 was a very important step to solidify additional funding,
9 so that we can continue to move forward.

10 Over the next two years we proposed in the Plan
11 to continue to advance the system with this current and
12 committed funding. And we will be working with the
13 Legislature and Department of Finance to explore options to
14 create an investment grade financing stream just as we
15 raised in 2016, in our staying with that approach in 2018.

16 There is an approach in the Business Plan as
17 well, to not just show our costs in ranges, but also to
18 show our funding stream, particularly from Cap and Trade in
19 ranges. Because those revenues come from an auction they
20 can vary, they have varied in the past. It's worth noting
21 that since AB 398 passed those auctions have stabilized and
22 revenues have been strong. I believe the last four
23 auctions has raised on the order of \$670 million for the
24 project and so that is solidifying.

25 The ranges that we use here are relatively

1 conservative. There's a wide swing in what Cap and Trade
2 could bring over the next several years. And we are toward
3 the bottom of that swing, using a range between 500 and 750
4 million out of Cap and Trade for this project.

5 Of course, because we're operating in a world of
6 uncertainty there is a requirement, which I will get into
7 as we go further into this presentation. And would note
8 that the Business Plan spends a bit of time, an entire
9 chapter in fact, on laying out some of the lessons we've
10 learned and the places that we have to do business
11 differently going forward. And I'm going to talk about
12 some of those things shortly here, but before I do there
13 are three fundamental goals that were established in 2016.
14 And perhaps even earlier, but certainly affirmed publicly
15 in 2016 with how we move forward on this program.

16 Because you don't have all the funding you need
17 in hand right now to build everything you want, you have to
18 lay out your process and your steps and how you will build
19 as you move forward.

20 The three principles that had been established by
21 this Board before included: one, initiating high-speed rail
22 service in California as soon as possible. Second, making
23 strategic concurrent investments that will be linked over
24 time and provide early mobility, economic and environmental
25 benefits as soon as possible to the public and to

1 taxpayers. And three, to position ourselves to construct
2 additional segments as funding becomes available. Those
3 three principles were established some time ago, were
4 reported in the 2016 Business Plan, and they still remain a
5 part of our approach going forward.

6 So in a world of some uncertain funding and
7 uncertain costs, how do you move forward? And the Plan
8 lays out specifically our priorities and our steps in
9 developing this project.

10 The first is a commitment to meet all of our
11 funding commitments with our federal funding partner, the
12 Federal Railroad Administration. They've been important
13 partners for us in getting the project going in the Central
14 Valley. They remain important partners for us as we move
15 forward in the Central Valley and beyond. And we have a
16 funding agreement with them that requires us to perform.
17 And so our commitment first is to get the 119-mile stretch
18 in the Central Valley completed and to complete all of the
19 environmental documentation necessary for all segments of
20 the project statewide under our grant agreement with the
21 FRA.

22 Second is to extend the Silicon Valley to define
23 the Valley to Valley system as extending Silicon Valley to
24 Central Valley to San Francisco in the north and
25 Bakersfield in the south. This was contemplated in 2016,

1 but now that we've advanced the ball on the environmental
2 question in Bakersfield and we see some opportunity to make
3 some modest investments in the north, along the electrified
4 corridor with Caltrain we have an opportunity to get a ride
5 between San Francisco and Bakersfield in an efficient way.
6 And defining Valley to Valley this way also ties to the
7 highest revenue and the highest ridership scenario for
8 Valley to Valley service, so we really embrace that in the
9 2018 Plan.

10 We do propose, because of the funding uncertainty
11 we do propose to make investments both on the Central
12 Valley side, and as I said, on the electrification side in
13 the Peninsula by extending -- first on the Peninsula side
14 extending the electrification of the San Jose-San Francisco
15 project further south to Gilroy. And then in the Central
16 Valley, the 119-mile stretch ultimately with an extension
17 to Bakersfield, to at a minimum start testing trains in the
18 Central Valley. And examining what kind of service we
19 might be able to put in play in the Central Valley
20 connecting to the Amtrak service going north, so that we
21 can deliver through this plan at least 224 miles of high-
22 speed rail ready infrastructure that may be able to see
23 passenger service as soon as 2027.

24 This approach of investing on the Central Valley
25 and investing and extending the electrification project on

1 the Silicon Valley to Gilroy side, really isolates our
2 largest challenge as the thing we need to focus on going
3 forward. And that is the tunneling in the Pacheco Pass
4 area as a final piece to complete the Silicon Valley to
5 Central Valley service.

6 We would also, concurrently with this process
7 continue our early bookend investments in Southern
8 California and Northern California. In the north, we are
9 investing in the Caltrain electrification project. In the
10 south, we have prior to this Business Plan we have adopted
11 a dedication of bookend dollars, 76 million, for an
12 important grade separation down there, Rosecrans/Marquardt
13 Grade Separation, which is a project that is very important
14 for freight and passenger rail in Southern California, the
15 expansion of that rail to the public.

16 It has been rated as one of the -- the grade
17 separation in the State of California that is in need of
18 the -- sort of had the highest safety concern with it. And
19 so the Board has put 76 million out for that already. And
20 we propose to continue investments in Southern California
21 in this Plan by working closely with our Southern
22 California partners to invest in the development of the
23 L.A. Union Station to expand regional and local systems
24 there and make sure that the station expansion can
25 accommodate high-speed rail service.

1 And, of course, we remain committed to completing
2 the Phase 1 system. What that means for us is we finish
3 the environmental work on each of those segments, it will
4 continue to be through the state's commitment of its
5 funding to this project, be in a position to take advantage
6 of further federal or private partnership programs that
7 would help us deliver the Phase 1 system.

8 These next few slides I might skip through a
9 little bit quickly, but they sort of go through what I just
10 outlined, which are the segmental or the incremental
11 approach to building the Valley to Valley system. The
12 first, as I said is just the completing or commitment in
13 dedicating ourselves to meeting our commitment with our
14 federal partner, which is completing the 119-mile segment
15 and completing environmental reviews for the entire Phase 1
16 system.

17 That under 19-mile stretch really begins the
18 phase Silicon Valley to Central Valley line. As I said
19 earlier, the investment of dollars on the Central Valley
20 side and through the Peninsula side, San Francisco to San
21 Jose all the way to Gilroy, has us in a position where you
22 get 224 miles of high-speed rail ready infrastructure on
23 each side of the Pacheco Pass. And we focus our efforts on
24 isolating the past tunnels as the things that we need to
25 focus both further design work on, all the things that you

1 do in project development to de-risk the project through
2 geotechnical work, identifying and acquiring right-of-way,
3 refining designs and doing all these things to really get
4 our hands around the scope and the necessary system that
5 will need to be in place for the tunnels in the Pacheco
6 Pass. So early work to de-risk that, engage further
7 expertise on the design of the tunnel, and explore a full
8 funding strategy for that last element of the Valley to
9 Valley system.

10 And, of course, as I mentioned earlier Merced and
11 the connections to Merced remain a high priority as they
12 were in 2016. And we will continue to work on identifying
13 funding for that element. The Valley to Valley system
14 under this program would be operational by 2029.

15 As I mentioned on the next slide here, we also
16 would continue to make important investments in Southern
17 California. This sort of depicts those. There's a 45-mile
18 corridor with statewide significance between Anaheim and
19 Burbank. That we have been partners with the BNSF on
20 modeling for shared corridors with Metrolink, Losan and our
21 freight partner; we continue to work on that and identify
22 critical needs there.

23 And as I mention the proposal in our Plan is to
24 invest \$500 of our bookend funds -- I'm sorry. (Laughter.)

25 BOARD MEMBER SCHENK: She'll write a check for

1 you.

2 MR. KELLY: How much was that? Oops, go back,
3 500 million in the Southern California area with the
4 Rosecrans/Marquardt grade separation and, of course, the
5 work on the L.A. Union Station Project.

6 CHAIRMAN RICHARD: I hope there's a defib machine
7 here that's on right at this moment, right?

8 MR. KELLY: So again, the building blocks into
9 the Plan to complete our System 1, you know, complete the
10 Central Valley segment. Two, complete all Phase 1
11 environmental reviews, fund the bookend projects with early
12 regional benefits/foundation for future high-speed rail.
13 Deliver Silicon Valley to Central Valley line in smaller
14 bites. As I outlined earlier, explore where we can find an
15 initial service or interim service with early benefits and
16 early mobility and environmental benefits. And secure
17 funding and financing for the completion of Phase 1 as we
18 move forward.

19 I did mention earlier that there's a complete
20 chapter in the Business Plan, Chapter 4, which is dedicated
21 to identifying important lessons that the Authority has
22 learned. And what we need to do going forward to apply
23 those lessons to assure that we get to an efficient
24 delivery of this project. And I wanted to describe a few
25 of those in this presentation. And again, there's a

1 lengthy description of these things in some path forward on
2 where we've been and where we need to go.

3 But the first, just identifying some of the
4 lessons learned and the things we need to do going forward,
5 is the Authority did move into construction for good
6 reasons. But before all the risks were realized and full
7 costs were understood at the time of contract award in the
8 Central Valley segment. What I mean by this is you got
9 into construction early without having all the right-of-way
10 in hand. That led to an increased risk on how we complete
11 that right-of-way and what other things that come with not
12 having the right-of-way in hand that you have to deal with,
13 including third party agreements, utility relocations,
14 railroad agreements.

15 These are things that have been identified in
16 prior business plans as risks that we have to deal with and
17 manage in the Central Valley. And I think the difference,
18 one key difference between this Business Plan and those, is
19 that this Business Plan puts dollars to those risks. In
20 prior plans they have been identified as risks that have to
21 be dealt with. In this Plan, we not only lay out what the
22 dollars assigned to that risk is, but how we will deal with
23 these issues going forward.

24 The important point here, is that future
25 construction contracts that the Authority moves forward on,

1 will not repeat this mistake. We have to procure and get
2 into construction once these risks are more defined.
3 They're incorporated in what we're doing and we have those
4 in hand and are managing those on the front end.

5 The Authority must complete its transformation
6 from a planning organization to a project delivery
7 organization. This is a bit of a process. In a very short
8 amount of time, the Authority bit off a lot on moving to
9 construction and becoming a construction entity. And we
10 are in the process now of assuring that the Authority has
11 the full capacity and skill set in place to deliver on the
12 projects that we now have under contract.

13 We are doing a good job of that with our RDP
14 partner on getting out the right personnel in the right
15 places. And we've extended that with the arrival of the
16 first Chief Operating Officer who's really working closely
17 with our RDP team and other senior executives on getting
18 this in place, and making sure that we are a strong project
19 delivery operation.

20 We are also in conversations now in filling a
21 couple of other key positions: the Director of Real
22 Property and the Director of Risk Assessment, which I am
23 looking forward to announcing soon who we hope to bring on
24 board to fill those positions as well.

25 A couple of other important things that will be

1 part of the program going forward that we point out in the
2 Business Plan is that it's obviously important with the
3 announcement of the cost issues in the Central Valley that
4 we adopt a new baseline budget against we can now manage
5 the scope and the schedule and the costs in the Central
6 Valley. That is something I would expect the Board to be
7 presented with as we adopt the Final Business Plan. I
8 think once you adopt the Final Business Plan the time is
9 right to then adopt a new baseline budget, so that we can
10 move forward on managing against that budget.

11 As a matter of transparency, which I think is a
12 very important element of any major infrastructure project
13 funded by the public, that we must expand our use of
14 dashboards to reflect, to show policy makers and the public
15 how the project is progressing in real time against the set
16 of performance matrix that I think will be clear and easier
17 to put in place once we have a baseline budget in hand.

18 I noted this earlier, but one of the things that
19 we felt strongly about is that we must change the way we
20 estimate our out-year project costs, both to the public and
21 policy makers. And that was really for us here, the
22 implementation or the inclusion of ranges for costs that
23 are -- where we're early in the project delivery process.
24 And so we have an estimate based on work that we've done
25 during 2017, but we also want to place those in the right

1 context of high to low again based on where we are in
2 project development.

3 Over time you take that high and the low and you
4 manage the project and those two lines, the high and the
5 low, should converge as you go forward. And, of course,
6 our management goal is to come in below our baseline cost
7 estimates now.

8 Given our cost revisions, I mention this earlier,
9 that the other changes that we're looking to deliver the
10 Valley to Valley in smaller bites. And I talked a little
11 bit about what the means, already.

12 It's important to remember why this project
13 remains an important project. And it's one thing to
14 describe your challenges and the things that you have to
15 address going forward, but it's also important to remind
16 people why we're doing this. And why it's good for
17 California. I typically describe these in three areas:
18 economic, environmental and mobility. And these are the
19 three things.

20 When we talk about transportation investment we
21 always talk about how does a project deliver on these three
22 scores. And I have, at least in my time of working on
23 transportation policy in this state, which is now almost a
24 quarter of a century I have never been able to find one
25 project that has the capability of delivering so much on

1 each score. And it's why I think this is so important to
2 continue to move forward. But just as a way of reminder,
3 we are putting thousands of people to work under the
4 economic matric in the Central Valley. We now have more
5 than 1,700 trades people working on the project, 425 small
6 businesses working on the project.

7 The investment of our federal dollars alone in
8 the Central Valley has led to between 5 and 6 billion
9 economic impacts that have rippled throughout the state.
10 Moving forward obviously the linkage between Silicon Valley
11 and Central Valley provides a great opportunity to deal
12 with our jobs. Housing imbalance in the state, also
13 important linkages and economic centers for companies to
14 expand where they're located and how they work together.
15 And an opportunity for greater collaboration between our
16 important social and public universities and healthcare
17 centers and beyond, so there's great economic opportunity
18 in our continuation of this project.

19 This is really for me, the element I like to talk
20 about the most, and that is the mobility benefits of this
21 project. As I said, I've worked in transportation for some
22 time in this state and it's hard to point to a project that
23 can give you the kind of time savings and mobility benefits
24 that this one can. This is a chart or a graph, a graphic
25 that is in the Business Plan. But really it's an important

1 demonstration on why we're doing this at all and that is
2 this idea that you can really cut in half, if not more, the
3 travel times for Californians between destination points.
4 And while there's alternatives to build more freeways or
5 expand airports or do all these things, the fact of the
6 matter is that cars traveling on highways in California
7 cannot travel at 220 miles per hour, but a fast train can.
8 And the impact of that is that you cut travel time
9 significantly.

10 As you see today in California, if you want to
11 take passenger rail from Northern California to Southern
12 California it's either a 12-hour train trip or it's a
13 seven-plus hour train plus bus trip. And we can do so much
14 better and this project promises to do so much better and
15 so this graph really describes that mobility benefit as to
16 why we're moving forward on this project.

17 Finally the environmental or the sustainability
18 benefits; this is a chart that's also in the Plan. It
19 comes out of work that's done with the California Air
20 Resources Board. But what it really depicts, the bar chart
21 on the left is a estimation of reductions in carbon dioxide
22 emissions, greenhouse gas emissions through investments
23 made in non-high-speed rail projects that are now the
24 recipients of some of the Cap and Trade funds. And on the
25 right, is the reduction in those same emissions from the

1 high-speed rail system when it's at full operations.

2 The estimate tells us that operating this program
3 removes on the order of 365,000 cars every year off the
4 highways and streets of California. So obviously huge
5 environmental benefits not to mention the environmental
6 policies that are part of how we're building this project,
7 the recycling the material, the use of renewable energy to
8 power the train, our commitment to clean stations and
9 sustainable stations and, of course, the transit land use
10 benefits that this project delivers.

11 That as I said is sort of a high-level look at
12 the Plan. As I stated earlier, we really kicked off the
13 beginning of the 60-day public comment period on the march
14 toward the adoption of the Final Plan. We do that between
15 March and May we'll have a hearing of this body in April,
16 another one in May where we would bring the Final Plan in
17 for adoption before the Board. There will certainly be
18 legislative hearings that we look forward to as well.

19 And we list here several ways that the public can
20 comment on the Plan. And as I noted there's just more here
21 at the end, we can receive -- obviously that we received
22 some comments on the Plan today. We'll have an April 17th
23 Board meeting in Los Angeles and then the May 15th in San
24 Jose we would propose to adopt the Final Plan and submit it
25 to the Legislature by the June 1st deadline.

1 So again, Mr. Chairman and Members, with that I
2 am happy to answer any questions.

3 CHAIRMAN RICHARD: Thank you, Mr. Kelly. I
4 appreciate the comprehensive nature of that oversight, and
5 also want to take this opportunity to thank you and all the
6 members of the staff who worked on this. I know that this
7 was a Herculean effort to get this product done. Clearly,
8 you would have liked more time, but in discussions with the
9 Legislature we worked out a date and you met that date, so.

10 MR. KELLY: Mr. Chairman, if I could? I just
11 would be remiss if I didn't mention my personal
12 appreciation for all of the staff who worked tremendously
13 hard on this, both on the consultant side and the staff at
14 High-Speed Rail. I assure you it was a lot of long days
15 and long nights, but well worth it. And I'm pleased that
16 we're moving forward on this, but I want to recognize the
17 team that worked on this and say publicly how much I
18 personally appreciate that effort.

19 So thank you.

20 CHAIRMAN RICHARD: Well, thank you. It was nice
21 to see the dedication of the folks who are working on this.

22 Board Members, do you have questions at this time
23 for our CEO, Mr. Kelly? Director Paskett?

24 BOARD MEMBER PASKETT: Brian, thank you for the
25 presentation. And welcome --

1 MR. KELLY: Thank you.

2 BOARD MEMBER PASKETT: -- as our new CEO.

3 There isn't a page number on this page, but the
4 page that I'm looking at on your presentation is "Doing
5 Business Differently." So the first bullet is probably the
6 most important one to me in the entire presentation. "The
7 Authority moved to construction before risks were realized
8 and full costs were understood at the time of the
9 contractor award for the Central Valley segment." I would
10 say a lot of that drives the cost increases and uncertainty
11 and maybe even potentially some of the support for the
12 project. And so I'm glad that you put it in the
13 presentation, because I think it's an important point.

14 And I'm glad that you've identified it as an
15 issue, and a significant issue. And I know that you're
16 only on the job a short time but one, I would ask that you
17 work with the executive team to try to come up with more
18 information and transparency and a mitigation plan going
19 forward.

20 And then, if you have any thoughts on this,
21 because it is here in your presentation about the plans
22 that you have to address this. It would be great to hear
23 those either today or in the future.

24 MR. KELLY: Thank you. There's a couple of
25 things to say about this. The first is there's an unusual

1 set of circumstances that were presented before this Board
2 at the time decisions were made to move forward on the
3 construction projects. And it's important to note there
4 were good reasons to move forward on the construction
5 contracts. For example, we had federal funding that we had
6 to spend by a date certain in the state on the order of
7 two-and-a-half billion dollars.

8 And putting those dollars to work have certainly
9 had a positive economic impact in a part of the state that
10 needed a boost and was also done at a time when we were
11 still coming out of a tough recession. So there was a time
12 and period where that investment has been vitally important
13 and we've seen impressive benefits in that region from the
14 project. I think one statistic I read recently is that
15 between 2016 and 2017 about 30 percent of the job creation
16 in Fresno County was tied to the High-Speed Rail Project.
17 That's an impressive figure, so important things have come
18 with that.

19 The downside, of course, is it is unusual to get
20 into a construction award, bid and award before you have
21 all the right-of-way in hand. And of the \$2.8 billion cost
22 estimate increase that we've identified in the Central
23 Valley, about 63 percent of that is really tied to this
24 issue. It's tied to right-of-way costs that have gone up
25 through a delay and acquisition prices going up. Not all

1 the things we knew about, third-party agreements at the
2 time of award we now can assign some dollars to. And so
3 again, if 63 percent of the costs are tied to that you can
4 do quite a bit of savings going forward by not repeating
5 that. And so that's an important step as we move forward
6 to new construction contracts.

7 There are several other things that we are
8 working on. I would say for the public's purpose and for
9 the Board's purpose, Chapter 4 in the Business Plan goes
10 through a very descriptive outlining of some of the
11 challenges we face and then some of the moves that we make
12 going forward. We still have some challenges in right-of-
13 way that we need to address. Some of that is tied to the
14 process at the state level that we go through to get
15 properties in hand. And we will likely be working with our
16 legislative partners, we hope, on options there.

17 And there's also just steps on the ground that
18 are important too. We are working to make sure that we
19 don't expand our need of right-of-way going forward, but
20 that we find engineering solutions that diminish our need
21 to acquire more right-of-way.

22 On the right-of-way question it's worth noting
23 too, that the magnitude of the right-of-way needed for the
24 project is huge. And the Authority has successfully
25 acquired on the order of 1,300 properties, which just to

1 put that in some perspective, the California Department of
2 Transportation for all projects that it manages in the
3 State of California on an annual basis, which is at any one
4 time is an \$11 billion program, they acquire about 800,
5 between 750 and 800 parcels a year. And so this project
6 has acquired double that and we need to do more.

7 But as we move forward there's a couple of
8 things. One, make sure we can limit additional right-of-
9 way that may be required going forward by working closely
10 with the contractor to not expand right-of-way needs.
11 That's an important element as we move forward. And then
12 also to work very closely to identify the most critical
13 parcels you need first and getting those in hand, so that
14 we can put together the construction plan going forward
15 locally.

16 So there's a couple of things we're doing on that
17 front now. We're bringing in a new Right-of-Way Director
18 shortly, which I mentioned earlier we'll be announcing.
19 I'm looking forward to that on or about the beginning of
20 April. So there's several things we're doing and as I
21 mentioned as well, our COO has made several trips down to
22 the field. And we are working with our contractors down
23 there to make sure going forward that we're on a good place
24 to deliver the contracts.

25 BOARD MEMBER PASKETT: So Mr. Chair, if I may?

1 And thank you, Brian, that's helpful and thoughtful and I
2 look forward to hearing more. As we look at this Business
3 Plan over the next couple of months and we look at doing
4 business differently, as Mr. Kelly suggested, I would also
5 ask you as Chair and my fellow Board members to consider
6 maybe adding a bit more process to support the effort to do
7 business differently. And take a hard look at some of
8 these issues that created these risks and how they'll be
9 addressed in the future. And perhaps promote more public
10 transparency at the Board level.

11 And so maybe you can think about that and we can
12 have it as an agenda item at the next Board meeting. But
13 it would be nice to have new committees and new
14 opportunities to really sort through a lot of these major
15 issues and risks in the public setting.

16 CHAIRMAN RICHARD: Okay.

17 MR. KELLY: Thank you.

18 CHAIRMAN RICHARD: Other questions for Mr. Kelly?
19 Director Curtin?

20 BOARD MEMBER CURTIN: No. I don't really have a
21 question. I just want to --

22 CHAIRMAN RICHARD: Comments also, sure.

23 BOARD MEMBER CURTIN: -- (indiscernible) --

24 CHAIRMAN RICHARD: Danny, I'm not sure your mic,
25 you're --

1 BOARD MEMBER CURTIN: Oops, it is on? Is it on?
2 I want to thank you for taking the job. It's a
3 going to be a tough job and our new COO, Joe Hedges. And
4 already we're seeing some clarity in the decision-making
5 process and dispute resolution issues that have plagued us
6 in many cases. So I'm just congratulating both of you and
7 look forward to working with you in moving this ball
8 forward. Thank you.

9 CHAIRMAN RICHARD: Okay.
10 Director Camacho?

11 BOARD MEMBER CAMACHO: Yes. Brian, you mentioned
12 lessons learned and certainly if we're going to go forward,
13 we need to look back and see what hampered our progress.
14 You mentioned that we have in terms of right-of-way 1,400
15 parcels of land. But to me, the number of parcels is less
16 important than the number of contiguous parcels that we
17 clear. And I think that that's been perhaps one of our
18 road blocks, is that we haven't presented to the contractor
19 enough contiguous pieces of property, so that they can
20 actually get some forward progress. And I'm glad you
21 recognize that in your lessons learned.

22 So I certainly have been a proponent of right-of-
23 way and trying to clear that. And so I'm grateful that you
24 recognize that.

25 CHAIRMAN RICHARD: Okay. Any other questions or

1 comments? Well -- oh, okay.

2 VICE CHAIR RICHARDS: Just a quick one if I
3 might? Thank you.

4 CHAIRMAN RICHARD: Vice Chair Richards?

5 VICE CHAIR RICHARDS: Brian, I just wanted to
6 make sure I thought I was hearing what you might be
7 thinking about with regards to future construction phases
8 and in terms of reducing risk. And it, I think falls
9 partially on the back of what Ernie just said, but is it
10 the intention then of management and staff that as we start
11 new construction in the help to reduce risk that the intent
12 is to secure right-of-way before we start construction?

13 MR. KELLY: Yes. Certainly, to the maximum
14 extent feasible, yes.

15 VICE CHAIR RICHARDS: Thank you very much.

16 CHAIRMAN RICHARD: Okay.

17 Well, thank you very much again for that. And
18 let me just reemphasize --

19 VICE CHAIR RICHARDS: And I do have one other
20 thing, I'm sorry, if I may?

21 CHAIRMAN RICHARD: Okay.

22 VICE CHAIR RICHARDS: And because it's so been so
23 critical also, and one of the big hurdles that we've had is
24 not only right-of-way, but third-party agreements. So I
25 assume as we had talked about before, a good deal of work

1 with those third-party partners, utilities etc. to really
2 define cost locations and those kinds of things? Again,
3 during the early planning stages, so we don't have as many
4 hiccups in the development of the right-of-way and amended
5 requirements that we have as we've seen in the past?

6 MR. KELLY: Yeah, you know, I think that they
7 really go hand in hand. When you are securing a right-of-
8 way, you've laid out your path forward, you know, the
9 third-party agreements, utility relocations, much of that
10 is known and established. And you can incorporate in what
11 you're now then presenting as a cost to construct and move
12 forward. And so I think the idea is to establish all of
13 that early.

14 VICE CHAIR RICHARDS: Great. Thank you.

15 Sorry, Dan.

16 CHAIRMAN RICHARD: No, that's all right.

17 Let me just reemphasize what Mr. Kelly said about
18 ways to communicate the public's input into the program.
19 Please note that you can do that through the Internet,
20 through direct phone calls to us, through letters, and of
21 course by appearing at our Board meeting. The next one
22 will be April 17th in Los Angeles.

23 I want to move quickly to the items that we have
24 in front of us. I don't think we need to spend 20 minutes
25 on each one, so that's just a heads up to Mr. Ogle since

1 the Board package, which has also been presented to the
2 public, is fairly complete.

3 So let's move to item three, which is a
4 consideration of additional funding for CP1, Construction
5 Package 1, Mr. Ogle?

6 MR. OGLE: Thank you, Mr. Chairman and fellow
7 Directors. I'm here to present three items, and yes I hope
8 to not be up here longer than 20 minutes for all three.

9 CHAIRMAN RICHARD: All right.

10 MR. OGLE: The first one is to consider
11 additional funding for the design-build package for
12 contract CP1. The Authority is asking to augment the
13 contingency of \$20 million to administer the Herndon
14 mitigation change. The Herndon mitigation change was
15 primarily driven by the avoidance of a major PG&E gas line
16 that's under the San Joaquin River. The avoidance of this
17 gas line would avoid regulatory and resource agency
18 mitigations.

19 This change also assisted in the agreement
20 negotiations with UPRR. And this change, a part of this
21 change is documented in the ECM Agreement that we have with
22 UPRR. It also resolved traffic circulation issues with the
23 City of Fresno at Herndon Avenue and Golden State
24 Boulevard, and avoided major project delays due to the
25 avoidance of this relocation of this PG&E gas line, which

1 would have included environmental clearance, additional
2 environmental clearance and additional permits in the San
3 Joaquin River.

4 This change also allowed for the construction of
5 the San Joaquin River Viaduct in a pergola to begin
6 construction much earlier. And so the Authority is here to
7 ask the Board to augment the contingency fund by adding \$20
8 million to help us execute the Herndon mitigation change.

9 BOARD MEMBER CAMACHO: Mr. Chairman, I'd like to
10 move (indiscernible) --

11 BOARD MEMBER PASKETT: Move the item, Mr. Chair.

12 BOARD MEMBER SCHENK: Second.

13 CHAIRMAN RICHARD: Okay. I didn't see who moved
14 it. Was it Ms. Lowenthal or was it Ms. Schenk?

15 BOARD MEMBER SCHENK: No, Paskett.

16 CHAIRMAN RICHARD: Oh, it was -- okay, Director
17 Paskett, so I knew that it was somewhere down there.

18 Moved by Director Paskett and I think seconded by
19 Director Camacho. Secretary, please call the roll?

20 MS. JENSEN: Director Schenk?

21 BOARD MEMBER SCHENK: Yes.

22 MS. JENSEN: Vice Chair Richards?

23 VICE CHAIR RICHARDS: Yes.

24 MS. JENSEN: Director Curtin?

25 BOARD MEMBER CURTIN: Yes.

1 MS. JENSEN: Director Paskett?

2 BOARD MEMBER PASKETT: Yes.

3 MS. JENSEN: Director Lowenthal?

4 BOARD MEMBER LOWENTHAL: Yes.

5 MS. JENSEN: Director Camacho?

6 BOARD MEMBER CAMACHO: Yes.

7 MS. JENSEN: Chair Richard?

8 CHAIRMAN RICHARD: Yes.

9 One second, before you go to the next item just a
10 quick question for the CEO. On all three of these changes,
11 their increases, are they included in the revised baseline
12 budget, here in the baseline?

13 MR. KELLY: Yes, they are. Yes.

14 CHAIRMAN RICHARD: Okay. Okay, go ahead please.
15 Item four for the PCM contract for CP1.

16 MR. OGLE: Item four, considering amending the
17 project and construction management PCM contract for
18 Construction Package 1 and issuing a request qualifications
19 to re-procure PCM services.

20 By way of introduction here the Authority elected
21 to use the PCM consultants as the Authority's primary
22 resource for the staff to provide oversight and management
23 of design-build contracts. The PCM teams provided unique
24 and critical project level services in the management of
25 the design and construction projects for various segments

1 of the high-speed rail system.

2 CP1 design-build contract and PCM contracts were
3 awarded before the development of performance metrics and
4 many of the Authority's current policies and procedures.
5 The CP1 PCM contract was not sufficiently funded during the
6 initial negotiation due to the lack of understanding of the
7 magnitude of the work ahead and the lack in providing
8 parameters of the value of PCM services.

9 This was further compounded with the additional
10 scope that was added to the design-build contract and the
11 PCM contract plus a significant time extension for the DB
12 contract; all of these without any additional funding to
13 the PCM.

14 In October 2017, at this Board meeting, the staff
15 agreed or committed to perform a programmatic review of all
16 PCMs and provide pragmatic options to extend the existing
17 contracts or re-procure.

18 The programmatic review looked at five main key
19 items or barriers was the implementation of the existing
20 Board, existing best management practice, establish the PCM
21 performance metrics, streamline the PCM staffing levels,
22 review the ICE, the Independent Checking Engineer, and the
23 Independent Site Engineer and perform a quality assessment
24 for the PCM contracts.

25 Staff's presentation of the results of the

1 programmatic assessment has yielded that there were areas
2 of improvement for all three PCMs under the contract with
3 the Authority. A number of corrective actions and non-
4 conformance reports have been issued to each of the PCMs.
5 However, and this is where I'd like to stress, however Wong
6 + Harris has been responsible in addressing the number of
7 NCRs and will propose additional staff to address the
8 concerns raised in this assessment.

9 The Authority staff has determined that the Wong
10 + Harris, particularly has been instrumental in
11 administering the oversight of the CP1 contract
12 specifically related to Wong + Harris, which is the subject
13 of this Board action under item four.

14 Wong + Harris has made positive adjustments since
15 November 2017, which include the following: the addition of
16 Glen Suder (phonetic) to lead their PCM, a high-level
17 manager from Harris; the addition of a Senior Quality
18 Manager; revised audit plan schedules; internal and
19 external audits; updated construction management plans;
20 updated project quality control plans; the development of
21 training programs and schedule of Q&P revisions; the
22 reduction of submittal backlog and they added a risk-
23 management consultant.

24 Also as a part of this quality assessment, the
25 Authority identified that we need to look at starting from

1 ground zero again and look at identifying roles and
2 expectations for our PCMs. And then as the Authority,
3 closely monitoring and evaluation those PCMs on a more
4 regular basis.

5 Staff is here to recommend that we extend Wong +
6 Harris's contract for \$28.5 million through December of
7 2019. Wong + Harris has worked with the Authority staff to
8 accelerate key critical parcels leading to early start of
9 construction; initiation of discussions of permit agencies,
10 reduce the biological monitoring requirements and
11 streamline documentation, perform due diligence, design due
12 diligence reviews resulting in cost savings, coordinated
13 and facilitated third-party utility relocations, and
14 navigated highly complex third-party utility relocations.

15 At this time staff would recommend that the Board
16 approve PCM to extend with \$28.5 million through December
17 of 2019.

18 BOARD MEMBER CAMACHO: Move approval.

19 CHAIRMAN RICHARD: Okay. It's been moved by
20 Director Camacho.

21 VICE CHAIR RICHARDS: Second.

22 CHAIRMAN RICHARD: Seconded by Vice Chair
23 Richards. Will the Secretary please call the roll?

24 BOARD MEMBER PASKETT: Mr. Chair?

25 CHAIRMAN RICHARD: Yes, I'm sorry?

1 BOARD MEMBER PASKETT: May I ask you a question?

2 CHAIRMAN RICHARD: Yeah, of course. Of course, I
3 should have asked if there were questions first.

4 BOARD MEMBER PASKETT: Mr. Kelly, how does this
5 fit in with doing business differently?

6 MR. KELLY: In this case, the staff did a pretty
7 thorough assessment of the PCMs for all three of the
8 contracts, CPs 1, 2-3 and 4. The issue here is we've had
9 an expansion of scope on CP1 and there's a new commitment
10 as Terry read out here on enhanced oversight of the PCMs as
11 we move forward. And because CP1 is the contract that we
12 are making -- how do I want to say it -- that we are
13 progressing the most aggressively on in the region, I think
14 the idea of introducing any new risk down there by, for
15 lack of a better term, changing horses midstream is unwise.
16 And would propose that with the enhanced oversight that the
17 Authority staff is committed to the work that the PCM has
18 already done and the work that we need them to continue to
19 do going forward.

20 I think it is the best path forward to deliver
21 the construction package.

22 BOARD MEMBER PASKETT: So Mr. Kelly, my concern
23 is that we've had some issues in the past with oversight in
24 construction management. And from the Board materials it
25 looks like this firm has been with us for quite some time.

1 And so I don't -- I'm not convinced that this is doing
2 business differently by not changing horses. I'm not going
3 to oppose it today, but my concern is that we've had
4 substantial cost increases. We've had some uncertainty
5 here on the project. We're now switching our cost
6 estimates. We're in the process of identifying risks for
7 this portion of the project. And so I'm not sure going
8 through the end of the next year, and having that much of a
9 runway to not make a change, is prudent for this Board.

10 Maybe there's an amendment to the resolution
11 where you are given the authority to renegotiate and pursue
12 an amendment, but maybe it's not all the way out through
13 the end of next year. Or there's a requirement that in
14 three-to-six months this comes back before the Board and we
15 hear an update on whether or not, in fact we are doing
16 business differently. And we are starting to mitigate
17 risks with the assistance of this contract.

18 MR. KELLY: I'm looking -- yeah.

19 BOARD MEMBER PASKETT: I'm just concerned that we
20 haven't -- that we have a new approach, but we're not
21 making a lot of changes to execute on that new approach.

22 MR. KELLY: A couple of things, as I said there's
23 three different PCM contractors on the three different
24 contracts down there. They are all undergoing current
25 assessment and oversight and that's a continuous effort as

1 we go forward. I have no problem with the suggestion that
2 we come before the Board six months, three months, whatever
3 the Board needs, to describe where we are moving forward.

4 I would also say that even with the extension
5 here these contracts all have termination clauses that are
6 common in contracts as we move forward. And that we have
7 an opportunity to execute those whenever we see fit. As we
8 manage this going forward the commitment that I'm making
9 here and my team is making here is certainly enhanced
10 oversight and a total willingness to come before this Board
11 and update where we are in the performance of this PCM as
12 we move forward.

13 With that said, I would still urge the Board to
14 approve the resolution, so that we don't introduce any new
15 risk on the development of CP1 in the region.

16 BOARD MEMBER PASKETT: What's the termination
17 clause?

18 MR. KELLY: I'm looking at Counsel, but I know
19 that generally these contracts have either for cause or for
20 convenience opportunities to terminate.

21 Tom, you want to add anything?

22 MR. FELLEENZ: Yes. Architectural engineering --

23 CHAIRMAN RICHARD: Why don't you go to the
24 microphone?

25 MR. KELLY: This is Authority Counsel, Tom

1 Fellenz.

2 MR. FELLEENZ: Yes. These architectural
3 engineering contracts do have termination clauses, so the
4 order has the opportunity to make a change and can re-
5 procure if the Board chooses to.

6 BOARD MEMBER PASKETT: And what is that, Mr.
7 Fellenz, is it 30 days.

8 MR. FELLEENZ: I'd have to look. I don't recall
9 what the exact area it is for this one, but I can report
10 back.

11 BOARD MEMBER PASKETT: So if the maker of the
12 motion would entertain a substitute motion to add an
13 amendment to the resolution for a report back in 90 days on
14 the status of this.

15 CHAIRMAN RICHARD: Mr. Camacho, she's asking if
16 you would accept that as a friendly amendment to your
17 motion?

18 CHAIRMAN RICHARD: Mr. Camacho, she's asking if
19 you would accept that as a friendly amendment to your
20 motion?

21 BOARD MEMBER CAMACHO: I didn't hear it, sorry?

22 CHAIRMAN RICHARD: Director Paskett asked if you
23 would incorporate into your motion to move the contract
24 amended language to direct the staff to return before the
25 Board in 90 days to update the Board on the progress of the

1 PCM in fulfilling the objectives.

2 Yeah, is that an accurate recitation of it?

3 BOARD MEMBER PASKETT: It is.

4 BOARD MEMBER CAMACHO: I'm fine with it.

5 CHAIRMAN RICHARD: Okay. Then it'll be included
6 in the motion.

7 VICE CHAIR RICHARDS: And my second stands.

8 CHAIRMAN RICHARD: Okay.

9 BOARD MEMBER PASKETT: Thank you.

10 CHAIRMAN RICHARD: Do you have any other
11 questions?

12 BOARD MEMBER PASKETT: No.

13 CHAIRMAN RICHARD: Okay. Will the Secretary
14 please call the roll on the motion as amended?

15 MS. JENSEN: Director Schenk?

16 BOARD MEMBER SCHENK: (Absent).

17 MS. JENSEN: Vice Chair Richards?

18 VICE CHAIR RICHARDS: Yes.

19 MS. JENSEN: Director Curtin?

20 BOARD MEMBER CURTIN: Yes.

21 MS. JENSEN: Director Paskett?

22 BOARD MEMBER PASKETT: Yes.

23 MS. JENSEN: Director Lowenthal?

24 BOARD MEMBER LOWENTHAL: Yes.

25 MS. JENSEN: Director Camacho?

1 BOARD MEMBER CAMACHO: Yes.

2 MS. JENSEN: Chair Richard?

3 CHAIRMAN RICHARD: Yes.

4 Okay. Mr. Ogle?

5 MR. OGLE: Item number five is to consider an
6 amendment of the agreement with Caltrans for the State
7 Route 99 contract.

8 The Authority entered into an agreement with
9 Caltrans back in 2013 to relocate SR-99 in the limits of
10 CP1. This included design, right-of-way acquisition,
11 utility relocation as well as construction of that
12 particular contract. We are requesting an additional \$29.2
13 million for that contract. This \$29.2 million is for
14 right-of-way acquisition, utility relocation, and loss of
15 business goodwill.

16 The reason for this increase is 22 out of the 41
17 parcels on the SR-99 project has gone through the eminent
18 domain process and all 41 parcels have the potential loss
19 of business goodwill. Caltrans in their initial estimated,
20 estimated that 10 properties would go into eminent domain,
21 and 10 properties would go into loss of business goodwill.

22 Utility relocation costs for PG&E and AT&T has
23 increased higher than estimated and we've experienced this
24 as well as CP1 and CP2-3 as we've been relocating these
25 utilities in our project as well.

1 Staff is recommending that we issue a 29.2
2 contract amendment for the Caltrans agreement. It is
3 anticipated that Caltrans will need this budget this fiscal
4 year, because they expect to receive court judgements, loss
5 of business goodwill settlements and utility invoices
6 before the end of the fiscal year.

7 BOARD MEMBER PASKETT: Move the item.

8 BOARD MEMBER LOWENTHAL: Second.

9 CHAIRMAN RICHARD: Before you move it, are there
10 any questions from members?

11 BOARD MEMBER PASKETT: I have no questions.

12 VICE CHAIR RICHARDS: I have a question.

13 CHAIRMAN RICHARD: Vice chair Richards does have
14 a question.

15 VICE CHAIR RICHARDS: Thank you, Mr. Ogle. Can
16 you -- I want to make sure that I'm correct in what I'm
17 saying. The right-of-way has all been under the
18 responsibility and control of the Caltrans under this
19 contract; is that correct?

20 MR. OGLE: Yes, sir.

21 VICE CHAIR RICHARDS: And there has been no
22 right-of-way efforts or any of the right-of-way having been
23 assembled with the High-Speed Rail Authority staff or
24 consultants?

25 MR. OGLE: There were a few parcels. I believe,

1 two parcels that were looked at for high-speed rail that we
2 took over and we took the responsibility for payment.
3 High-Speed Rail right-of-way staff is always involved in
4 the Caltrans negotiations and in the Caltrans process.
5 They consult with us, our right-of-way staff before they go
6 through with their execution of that right-of-way
7 agreement.

8 VICE CHAIR RICHARDS: Was there a reason that we
9 took over those two parcels?

10 MR. OGLE: It was a funding issue at that time.

11 VICE CHAIR RICHARDS: All right. Could you
12 explain that?

13 MR. OGLE: The right-of-way funding for this
14 \$29.2 million?

15 VICE CHAIR RICHARDS: I see, oh they didn't have
16 the money.

17 MR. OGLE: They didn't, Caltrans did not have the
18 money.

19 VICE CHAIR RICHARDS: Okay. Thank you.

20
21 BOARD MEMBER CAMACHO: And Mr. Chairman, one
22 quick question?

23 CHAIRMAN RICHARD: Yes, Director Camacho?

24 BOARD MEMBER CAMACHO: All the dollars that we
25 are approving today were all contemplated in the re-

1 baselining of dollars; is that correct?

2 CHAIRMAN RICHARD: Yes.

3 MR. OGLE: That's correct. Yes, sir.

4 BOARD MEMBER CAMACHO: Thank you.

5 CHAIRMAN RICHARD: Okay. Other questions?

6 The item has been moved by Ms. Paskett. I didn't
7 hear who gave the second? Director Lowenthal gave the
8 second. Would the Secretary please call the roll?

9 MS. JENSEN: Vice Chair Richards?

10 VICE CHAIR RICHARDS: Yes.

11 MS. JENSEN: Director Curtin?

12 BOARD MEMBER CURTIN: Yes.

13 MS. JENSEN: Director Paskett?

14 BOARD MEMBER PASKETT: Yes.

15 MS. JENSEN: Director Lowenthal?

16 BOARD MEMBER LOWENTHAL: Yes.

17 MS. JENSEN: Director Camacho?

18 BOARD MEMBER CAMACHO: Yes.

19 MS. JENSEN: Chair Richard?

20 CHAIRMAN RICHARD: Yes.

21 Thank you, Mr. Ogle.

22 MR. OGLE: Thank you.

23 CHAIRMAN RICHARD: Okay. Our last item is -- oh,
24 by the way, I'm sorry. I should have noted earlier when we
25 came out of closed session that we had nothing to report

1 from the closed session, so General Counsel's nodding.

2 Item six, consideration of amending the right-of-
3 way support services contract with Beacon, Scott Jarvis.

4 Mr. Jarvis?

5 MR. JARVIS: Yes. Good morning Mr. Chairman,
6 Board of Directors, and CEO Kelly. My name is Scott Jarvis
7 and I'm presenting an action item to recommend approval of
8 an amendment to the Hamner, Jewell & Associate contract to
9 repurchase the Beacon contract to increase the total
10 contract amount, permitting Beacon to continue providing
11 essential right-of-way services through the Authority,
12 which will be necessary to complete the work in the Central
13 Valley.

14 And on September of 2014, the Board authorized
15 contracting with eight specific right-of-way service
16 providers including Beacon with the total not-to-exceed
17 amount of \$35 million. The funds allocated may be a
18 portion between the eight service providers as necessary.

19 As has been discussed, since 2014 the Right-of-
20 Way Program has grown considerably in the Central Valley.
21 Construction Package 1 through 4 initially contemplated the
22 need for a little over 1,200 parcels. But as design and
23 construction has progressed the total number of parcels
24 required for construction has increased over 1,900.

25 Beacon was initially assigned 196 parcels for

1 acquisition and consistent with the overall increase in
2 parcel acquisition, the number was increased by an
3 additional 58 parcels to 254 parcels.

4 So Beacon is a high-performing right-of-way
5 service provider and they're an asset to the Authority.
6 They have successfully delivered highly complex parcels and
7 many of the remaining parcels involve complex acquisitions
8 from property owners with whom Beacon already has
9 relationships with. Therefore, approving the amendment
10 will allow Beacon to complete the acquisition of all 254
11 parcels assigned to it, in an efficient manner without the
12 need to reassign the work to other potentially less
13 effective right-of-way service providers. All of this
14 funding is included in the re-baselining exercise for this
15 contract augmentation.

16 So thus, staff recommends that the Board approve
17 an amendment to the agreement with Beacon to add
18 \$977,000.00 which would increase the total amount of the
19 Beacon contract to \$5,977,000.

20 CHAIRMAN RICHARD: All right.

21 MR. JARVIS: So I will happy to answer any
22 questions you might have.

23 CHAIRMAN RICHARD: Questions for Mr. Jarvis?

24 BOARD MEMBER CAMACHO: Move approval.

25 CHAIRMAN RICHARD: Moved by Director Camacho.

1 VICE CHAIR RICHARDS: Second.

2 CHAIRMAN RICHARD: Seconded by Vice Chair
3 Richards. Would the Secretary please call the roll?

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: (Absent).

10 MS. JENSEN: Director Lowenthal?

11 BOARD MEMBER LOWENTHAL: Yes.

12 MS. JENSEN: Director Camacho?

13 BOARD MEMBER CAMACHO: Yes.

14 MS. JENSEN: Chair Richard?

15 CHAIRMAN RICHARD: Yes.

16 Okay. That completes today's agenda. I want to
17 thank all the members of the public for coming here today
18 and thank my colleagues.

19 With that, this meeting of the High-Speed Rail
20 Authority is adjourned.

21 (Having no further business, Chairman Dan Richards
22 adjourned the Board Meeting at 11:58 a.m.)

23 --oOo--

24

25

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 16th day of April, 2018.



Eduwiges Lastra
CER-915

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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.

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Myra Severtson
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