

CALIFORNIA HIGH-SPEED RAIL AUTHORITY

BOARD MEETING

TRANSCRIPT OF PROCEEDINGS

DEPARTMENT OF HEALTHCARE SERVICES AUDITORIUM

1500 CAPITOL AVE.

SACRAMENTO, CA 95814

TUESDAY, JUNE 19, 2018

10:00 A.M.

Reported by:  
Gigi Lastra

APPEARANCESBOARD MEMBERS

Dan Richard, Chairman

Tom Richards, Vice Chair

Lynn Schenk (Absent)

Michael Rossi

Daniel Curtin

Nancy Miller

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

Tom Fellenz, Chief Counsel

Joseph Hedges, Chief Operating Officer

Terry Ogle, Director of Design and Construction

Roy Hill, Chief Program Officer

Russ Fong, Chief Financial Officer

APPEARANCES (Cont.)

PRESENTERS:

Joseph Hedges, Chief Operating Officer

Terry Ogle, Director of Design and Construction

Roy Hill, Chief Program Officer

Russ Fong, Chief Financial Officer

PUBLIC COMMENT:

Roger Blackwell, Self

<u>INDEX</u>		<u>PAGE</u>
	Roll Call	5
	Public Comment	6
1.	Election of Board Officers	9
2.	Consider Approving the Board Meeting Minutes from the May 15, 2018 Meeting	12
3.	Status Report on Construction Package 1 Project and Construction Management Services	13
4.	Consider Accepting the Program Baseline (Cost, Schedule and Scope), Approving Adjustments to Existing Contracts, and Accepting the 2018-19 Fiscal Year Budget Necessary to Implement the 2018 Business Plan	38
5.	Consider Providing Funding for an Agreement with BNSF Railway to Create Work Windows for Central Valley Construction	65
6.	Closed Session Pertaining to Litigation	72
	Adjourned	72

1  
2  
3  
4  
5  
6  
7  
8  
9  
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P R O C E E D I N G S

10:08 a.m.

PROCEEDINGS BEGIN AT 10:07 A.M.

SACRAMENTO, CALIFORNIA, TUESDAY, JUNE 19, 2018

CHAIRMAN RICHARD: Okay. Good morning. I'm looking for, started to say Secretary Kelly, but I think we demoted him before since then.

BOARD MEMBER ROSSI: Yes, he's in the aisle.

CHAIRMAN RICHARD: There he is.

Okay, good morning. This meeting of the California High-Speed Rail Authority will come to order.

Will the Secretary please call the roll?

MS. JENSEN: Good morning. Director Schenk?

BOARD MEMBER SCHENK: (Absent).

MS. JENSEN: Vice Chair Richards?

VICE CHAIR RICHARDS: Here.

MS. JENSEN: Director Rossi?

BOARD MEMBER ROSSI: Here.

MS. JENSEN: Director Curtin?

BOARD MEMBER CURTIN: Here.

MS. JENSEN: Director Lowenthal?

BOARD MEMBER LOWENTHAL: Here.

MS. JENSEN: Director Camacho?

BOARD MEMBER CAMACHO: Here.

MS. JENSEN: Director Miller?

1 BOARD MEMBER MILLER: Here.

2 MS. JENSEN: Senator Beall?

3 EX OFFICIO BOARD MEMBER BEALL: (Absent).

4 MS. JENSEN: Assemblymember Arambula?

5 EX OFFICIO BOARD MEMBER ARAMBULA: (Absent).

6 MS. JENSEN: Chair Richard?

7 CHAIRMAN RICHARD: Here.

8 Vice Chair Richards, will you lead us in the  
9 Pledge of Allegiance? Somebody get the flag. There we go.

10 (The Pledge of Allegiance is made.)

11 CHAIRMAN RICHARD: Thank you.

12 And actually, before we start this morning and  
13 turn to our agenda and public comments, I'd just like to  
14 note that today is June 19th. This is a day that's  
15 actually celebrated by African-American citizens as a  
16 demarcation of the end of the period of slavery in the  
17 United States. The Governor issued a proclamation  
18 recognizing it and I think we would like to wish everybody  
19 a happy holiday on that.

20 And I'll just take a moment as a point of  
21 personal privilege and say that, of course, one of the  
22 greatest deprivations of the period of slavery was the  
23 division of families. And obviously that's something I  
24 think we should keep in mind today.

25 With that we'll move to public comment. And I

1 have one public comment item from Roger Blackwell of  
2 Sacramento. Sir, please go to the podium.

3 MR. BLACKWELL: Thank you for having me. I have  
4 produced a -- it's there on your desk, I believe. a) It  
5 shows the ruling grade from Bakersfield to L.A. to the L.A.  
6 Mission Terminal. Now, if you're going to build up over  
7 this mountain it's going to require a lot of time, effort  
8 and money and you're going to have to have environmental  
9 impact study. If you look at the 138 miles from -- this is  
10 a milepost from Southern Pacific to L.A. Mission Station.

11 Now I propose a tunnel. If you're going to build  
12 a 16-mile tunnel anyway, through from Palmdale there to  
13 Sombas, (phonetic) why not build a 35-mile tunnel from  
14 Grapevine to Castaic? You only have to get two  
15 environmental impact studies for that, because you're going  
16 in a tunnel, you're underground.

17 Now build the railroad big enough to carry a  
18 stack train. Now if you know what a stack train is, it's  
19 where they're carrying containers. You will generate, by  
20 the time the High-Speed Rail is done, you will generate  
21 more money to pay for the tunnel in itself. Now if  
22 anybody's bought a washer and dryer combination, and they  
23 bought a gas dryer, in ten years it will pay for itself;  
24 both units are free.

25 And I'm saying this is the way the freight

1 railroads can only come across Tehachapi. Tehachapi is  
2 every ten minutes there's a train that's running through  
3 there.

4 Now the freight railroad would -- they would  
5 slobber  
6 -- they would go slobbering at the mouth to run through  
7 there. And not -- and you'd pull it through with a mule.

8 I have other maps here, a 3A map on that you look  
9 at there. And it shows -- I didn't know you were going to  
10 go back through Bakersfield. I thought you were going to  
11 drop straight down from Shaftner (phonetic) over to  
12 Grapevine and through the mountain.

13 Now you're going to have to cross a fault at  
14 Palmdale anyway, the San Andreas Fault, you're going to  
15 have to cross it there anyway. There's a tunnel in there  
16 that if you look through the archived pictures, they had an  
17 earthquake. The tunnel wall lifted up, the railroad shot  
18 underneath the tunnel and it came back down, so it looks  
19 like your tracks are going through the tunnel into the  
20 tunnel walls.

21 So, at Gorman that's where you could have another  
22 station in that crossover underground. If the little  
23 country called Switzerland can build the Gotthard Base  
24 Tunnel 35 miles through hard rock to Italy, why can't the  
25 United States? You look at the Channel Tunnel. They built

1 that underneath the English Channel.

2 CHAIRMAN RICHARD: Yes, sir. Mr. Rockwell, thank  
3 you for this information, and appreciate it. And we're  
4 going to ask our engineers to take a look at it.

5 MR. BLACKWELL: You're going to take a look at  
6 it?

7 CHAIRMAN RICHARD: Yes, sir. Thank you, sir.

8 MR. BLACKWELL: Okay. Thank you for having me.

9 CHAIRMAN RICHARD: Thank you for coming today.

10 I do not have any other speaker requests. So  
11 with that the public comment period is closed. And we'll  
12 move on to the items on our regular agenda.

13 Item one is the Election of Board Members. So,  
14 why don't we start with the Vice President and go have a  
15 nomination?

16 BOARD MEMBER ROSSI: (Indiscernible - off mic).

17 CHAIRMAN RICHARD: What do you want biographies  
18 at this point? Is that what you're saying? (Laughter).

19 BOARD MEMBER ROSSI: A (indiscernible) candidate  
20 statement or (indiscernible) --

21 CHAIRMAN RICHARD: A candidate statement.

22 BOARD MEMBER CURTIN: Thirty minutes each.

23 CHAIRMAN RICHARD: Yeah, that's it. And then  
24 we'll run this as a top two, is that how we do this? Yeah.

25 UNIDENTIFIED SPEAKER: (Indiscernible).

1 CHAIRMAN RICHARD: Ms. Lowenthal?

2 BOARD MEMBER LOWENTHAL: Was there a nomination  
3 yet?

4 CHAIRMAN RICHARD: No. We're recognizing it.

5 BOARD MEMBER LOWENTHAL: Oh, okay. Thank you.  
6 Are we able legally to do both at the same time? Well, I  
7 would like to nominate both of you to continue in your  
8 positions. I don't know if you're gluttons for punishment  
9 or --

10 BOARD MEMBER ROSSI: Well, we know that's the  
11 case.

12 BOARD MEMBER LOWENTHAL: -- the fact that we see  
13 the light at the end of the tunnel, to use a bad pun. You  
14 know, both of you have demonstrated the willingness, the  
15 excitement about the future of High-Speed Rail, gone  
16 through the ups and downs and changes of staff. And if you  
17 are both willing to continue in these positions I think  
18 that we would be well served.

19 So, I am nominating both of you.

20 BOARD MEMBER ROSSI: Second.

21 CHAIRMAN RICHARD: Okay. Thank you. Thank you,  
22 Bonnie.

23 So, it was nominated. I'm interpreting that for  
24 the Vice President position, Tom Richards, and for the  
25 President or the Board Chair, yes. Okay. It's been moved

1 by Director Lowenthal, seconded by Director Rossi. Are  
2 there other nominations?

3 (No audible response.)

4 CHAIRMAN WEISENMILLER: Okay. Will the Secretary  
5 please call the roll?

6 MS. JENSEN: Vice Chair Richards?

7 VICE CHAIR RICHARDS: Yes.

8 MS. JENSEN: Director Rossi?

9 BOARD MEMBER ROSSI: No. (Laughter). Yes.

10 MS. JENSEN: Director Curtin?

11 BOARD MEMBER CURTIN: Yes.

12 MS. JENSEN: Director Lowenthal?

13 BOARD MEMBER LOWENTHAL: Yes.

14 MS. JENSEN: Director Camacho?

15 BOARD MEMBER CAMACHO: Yes.

16 MS. JENSEN: Director Miller?

17 BOARD MEMBER MILLER: Yes.

18 MS. JENSEN: Chair Richard?

19 CHAIRMAN RICHARD: Yes. Okay. Well, we're --  
20 yeah, thank you. Thank you, colleagues. I appreciate  
21 that.

22 VICE CHAIR RICHARDS: As do I.

23 (Applause).

24 CHAIRMAN RICHARD: So, moving -- Tom, did you  
25 want to give an acceptance speech? Was that what that --

1 VICE CHAIR RICHARDS: No. I said "thank you"  
2 there.

3 CHAIRMAN RICHARD: Yes. Well, that's good.  
4 All right, let's move to item two. Thank you,  
5 colleagues. Do I have a motion for the approval of Board  
6 Minutes from May 15th?

7 BOARD MEMBER LOWENTHAL: So Moved.

8 BOARD MEMBER ROSSI: Seconded.

9 CHAIRMAN RICHARD: Okay, it's been moved -- was  
10 that Director Miller or Director -- Director Lowenthal and  
11 seconded by Director Rossi.

12 And the Secretary, please call the roll.

13 MS. JENSEN: Vice Chair Richards?

14 VICE CHAIR RICHARDS: Yes.

15 MS. JENSEN: Director Rossi?

16 BOARD MEMBER ROSSI: Yes.

17 MS. JENSEN: Director Curtin?

18 BOARD MEMBER CURTIN: Yes.

19 MS. JENSEN: Director Lowenthal?

20 BOARD MEMBER LOWENTHAL: Yes.

21 MS. JENSEN: Director Camacho?

22 BOARD MEMBER CAMACHO: Yes.

23 MS. JENSEN: Director Miller?

24 BOARD MEMBER MILLER: Yes.

25 MS. JENSEN: Chair Richard?

1 CHAIRMAN RICHARD: Yes. Thank you.

2 Okay, the next item is item three. It's a status  
3 report on Construction Package 1 Project and Construction  
4 Management Services, or PCM Services. Mr. Hedges.

5 MR. HEDGES: Good morning. I'm Joe Hedges. I'm  
6 the Chief Operating Officer. I'm here with Terry. Terry  
7 and I are going to brief basically on the construction, on  
8 construction, on the Project Management piece. This was a  
9 comeback about approximately three months ago. We asked  
10 for an increase for CP1. You granted that funding  
11 increase with a stipulation that we come back and give you  
12 an update of some of the changes that we have made.

13 Terry's been leading those changes. So with  
14 that, I'll just turn the podium over to Terry.

15 CHAIRMAN RICHARD: Sure. Good morning.

16 MR. OGLE: Thank you, Mr. Hedges. Good morning  
17 Chairman and Members of the Board. I'm going to give just  
18 a brief update on the PCMs. Not just CP1, but on all of  
19 the -- all three of our PCMs.

20 As you know, we have three existing contracts.  
21 We have the first one on CP1 with Wong + Harris, who has a  
22 contract value of \$39.7 and a contract term of December  
23 31st, 2019. And this Board approved the extension to that  
24 in March of this year.

25 CP2-3 PCM is ARCADIS U.S. And they have a

1 contract value of \$66.8 million and a contract term of  
2 April 30th, 2019.

3 And HNTB is the PCM for CP4. They have a  
4 contract value of \$30.0 million and a contact term that  
5 ends in November 25th, 2020.

6 I want to point out that the Baseline includes  
7 additional budget for future consideration based upon PCM  
8 performance and overall program objectives.

9 I want to talk a little bit about some lessons  
10 learned, what we've been doing and what we've been looking  
11 at since August of last year. We've conducted an extensive  
12 review of the PCMs' contract, all three PCMs' contract, as  
13 well as the PCM Manual. We've been working on aligning  
14 that manual with our current contract requirements. And  
15 some of the things that we've identified as we've gone  
16 through this extensive review is clearly defining roles and  
17 responsibilities for the PCM; aligning our PCM with our  
18 authority, legal, right-of-way, utility and third parties,  
19 environmental, engineering and rail operations.

20 We've looked at clearly defining the role of the  
21 Authority's Design and Construction Manager and identified  
22 that role as the individual with the PCM financial  
23 responsibility, and also the responsibility for performing  
24 the PCM evaluation.

25 We've been updating the PCM Manual, as well as

1 the attachments and references.

2 BOARD MEMBER ROSSI: Can I ask you a question?

3 CHAIRMAN RICHARD: Put your mic on, Director  
4 Rossi.

5 BOARD MEMBER ROSSI: When you talk about the --  
6 when you talk about "responsible for PCM importance  
7 evaluation," who does the evaluation?

8 MR. OGLE: This is the Authority Design and  
9 Construction Manager that does that. And I'll get down to  
10 explaining that --

11 BOARD MEMBER ROSSI: Okay. Fine. Thank you.

12 MR. OGLE: -- in just a couple of minutes.

13 BOARD MEMBER ROSSI: Great.

14 MR. OGLE: Or just the next slide.

15 And so at the bottom of this page, Director  
16 Rossi, it talks about the establishing of the performance  
17 evaluation template and dashboard. Up until just recently  
18 we didn't have a performance evaluation or a dashboard.  
19 And so, we -- part of this evaluation and this extensive  
20 review, we have established a review and an evaluation  
21 template.

22 And so the next slide, on the bottom of that next  
23 slide you see a summary of the performance evaluations that  
24 we are conducting right now. And what that evaluation  
25 sheet is doing is it's taking the nine evaluation

1    criteria that are in the PCMs' contract. And those are  
2    the project management and administration, construction  
3    oversight, quality oversight, environmental oversight,  
4    safety and security, third-party and utility oversight,  
5    project controls oversight/risk management, right-of-way  
6    coordination and environmental oversight.

7            Each one of these are broken down into a series  
8    of questions or a series of evaluations that we look at as  
9    the PCM, and we evaluate those.

10           And then over on the right-hand side we have the  
11   five levels of performance evaluation. We have excellent,  
12   above requirements, meets requirements, below requirements,  
13   and poor. Each one of those that are above or below "meets  
14   requirements," a comment or a evaluation for each one of  
15   those has to be given of why do they have an above  
16   requirement or an excellent, or why they have below  
17   requirement or poor. And that's included in the  
18   evaluation.

19           The next slide shows a dashboard.

20           Go ahead, Director Rossi.

21           BOARD MEMBER ROSSI: Can you just tell me how you  
22   read this slide?

23           MR. OGLE: The slide is just --

24           BOARD MEMBER ROSSI: Are you adding up? I guess  
25   you're adding, no that's 35 squares, so you're adding up?

1 Is that the way that works, so where it says "total score"  
2 all of these things below come to that total score?

3 MR. OGLE: Correct.

4 BOARD MEMBER ROSSI: And then how do you read  
5 across from the perspective of hitting your percentages?

6 MR. OGLE: Director Rossi, if we could go to the  
7 next slide I think that may explain a little bit better.

8 BOARD MEMBER ROSSI: I mean, actually it won't.

9 MR. OGLE: It won't?

10 BOARD MEMBER ROSSI: Well, because I can't read  
11 it.

12 MR. OGLE: Correct.

13 BOARD MEMBER ROSSI: So the next slide won't help  
14 me in that regard.

15 MR. OGLE: This is just a -- to provide you a  
16 kind of an overview or kind of a pictorial view of what  
17 these look like. That we have evaluations and evaluation  
18 template.

19 BOARD MEMBER ROSSI: Oh, fair enough. And look,  
20 I understand what you're -- look, I'm actually trying to  
21 understand how these numbers work.

22 MR. OGLE: And I would be happy to sit down and  
23 explain those to you.

24 BOARD MEMBER ROSSI: Okay. Fair enough, we can  
25 do it offline.

1 MR. OGLE: The next slide is the Performance  
2 Evaluation Dashboard. And what it has there, is there is a  
3 total score. And then each of the nine evaluation areas  
4 are also scored. And all of those scores collapse up into  
5 the total -- into this total score.

6 Also on this slide there is a -- provides a  
7 planned versus actual expenditure summary. And that is on  
8 the right, right top-right hand side of your other slide.

9 VICE CHAIR RICHARDS: So that's the general  
10 score, plus the nine?

11 BOARD MEMBER ROSSI: The nine criteria collapse  
12 up to make the -- make the final score.

13 VICE CHAIR RICHARDS: To make a general score.  
14 Okay. Probably it'd help if we'd just seen this a little  
15 bit earlier and then we wouldn't be asking you --

16 MR. OGLE: Understood.

17 VICE CHAIR RICHARDS: -- questions like this.

18 MR. OGLE: Understood. Understood.

19 VICE CHAIR RICHARDS: And it's reasonably hard to  
20 read this slide.

21 MR. OGLE: The final slide here is some of the  
22 changes that we are looking at in moving forward. At the  
23 March Board meeting we were asked what are we going to be  
24 doing differently? So some of the changes that are  
25 underway are re-energizing and focusing on our contract

1 management team. That's the Authority folks, the Authority  
2 staff.

3 We're looking at right-sizing the PCMs and being  
4 consistent across all three PCMs as far as their staff is  
5 concerned.

6 We're looking at retraining the Authority and PCM  
7 staff to better use the Design-Build Model.

8 We've had executive involvement from all, or from  
9 each of the PCMs.

10 We've had project leadership changes in both CP1  
11 and CP2-3.

12 We've evaluated the ICE and the ISE and we have  
13 discontinued the ISE, out of contract.

14 CHAIRMAN RICHARD: Could you define those, Mr.  
15 Ogle?

16 MR. OGLE: Excuse me?

17 CHAIRMAN RICHARD: Yeah, could you just define  
18 that for the public here, what ICE and ISE is?

19 MR. OGLE: The ICE is the Independent Check  
20 Engineer. And that is a task that was assigned in CP1 to  
21 the design builder.

22 CHAIRMAN RICHARD: Correct.

23 MR. OGLE: And CP2-3 and CP4 was assigned to the  
24 PCM.

25 CHAIRMAN RICHARD: Correct.

1 MR. OGLE: So and then it -- during our  
2 evaluation we believed that that is better served under the  
3 design builder and not under the PCM and so we were moving  
4 forward with discontinuing ISE. And in future contracts we  
5 will not have ICE or ISE in the PCM contract, but that will  
6 be in the design build contract.

7 BOARD MEMBER CAMACHO: Mr. Chairman?

8 CHAIRMAN RICHARD: Director Camacho?

9 BOARD MEMBER CAMACHO: Then the evaluation will -  
10 - that you are talking about won't be -- as an example,  
11 CP2-3 has a design review process, which is probably  
12 greater than CP1. So will their contract terminate first  
13 before you start this new evaluation process? Because they  
14 do in fact have ICE and ISE, but they also have the RDP and  
15 another entity looking at their design review. So are we  
16 going to terminate those contracts first? Or are we  
17 pulling that out now?

18 MR. OGLE: We're pulling that out now.

19 BOARD MEMBER CAMACHO: Yeah, well I had asked  
20 that question earlier and I thought that the answer was  
21 that it was too late, and they were going to extend the  
22 contract and then make that change.

23 MR. HEDGES: Are you talking about ICE or ISE,  
24 sir?

25 BOARD MEMBER CAMACHO: Well, we have -- you had

1 ICE, ISE --

2 MR. HEDGES: ICE we're going to run to completion  
3 since we're at the final stages of all of our designs right  
4 now. Pulling it back out right now in my evaluation will  
5 just create confusion and add cost to the program, all  
6 right? So we're going to finish off the ICE process as  
7 these latter stages. Future modification, we'll probably  
8 eliminate it and make that a contractor responsibility, a  
9 design builder responsibility.

10 ISE, since with regards to 3-4 we have not yet  
11 begun on 2-3, we have not yet begun substantial  
12 construction, we will downsize that, right size that in the  
13 design build's contract, in the PCM contract and move it  
14 over into design builder.

15 BOARD MEMBER CAMACHO: On the CP2-3 you also had  
16 the CPM staffing drawings, are you going to continue with  
17 that?

18 MR. HEDGES: Yeah, we're going to keep that in  
19 right proportion. One of the things that have -- you just  
20 saw right now is the definition of roles with regards to  
21 the Authority's position, responsibility with regards to  
22 engineering the RDP and the state, the PCM and the design  
23 builder. We want to make sure that the design builder  
24 maintains the role and the responsibility of being the  
25 designer of record. That is our key focus right now.

1 BOARD MEMBER CAMACHO: Yes. But in fact, under a  
2 design-build they have an architect stamping those drawings  
3 there. They are, in fact, the ones responsible, so to have  
4 a redundant stamp on the drawings by a PCM make no sense to  
5 me.

6 MR. HEDGES: But right now that redundant stamp  
7 is part of the ICE process. I would agree with you, if we  
8 were to start from Ground Zero, that we would probably  
9 eliminate that as we make this part of the design builder's  
10 responsibility.

11 BOARD MEMBER CAMACHO: Okay, one last question.  
12 So if in fact they have that responsibility CP1 and CP4,  
13 neither one of them have that responsibility. So when you  
14 evaluate them how do they get evaluated to see if in fact  
15 they have one more review of a 100 percent drawing?

16 MR. HEDGES: CP4 does have that responsibility.  
17 CP1 does not. CP1 is the exemption. ICE and ISE was  
18 retained by the design builder. And how, it's a gradient  
19 approach, sir. Now, what we're -- with regards to the  
20 evaluation it is impacted in the one design overview. That  
21 is one of the considerations, is they look at evaluation.  
22 It is a little bit hard and difficult to come to an apples-  
23 to-apples evaluation with these different scopes.

24 That's why one of the things of future actions  
25 that Terry indicated is the right size. You're redoing the

1 manual, redoing our process on future contracts, it is much  
2 more clear.

3 BOARD MEMBER CAMACHO: So they will go through  
4 this process of evaluation with -- and they will be  
5 mandated as to continue to stamp drawings?

6 MR. HEDGES: With regards to finishing off the  
7 designs of CP4 and 2-3 that are in the latter, latter  
8 stages of issuing the designer record drawings? Yes, sir.

9 BOARD MEMBER CAMACHO: Okay. Thank you.

10 CHAIRMAN RICHARD: Mr. Ogle?

11 MR. OGLE: So the last couple of items is another  
12 thing to change underway is providing continuity by linking  
13 the PCM with the regional project controls. And some  
14 upcoming changes were updating the entire PCM Manual, as  
15 well as the attachments for program consistency. And we  
16 will provide a quarterly Performance Report. The next one  
17 is due in September of 2018.

18 CHAIRMAN RICHARD: Do you mean provide that to  
19 the Board? Or provide it -- when you say, "provide a  
20 quarterly performance report?"

21 MR. OGLE: We will provide to the PCMs and to our  
22 Executive Management.

23 CHAIRMAN RICHARD: Okay. Questions for Mr. Ogle  
24 or Mr. Hedges, Director Curtin?

25 BOARD MEMBER CURTIN: I'm very happy to see these

1 changes, but I have a question about the integration points  
2 of the projects. These are the PCMs on each individual  
3 projects, and I know there's been concerns. At least I've  
4 had concerns in the past about where the projects actually  
5 meet. How does the  
6 -- who does the oversight for the integration points if  
7 there's disagreements or differences?

8 MR. OGLE: So there's clauses in all three  
9 contracts. As far as integration is concerned at the  
10 points one of the things that the PCMs do or kind of  
11 spearhead is a coordination meeting between all of the --  
12 two design builders if it's an integration point at that  
13 location, so that we're not meeting at different elevations  
14 or different locations.

15 BOARD MEMBER CURTIN: Okay. So is that new or is  
16 that something that's historically been happening, because  
17 I've heard these problems have existed. I'm just wondering  
18 if this reform or whatever you want to call it is including  
19 that kind of decision-making process.

20 MR. OGLE: I was involved in the CP1 and CP2-3  
21 integration meeting. And we had multiple meetings on that  
22 where we sat down both design builders to talk about the  
23 alignments, horizontal, vertical profiles, cross-sections.  
24 That whole -- the whole thing was integrated.

25 BOARD MEMBER CURTIN: Right. That was after it

1 was discovered that there was a problem. I'm asking is it  
2 going to be a sort of an ongoing process and who's  
3 responsible to pull those meetings together?

4 MR. OGLE: It's the PCM as well as the design  
5 builders who coordinate that and the Authority will help  
6 assist that as well.

7 BOARD MEMBER CURTIN: Okay. That doesn't quite  
8 get to it, but I'm just -- if somebody doesn't take an  
9 affirmative action to say -- or is it a regularly scheduled  
10 meeting that is designed to find out if there are issues at  
11 these integration points?

12 MR. OGLE: When we were talking about CP2-3 and  
13 CP1, yes, there were regular meetings for probably about  
14 two to three months.

15 BOARD MEMBER CURTIN: But that's after there was  
16 an issue arising about there was problems.

17 MR. OGLE: Correct.

18 BOARD MEMBER CURTIN: So what happens before  
19 there's an issue that arises? Is there a way to find out  
20 about the issues before they arise?

21 MR. OGLE: That would be -- your point's very  
22 well taken. And that would be something that the design  
23 builders for CP2-3 and CP4 as well as the PCMs and our  
24 Authority staff to coordinate and to get those started.

25 BOARD MEMBER CURTIN: Okay. I'm just asking who

1 is responsible to get them started?

2 MR. OGLE: The PCM is responsible.

3 BOARD MEMBER CURTIN: Each side says okay, we're  
4 going to meet on June 15th or is -- the problem is there's  
5 two entities. And they're both responsible for the same  
6 sort of thing. I'm just asking if the oversight, whoever  
7 oversees the three programs, has a regularly set up  
8 requirement to make sure that these meetings happen.

9 MR. OGLE: The PCMs will be responsible. But --  
10 and since I'm responsible for the entire Central Valley  
11 that would be my responsibility to undertake that.

12 BOARD MEMBER CURTIN: Okay. So when -- let's  
13 assume for a minute we're going to another, outside the  
14 Central Valley, do you wait for them to call you and say  
15 hey, what happens here when we meet? Are you -- do you  
16 understand?

17 MR. OGLE: I understand what you're saying. And  
18 we can put stronger language into the contract as we move  
19 away from the Central Valley. You know, our --

20 BOARD MEMBER CURTIN: All I'm saying is that we  
21 have different entities doing different portions of it.  
22 And they view the roles from their own perspective. We  
23 need somebody who says they have to sit down and organize -  
24 - they have to organize answers to problems, but we have  
25 to also identify when those problems are happening, as

1 opposed to after we find out there's a problem.

2 MR. HEDGES: Sir, the Authority is taking a very  
3 -- currently is taking a very aggressive role in doing  
4 that. We are working basically with each of the CP  
5 contractors. I personally have led an integrated team down  
6 with regards to the head of each of the groups of  
7 headquarters as in to ensure that we identify where those  
8 problems are and to get help into the field.

9 One shout-out I'd like to give is the PG&E. We  
10 just had a Day Summit with PG&E and we sat down and worked  
11 through some of those coordination issues. At the  
12 Authority level, we brought the contractors in to hear  
13 them, as to start resolving some of their issues. I think  
14 we're making some bold steps forward, which is a great  
15 benefit to the Authority since we're paying, basically as  
16 bill cost for that with regards to the concept of our  
17 reimbursement back to the contractors through the  
18 provisional sums.

19 BOARD MEMBER CURTIN: So I'm quite sure PG&E is  
20 really happy about that shout-out, because they need those  
21 things right about now. But that could be a similar  
22 problem on two different projects, right?

23 MR. HEDGES: It is, sir. We had the whole Valley  
24 in. There's a lot of commonality of issues, all right.

25 BOARD MEMBER CURTIN: Correct.

1 MR. HEDGES: And the other issue as regards it  
2 goes back to this brief, and that is the problems that  
3 we're currently having with ICE finalizing some of these  
4 designs, Engineering is taking a much more aggressive role.  
5 They have come in right now in the latter stages of this  
6 and are basically arbitrating through some of these design  
7 comments at a headquarters level, as to push the designs  
8 through.

9 BOARD MEMBER CURTIN: Good. So what you're  
10 saying though is you sort of have a transition team that or  
11 integration point team or --

12 MR. HEDGES: Yeah, what we're doing sir, is that  
13 actually we're just doing our jobs in redefining the roles  
14 and responsibilities of headquarters, redefining the roles  
15 and responsibilities of a local field execution. One of  
16 the things of headquarters is this oversight and expertise,  
17 where the projects need that expertise, because I -- we  
18 don't want to put in layers and layers of expertise, but to  
19 be able to leverage a common pool of expertise to the  
20 problems.

21 BOARD MEMBER CURTIN: Good.

22 MR. HEDGES: And that's what you're seeing right  
23 now.

24 BOARD MEMBER CURTIN: Okay.

25 MR. HEDGES: I compliment both engineering and

1 environmental, for doing that right now as we speak.

2 BOARD MEMBER CURTIN: Thanks.

3 CHAIRMAN RICHARD: Okay. I have a question, but  
4 are there other questions beforehand? Director Rossi.

5 BOARD MEMBER ROSSI: I have one for you.

6 CHAIRMAN RICHARD: I'm sorry, a question for me?

7 BOARD MEMBER ROSSI: Yes, or a point. Okay. I  
8 understand this is an information item and we don't have to  
9 do any voting on it and it's in response to a Director's  
10 request. I think that's great. But it would be good if we  
11 had a rule here that if we're going to get this stuff, we  
12 don't get the night of -- the night before the meeting.  
13 Because there is trying to understand these numbers and off  
14 of -- I'm sorry, I don't carry a computer, I carry a  
15 cellphone, and so I don't understand the numbers. And  
16 again, I know I don't have to do anything, but I would like  
17 once you -- I would just like to understand them.

18 So that's my point for you Mr. Chairman and for  
19 you Mr. Ogle. I would like you to give me a call and take  
20 me through these numbers, so I could understand how you  
21 weight averaged the risks and all of that.

22 MR. KELLY: Mr. Chairman, I'm going to take some  
23 responsibility for that. When we pull the briefing  
24 documents together to brief the members in advance, the  
25 informational document on this case wasn't in there, mostly

1 because it was information and we're focusing on the action  
2 items. But going forward, we'll ensure they're in the  
3 briefing documents earlier and we'll go through them on the  
4 briefings that we normally do.

5 CHAIRMAN RICHARD: Very good.

6 I had a couple of questions, if I might,  
7 gentlemen. First of all, I just want to say thank you for  
8 this approach. I think it's good. I don't have the same  
9 level of insight that some of my colleagues do about how  
10 the interaction should take place between the PCMs and all  
11 the different elements that we have. I've been questioning  
12 in the past, not questioning in a critical sense, but just  
13 questioning to try to understand the role of the PCM versus  
14 the Rail Delivery Partner and so forth. So I think  
15 rationalizing all that makes sense.

16 So two things, first of all I want to support and  
17 share or associate myself with Director Curtin's remarks  
18 about integration. Because I don't know much about this  
19 stuff but hanging around with a bunch of engineers when I  
20 was kid, they were always banging away about important it  
21 was to look at the interfaces, and that that's where  
22 problems were. So maybe one approach also to the issues  
23 that Director Curtin raised is that their evaluation  
24 criteria one of the things to evaluate the PCMs on is how  
25 well they're helping to identify and resolve integration

1 issues.

2           So I don't know if that should be part of their  
3 scope, but I would just suggest that maybe that's an area  
4 to think about to address some of Director Curtin's  
5 concerns, which I would share.

6           But I guess my main question on this, you've laid  
7 out an approach to an evaluation and you've laid out an  
8 approach to basically synthesize that evaluation on to a  
9 dashboard. All of that's good, all of that's quantitative.

10           But how do you make an evaluation of whether the  
11 PCM is excellent or above requirements or otherwise, with  
12 something like project management under administration? I  
13 mean, at some point you have to apply some criteria to  
14 that. And I guess I'm -- what I'm trying to understand is,  
15 are we going to anticipate conflicts if you're making a  
16 subjective judgement in those areas and the PCM disagrees  
17 with that? So I mean where is that line where we go from  
18 the subjective to the objective assessment?

19           MR. OGLE: So there is some subjectivity in the  
20 scoring. The DCMs are encouraged and to meet with the PCMs  
21 after they do their initial evaluation for that particular  
22 time period and to sit down and then go through the  
23 evaluation with them and evaluate whether the scores are  
24 accurate or not. After that is done the scores are brought  
25 to me and I sit down with the DCMs and we go through this,

1 we go through the scores again, reflective of what is in  
2 there. So we are accurately trying to reflect what are the  
3 performance of the PCMs. But the PCMs have input. It's  
4 the DCMs that are ultimately responsible for the evaluation  
5 and then that gets shared with me before it gets finalized.

6 CHAIRMAN RICHARD: Okay. So there's some  
7 subjectivity, but there is a process that allows for back  
8 and forth, so that --

9 MR. OGLES: Yes, sir.

10 CHAIRMAN RICHARD: -- hopefully people can  
11 understand, too.

12 MR. HEDGES: There's also too, sir, there's also  
13 criteria what defines what is each of those levels.

14 CHAIRMAN RICHARD: Okay. And that's going to be  
15 in your manual or --

16 MR. HEDGES: So that allows you then -- then with  
17 that you have to provide the subjective of supplying  
18 incidences that allow you then to either succumb to how did  
19 they meet that criteria or did they not meet that criteria.

20 CHAIRMAN RICHARD: Okay. And then my last  
21 question on this is what happens, what is the consequence  
22 of a determination that a PCM is say below requirements? I  
23 mean, obviously we get out the proverbial whip and try to  
24 get them to do better, but what -- are there contractual  
25 consequences? What happens?

1           MR. HEDGES: There is, sir. Well the first step  
2 would be is the issuance of NCRs right, asking to basically  
3 at this point to do a root-cause analysis and to take a  
4 corrective action on the part of the PCM. If that  
5 corrective action was not followed through, then you would  
6 invoke the contract with regards to the termination of  
7 default clauses and start that process if the remedy was  
8 that severe.

9           And also, too, what's important about this  
10 evaluation is it allows us to start evaluating with regards  
11 to future contract discussions. Do we extend these  
12 contracts? Do we retain these contracts, right? And with  
13 regards to the evaluation of this contractor to future  
14 procurements, what is their value to the Authority?

15           CHAIRMAN RICHARD: Well, I don't want to -- I  
16 appreciate that answer, but I don't want to prolong this,  
17 but just a last thought which is I think experience has  
18 shown 1) that replacing a contractor we always face kind of  
19 a nuclear option-type decision where it could be terribly  
20 disruptive to the program. So sometimes we get stuck with  
21 things that we don't want to even if they're -- we're not  
22 satisfied, because we only have an on-off switch.

23           So not for today, but I guess I'd be interested  
24 at some point in thinking about whether or not a series of  
25 performance incentives and penalties is maybe a better way

1 to motivate people than simply -- I'm not sure whose head  
2 we're putting the gun to, I guess, is when we do this. So  
3 that's just one thought, just because as I said, experience  
4 has shown that sometimes we end up with these conversations  
5 about, "Well we're not happy, but we can't do this."

6 And then the second thing I was going to say is  
7 I'm not sure, but I don't think we're allowed in a  
8 procurement to use past performance or disappointment in a  
9 forward procurement. So I'm not sure we can say to  
10 somebody, "You did a bad job for us last time. So on the  
11 next construction contract we're not going to -- " I'm  
12 looking at Mr. Fellenz on that. But in general, unless you  
13 debar somebody I think that there are rules that don't  
14 allow you to bring up past contract into consideration of a  
15 future one.

16 MR. FELLEENZ: That's true in the AE (phonetic)  
17 context. That could be part of an evaluation for a future  
18 procurement, so you could ask for references --

19 CHAIRMAN RICHARD: Okay.

20 MR. FELLEENZ: -- for contacts to get information  
21 about past performance with particular architectural  
22 engineers.

23 CHAIRMAN RICHARD: All right, if there's a way to  
24 do that, that's fine. I was just responding to the notion.  
25 I don't want to get painted into a corner where either we

1 can't get rid of somebody, because it's too disruptive to  
2 the program. And we can't deny them a contract, going  
3 forward. So that's the only reason that I'm just  
4 suggesting today for your consideration maybe there's some  
5 gradation in there of performance incentives and penalties  
6 that gives us a stronger hand.

7 BOARD MEMBER ROSSI: Mr. Chairman?

8 CHAIRMAN RICHARD: I think Mr. Camacho was first  
9 and then you.

10 BOARD MEMBER CAMACHO: Is this -- I mean, what  
11 we're really talking about with these scores is almost a  
12 performance-driven contract. And what the Chairman has  
13 just indicated about incentives, I mean there are contracts  
14 that allow for that, which are, you know, your costs plus  
15 or your fixed fee with an award fee as the incentive. Can  
16 we contemplate that, doing that for at least these types of  
17 procurements?

18 MR. FELLEENZ: We could put some terms in there  
19 that will allow certain tasks to be done by on a lump-sum  
20 basis, a negotiation (indiscernible) in an AE contract.  
21 Yes, there are ways to do that.

22 BOARD MEMBER CAMACHO: In the military there are  
23 a jillion models of performance-based contracts and they're  
24 evaluated based on your performance each quarter. So it's  
25 certainly an incentive to raise your level of performance.

1           MR. HEDGES: Sir, I'd also probably advocate  
2 too, that as we get a better definition with these  
3 contracts are, standardize them and be able to apply them  
4 at gradient approach to a -- to the construction project,  
5 i.e., if it's a \$450 million project or a \$1.5 billion  
6 project, can you right-size these contracts, a great  
7 approach to that? Maybe even use a one-fixed price in the  
8 future instead of T&M.

9           So again is, with the conversation all this is  
10 great to be able to do this as we press forward and look  
11 towards the future.

12           CHAIRMAN RICHARD: Mr. Rossi, and then Director  
13 Miller.

14           BOARD MEMBER ROSSI: Yeah. I would just caution  
15 you in this regard. We all have great ideas up here, but  
16 this is the best performance review process I've seen come  
17 out of the Authority. And I'm totally supportive of it.  
18 Don't let us, in our own particular individual things, lead  
19 you down the primrose path, okay? I mean, Ernie's -- if  
20 you can make this a incentive base, that'd be great. Dan's  
21 concern is -- but what you have here is more than we've  
22 ever had. And so, thank you very much.

23           MR. HEDGES: Sir, thank you. And I want to  
24 recognize Terry and his team for the ones who carried the  
25 water. They've done an outstanding job.

1 (Off mic colloquy). (Laughter).

2 MR. HEDGES: Yeah. And then too is we want to  
3 start looking at this, to apply this in other places within  
4 the Authority. This was kind of a prototype to look to see  
5 if we can do this at other places.

6 CHAIRMAN RICHARD: Okay. Director Miller?

7 BOARD MEMBER MILLER: I actually was going to  
8 echo -- Director Rossi kind of beat me to it. But I wanted  
9 to thank you for this, because evaluation of your  
10 contractors is really important, particularly in an  
11 infrastructure project of this size. You know, it gives  
12 you an idea of who's doing the best and you can learn  
13 things from a process like this. So I really appreciate  
14 the fact that you're doing it.

15 I also caution you to not take individual  
16 comments from us up here, because quite frankly you're the  
17 ones -- we're depending on you. And someone might have a  
18 really great idea that you could factor in, but we really  
19 look to you to make the decisions. And I think that's -- I  
20 speak for every Board Member on that, so I wanted to thank  
21 you.

22 How often do you do this? Is this a continuing  
23 evaluation? Are you doing this quarterly? Or what's your  
24 idea?

25 MR. OGLE: Yes. We're going to do it on a

1 quarterly basis, but monthly we're going to be looking at  
2 the PCM informally and doing this as well, so that we don't  
3 wait till three months to --

4 BOARD MEMBER MILLER: Right. Thank you.

5 MR. OGLE: -- come up with a quarterly report.

6 CHAIRMAN RICHARD: Well, thank you all for that.  
7 And I appreciate my colleagues' recognition of your work,  
8 so that's good even if they thought my idea sucked.  
9 (Laughter).

10 MR. OGLE: Thank you.

11 CHAIRMAN RICHARD: Okay. Next we're on to item  
12 four, which is consider accepting the program baseline:  
13 cost, schedule and scope, and approving adjustments to  
14 existing contracts, and accepting the 2018-19 fiscal year  
15 budget necessary to implement the business plan.

16 Good morning Mr. Hill.

17 MR. HILL: Good morning, Chair Richard,  
18 Directors.

19 I have to say I am so pleased to be here, to be  
20 able to present the 2018 Baseline. This is a monumental  
21 achievement by the joint team to do it. And it is so  
22 welcome, so it's an opportunity for all of us.

23 It is an important milestone. Basically, it  
24 brings together all the information we have on this  
25 program, and have had on this program for ten years, \$4

1 billion of spend. It integrates the program controls, the  
2 IT Platforms and the Baseline information itself to one  
3 single source of information.

4 It is now centralized. We will be able to use it  
5 for budgets, for forecasting and making informed decisions,  
6 which is so important for a program of this size.

7 It will be able to track risk, identify risk, but  
8 more importantly identify how we mitigate those risks and  
9 reduce costs and exposure to this program.

10 It is a master plan supported by the critical and  
11 individual information of the regions, of the projects, of  
12 the consultants, of the Authority. And it meets, overall,  
13 it meets our objectives. It meets the objective of the  
14 2018 Business Plan. It reflects it. It is the next step  
15 from the Business Plan to the Baseline.

16 It meets our commitments to our federal partners,  
17 very key as obviously delivering the grant agreements by  
18 2022.

19 It shows that we extend the Silicon Valley,  
20 Central Valley to San Francisco and to Bakersfield; a way  
21 forward. And invest funds in the 224 miles.

22 It basically, to use the title, is scope, time,  
23 cost and risk. It is not just 10-12 slides, it is a  
24 massive amount of data collected that is there for  
25 reference for us to use and go forward.

1           It also invests in the bookends as part of those  
2 Business Plan objectives that we are going to go forward  
3 with, in Southern and Northern California, so a key  
4 milestone, a key tool.

5           We are looking for you, today, a number of  
6 actions. Accept the Baseline as a delivery plan. It  
7 updates the ROD schedules and it gives a path forward, as I  
8 said, to delivering the 2018 Business Plan.

9           Now we have nine particular contracts that we  
10 need to amend in terms of time, scope and cost, which are  
11 part of this documentation. We need -- and all those  
12 contracts have been through PDC, the Program Delivery  
13 Committee, and through the Business Oversight Committee and  
14 received approval to come to the Board. Normally, we would  
15 come to you with individual contracts. The Baseline is a  
16 new beginning, but hopefully we will come to you on  
17 exceptional basis for those approvals. But at this stage  
18 we're now able to come forward with an overall plan.

19           It also indicates, and that we ask for your  
20 acceptance of the 20 -- the overall budget and also  
21 acceptance of the 2018-'19 year budget, and I'll go into  
22 those in more detail.

23 And Russ, Chief Financial Officer, will go through those in  
24 particular at the end of the next section of this  
25 presentation.

1           The Baseline Cost Summary, as I mentioned two  
2 numbers before, 13.7, which is the program budget, which is  
3 basically the budget that allows us to undertake work until  
4 the next, 2025, meets their obligations in the Central  
5 Valley, the ARRA, the RODs, and also the Bookends.

6           The V2V cost indicated as part of the Business  
7 Plan at 29.5, with additional items as we show here, of  
8 31.9.

9           This spend, this budget is very aggressive. Its  
10 numbers -- and I will show you on the critical path and the  
11 schedule that comes up in a minute -- this is a very  
12 aggressive program, but it is required to meet our  
13 obligations.

14           The ROD schedules, in particular, we show here  
15 the movement, the preferred alternative dates that will  
16 come to the Board. We show the existing FRA ROD dates and  
17 then the ROD dates that are now assumed in the Baseline.

18           Again, these meet our commitments for the 2022  
19 completion date of ARRA. This is positive in the sense  
20 that we have now a very clear direction forward with how  
21 and what we are doing on each individual ROD, how we're  
22 going to develop it, and a plan to go forward to develop  
23 them on this time scale, increasing the probability and the  
24 delivery certainty.

25           It equally shows that we will be delivering to

1 you in October a Preferred Alternative for the Bakersfield  
2 to Palmdale and also the LGA ROD in October, which will be  
3 a Board Meeting I believe, in Bakersfield to meet that.

4 BOARD MEMBER ROSSI: Roy, what does LGA stand  
5 for?

6 MR. HILL: Local Generated Alternative.

7 BOARD MEMBER ROSSI: Got it.

8 MR. HILL: It's the Bakersfield Proposal.

9 CHAIRMAN RICHARD: Yeah. And as long as we're  
10 doing that, I just want to make sure for the public who's  
11 following along ROD is a Record of Decision, which  
12 basically is synonymous with the completion of the  
13 Environmental Review, federal and state.

14 MR. HILL: Correct. Thank you. And also, the  
15 good news is that we will be bringing forward to you three  
16 proprietorial alternatives for the southern route of  
17 Palmdale to Burbank, Burbank to L.A., L.A. to Anaheim in  
18 November. So we have a way forward. This is all within  
19 the Baseline and all within our plan, going forward.

20 Critical path key delivery dates, there's three  
21 things I would highlight here for you. Obviously, we  
22 complete the ARRA work ongoing, by 2022. There a number of  
23 activities that we start outside and make decisions. We  
24 have to make a number of decisions in the next 6 to 18  
25 months regarding Bakersfield, regarding tracking systems

1 and trains procurement. And all those are dependent upon  
2 funding and the direction and availability of those funds  
3 and how we best utilize them.

4 And also, it shows that we have the phase  
5 completion operations at the bottom there for Central  
6 Valley, Bakersfield, Gilroy and also V2V completion by  
7 2029.

8 So as I said before, we have a Baseline, it is  
9 very aggressive, but it is a plan that I believe we can all  
10 work to now and achieve what we've set out to do.

11 As to the contract amendments these are the nine  
12 that we are specifically asking you to approve today. Many  
13 of these, the details on the right-hand side are now  
14 reconciled with the ROD Baseline schedule dates, which  
15 basically indicate what I've just shown you as far as ROD  
16 and preferred alternative solutions. And therefore, there  
17 are a number of extensions of time and contract sums that  
18 are increased to reflect those extended periods.

19 There are a couple of other -- or there's a  
20 number of other right contracts that we approve here, such  
21 as the Westervelt Ecological Services, which we need  
22 additional acreage of land for environmental mitigation,  
23 kit fox, etcetera, things like we use, but that is a new  
24 additional land requirement.

25 And so I look to you to approve those as part of

1 the Baseline. They're within the numbers overall. They're  
2 part of the work activities that we need to undertake in  
3 the '18-'19 financial budget period.

4 So more good news, we weekly have to identify the  
5 risk in what we are doing about those risks that we have in  
6 front of us. I believe that none of these risks should  
7 come as a surprise to anyone in this room. There are  
8 things that we have identified, flagged up previously,  
9 identified in the Business Plan. Construction packages we  
10 need to address, we need to deal with legacy situations  
11 with right-of-way with third parties, with design  
12 development. And we are under the leadership of Joe Hedges  
13 and Brian Kelly certainly putting the resources and the  
14 focus into resolving those outstanding issues that allowed  
15 the contractors to perform. And allowing the contractors  
16 to perform allows us mitigate delay costs, which is so  
17 detrimental. But we can do that, and it's being dealt  
18 with. And I believe we will see a substantial change in  
19 performance over the next few months.

20 The tunnels, Pacheco Pass in particular, was  
21 identified in the Business Plan. And we are working with  
22 the ETO, the Early Train Operator partner and others, to  
23 see how and best to deliver it and how we can reduce costs.

24 Schedules: critical work, tunnels, etcetera. I  
25 will come to it in a minute. This is only part of the

1 Baseline. It's just the first start of establishing how we  
2 look at the schedules outside of the Central Valley and  
3 mitigate with a plan forward, how we have funding for those  
4 activities. And how we can do work when that funding  
5 becomes available.

6 Organizational capability, this is a big program.  
7 This is a very big program. And like with all big programs  
8 around the world the organization --

9 BOARD MEMBER ROSSI: Could I ask you a question?

10 MR. HILL: Sure.

11 BOARD MEMBER ROSSI: When you get down to your --  
12 yeah, that was it -- Silicon Valley to Central Valley  
13 schedules, and back a little bit. So I'm assuming that  
14 work if I'm reading this right, doesn't occur until you  
15 figure out the funding (indiscernible) --

16 MR. HILL: Absolutely, right. Those --

17 BOARD MEMBER ROSSI: So you stay focused on your  
18 three major items that you mentioned at the beginning?

19 MR. HILL: We are absolutely prioritized as far  
20 as ARRA, the Central Valley and the Bookend work,  
21 absolutely. Those decisions are things that we now with  
22 the Baseline flagged up, they become decisions within the  
23 next 6 to 12 months. And depending on funding, development  
24 in that period is when you would come and make a decision  
25 as far as how we spend those funds.

1 BOARD MEMBER ROSSI: Thank you very much.

2 MR. HILL: Yeah.

3 As I said organizational capabilities maturing,  
4 new senior leadership; the Program Management Plan, which  
5 will be issued in August, again will be fundamental and  
6 it's the third part of this stool: The Business Plan, the  
7 Baseline, and the PMP.

8 And funding -- oh, sorry -- contractor/consultant  
9 management: the PMP is key to that; roles and  
10 responsibilities, not just individuals, but the entities  
11 involved in this program; and making it very clear that  
12 where there is confusion, where there is overlap, where  
13 there is gaps, that they are dealt with.

14 Funding is a key risk identified again in the  
15 Business Plan. But we have sufficient funds to complete  
16 our obligations for 2022. And we have a plan to do it and  
17 we will do that.

18 Next Steps, having brought this to you today, we  
19 are starting with the next Baseline. We anticipate a  
20 baseline being updated daily, but a baseline being revised  
21 on a yearly basis when it either comes to the Project  
22 Update year or the Business Plan year.

23 The information we have now allows us to change  
24 control every particular item on this program, again  
25 whether it's a schedule item, a timeline item, a cost item,

1 a scope item, a risk item. So we will change control every  
2 part of this program going forward. Completion of interim  
3 services: looking at how we have interim services  
4 throughout this, the Valley, Central Valley and the V2V.  
5 Implement change control, as I talked about, PMP, and  
6 conduct a risk analysis over the next six months.

7 We anticipate the next Baseline with a very  
8 detailed risk analysis to come to the March Program Update  
9 Meeting. And as you will see, at that point when we have  
10 done that detailed risk analysis we will be able to advise  
11 again on the prudent level of reserve contingency that  
12 needs to be applied to this program.

13 That concludes my part of this presentation. I  
14 hand it over to Russ Fong.

15 MR. FONG: Thank you, Roy.

16 Russ Fong, your Chief Financial Officer. Last  
17 month the Board adopted a 2018 Business Plan. Today what  
18 Roy and I are doing is presenting the tools that we need to  
19 make this a successful plan.

20 The important part of the Baseline is our budget.  
21 That's what I'd like to talk about today. For the first  
22 time we have a cost-loaded schedule that's constrained by  
23 funding availability. Basically what that means is that  
24 our Capital Expenditures, or "Cap Exp" are now tied to a  
25 schedule. And that schedule is aligned with a budget

1 that's broken down from the contract level. That is  
2 something we've never had before.

3           So with that let's take a look at our two  
4 budgets, first of all our capital outlay and then  
5 administrative Budgets. Let's start with the cap outlay.  
6 This is our budget that focuses on our construction aspects  
7 of our project. This budget includes items such as ROW  
8 design-build contracts, environmental clearance, third-  
9 party agreements, RDP, PCMs, RCs and other supporting  
10 construction contracts.

11           This budget is directly tied to the Baseline that  
12 Roy just presented. If you look at the bottom of Column E,  
13 total program budget is \$13.7 billion or a 41 percent  
14 increase over last year's budget of \$9.7 billion.

15           Looking at our fiscal year '18-'19, if you again  
16 are looking at the bottom of Column E our annual budget for  
17 fiscal year '18 and '19 is \$1.8 billion, or a 9 percent  
18 increase over last year's budget of \$1.6 billion.

19           Last year we spent 56 percent of our cap outlay  
20 budget. These budgets will fund our top three priorities:  
21 the ARRA Grant Scope of work, the Central Valley segment  
22 completion, and the Bookend Corridor projects.

23           I'd like to now move over to our admin budget.  
24 And our admin budget supports the Department's budgets for  
25 state salaries benefits and standard operating expenditures

1 such as rent, office supplies, travel, training and IT.

2 Here's the administrative budget displayed by  
3 office. This chart shows who's spending the money. The  
4 admin budget for fiscal year '18 and '19 is \$45 million, or  
5 a 0.1 percent increase from last year's budget.

6 Here's the same admin budget displayed by line  
7 items. This chart reflects what we're spending the money  
8 on. Last year we spent 81 percent of our admin budget.

9 And then finally this reflects our 226 state  
10 positions, broken out by office.

11 This concludes our presentation. Roy and I would  
12 be happy to answer questions.

13 With that being said, we would -- Roy and I would  
14 like to thank the team for all the hard work they've done  
15 on this Baseline. It was truly a team effort from both the  
16 private sector and the state side. And a lot of the folks  
17 are here sitting behind us, and I just wanted to point that  
18 out. This was an excellent exercise and a true team  
19 effort.

20 CHAIRMAN RICHARD: Could I ask all the people who  
21 worked on this to stand up for a second, so that the Board  
22 Members can see you are. Thank you. Thank you, good job.  
23 (Applause).

24 I'm going to start right to left with colleagues'  
25 questions. Questions for the staff, starting with Director

1 Lowenthal.

2 BOARD MEMBER LOWENTHAL: I have wanted to thank  
3 you for your incredibly hard work and the clarity of the  
4 presentation. I was really pleased on page 8 to -- in  
5 looking at the amendments it just seems that in the past  
6 we've gotten these amendments one by one. You know, we  
7 need more money for this area, more money for that area. I  
8 think it's very helpful to have all of it in one place, so  
9 we know what the future is bringing. And I think that this  
10 Baseline is going to be a tremendous roadmap master plan  
11 for the future.

12 I also appreciate that you put in the budget for  
13 the offices. I do have a question. I know in the past we  
14 hadn't filled some of the positions. And I wonder where we  
15 stand now with hiring?

16 MR. FONG: Yeah, currently Director Lowenthal,  
17 our current vacancy rate is 18 percent and it's kind of  
18 hovered between 14 and 18 percent over the last probably 4  
19 years. Having said that part of the PMP process is to look  
20 at our organization and ensure that all the right positions  
21 are in their right areas. And that will be a part of what  
22 we look at, going forward, to see how we can fill those  
23 vacancies and making sure that they're in the right spot.

24 BOARD MEMBER LOWENTHAL: Are there some areas  
25 where we're lacking, where it's difficult to find the

1 expertise needed?

2 MR. FONG: I think it's a -- I think the  
3 organization as a whole is fairly lean but having said that  
4 I think what this PMP process will do is making sure that  
5 we have the right resources in the critical areas. And  
6 more importantly, the right resources in the critical areas  
7 at that point in time as the project evolves.

8 BOARD MEMBER LOWENTHAL: And which areas are we  
9 talking about?

10 MR. FONG: Program delivery, there's also the  
11 support departments. We've just got to make sure that  
12 again, there's a right mixture of state staff and RDP staff  
13 in those areas.

14 MR. KELLY: (Indiscernible).

15 BOARD MEMBER LOWENTHAL: Brian Kelly is saying --  
16 do you want to --

17 MR. KELLY: Sorry, just to answer your question  
18 on some of the things. There are some areas where we --I  
19 always call it highspecialization in the position we want  
20 to fill. For example, risk assessment is an area that's a  
21 highly specialized area. And that's one that we have the  
22 authority to bring in a public or a state staff person to  
23 fill that role. I think we're going to expand our search  
24 and consider more options to fill that and bring in the  
25 right resources and capability in that area.

1           So that's when you say, "Which ones are  
2 difficult?" Or that's a high specialization area that I  
3 would point to as an example.

4           BOARD MEMBER LOWENTHAL: Thank you.

5           MR. KELLY: You're welcome.

6           CHAIRMAN RICHARD: Director Miller?

7           BOARD MEMBER MILLER: I have two basic questions.  
8 First of all, I just want to thank you. I have no problem  
9 with approving the extensions. I just want to clarify a  
10 couple of things. On page 6, I know that we're moving out  
11 Baseline dates, and I understand that. That's potentially  
12 -- I know those things always get moved out, but I really  
13 am looking at the notes down below and not Note No. 1, but  
14 Note No. 2, which is talking about NEPA assignments. And  
15 is that true for all of these projects that are not yet  
16 completed or just certain segments?

17           MR. HILL: Yes. Yes, it's true for all. It  
18 allows us to have control over the process, so the risk of  
19 extending dates and the ability to bring forward  
20 prioritized reviews, do concurrent reviews, etcetera --

21           BOARD MEMBER MILLER: Right.

22           MR. HILL: -- is all part of the NEPA process,  
23 which is positive. And work with our colleagues at FRA to  
24 do this.

25           BOARD MEMBER MILLER: Right. And so that's

1 something that I would just think you're working hard on  
2 right, because that does expedite --

3 MR. HILL: Yes, of course. Obviously, getting  
4 the NEPA assignment is the key --

5 BOARD MEMBER MILLER: He has a comment on that.

6 MR. HILL: -- is the key starting point

7 BOARD MEMBER MILLER: He's hitting me under the  
8 table. (Laughter). Go ahead, Roy.

9 MR. HILL: But yes, once we get it, it's  
10 certainly a high priority to focus on.

11 BOARD MEMBER MILLER: Great.

12 MR. KELLY: I think Roy said it well in terms of  
13 why is the NEPA assignment so important. Because it does  
14 allow us to control with some better affect the timeline  
15 for review on elements of analysis that are in the  
16 environmental process.

17 We have gone through a public process at the  
18 federal level seeking NEPA assignment to this Authority.  
19 That question is still pending, but they just completed  
20 their public comment period. We had overwhelming public  
21 support for it. And we continue to work closely with the  
22 FRA and the Secretary's Office at the federal level to get  
23 assignment awarded to California.

24 I would just, as a separate note, this NEPA  
25 assignment is something that has been in effect in six

1 states on the highway side. The result is generally months  
2 of review, streamlined process, and hundreds of thousands  
3 that are millions of dollars in savings in that process.  
4 And so, we have -- I think we're the only state with the  
5 application back there for the railroad side. It would be  
6 precedent-setting. But it's an important step forward and  
7 we think it'd align with both the administration here and  
8 the federal Administration's announced want to increase  
9 environmental streamlining in infrastructure. And so we  
10 think this is a good place for us to come together and move  
11 forward.

12 BOARD MEMBER MILLER: Yeah. No, I think it's  
13 some kind of a brilliant move. I just wanted to applaud  
14 you on that, because that's where I thought you were going.  
15 I think it's a great thing.

16 I do have a question on page 8 on the Westervelt  
17 and California Department of Conservation contracts. I  
18 mean, I know we've got mitigation and I know you've got a  
19 lot of acreage and easements and that sort of thing. But  
20 just talk to me a little bit about -- or we could do this  
21 offline too. Maybe just the --

22 MR. HILL: I checked with --

23 BOARD MEMBER MILLER: There's no overlapping  
24 between these two, right?

25 MR. HILL: No, no. No, that's not. It's -- I

1 checked before we came to the meeting. It's specific  
2 requirements. They are separate, and they are absolutely  
3 necessary for us to go forward with this.

4 BOARD MEMBER MILLER: Okay. Thank you.

5 CHAIRMAN RICHARD: Other questions before I have  
6 some? Vice Chair Richards, you have a question, questions  
7 or comments I should say.

8 VICE-CHAIR RICHARDS: Yeah. Roy, you had  
9 mentioned on a couple of occasions it being a very  
10 aggressive Baseline. So what's your sense -- what does  
11 that mean in terms of our ability to successfully deliver  
12 the Baseline as identified here with that level of being  
13 very aggressive? What needs to occur? And what control do  
14 we have over those things that may be necessary in order to  
15 achieve this?

16 MR. HILL: I believe we have the control over  
17 nearly all of it. It is within our ability should we do  
18 the right things. This is obviously a substantial point in  
19 time to be able to have a plan, work to a plan, manage a  
20 plan and manage changes. And that will be a discipline  
21 that everybody in this room will need to understand. It is  
22 not possible to deliver a program of this size and nature  
23 and say yes to people all the time. It has to be a  
24 discipline to say, "No, this is our plan. And if you need  
25 to do something else, we have to consider it." It will

1 have implications. And the good thing with the Baseline is  
2 that now we can have immediate, almost immediate "Here's  
3 the implication of making a decision."

4 I think the PMP, which Joe and Brian talked about  
5 will be the next absolute key essential to this  
6 organization's maturity. If we do not get that in place in  
7 the right tense, which I'm sure and confident we will that  
8 will be detrimental. But I'm -- it will also be very  
9 positive to have it there. And we need to be running  
10 efficiently and effectively as an organization.

11 If I put it in terms of money, in 11 days' time,  
12 we need to be spending double what we're spending. And we  
13 need to be managing that effectively. And I mean spending  
14 on the right things. And that is an absolute key, going  
15 forward. So for the next year, as Russ has just presented,  
16 we need to be spending \$1.8 billion of the right money in  
17 the right activity. So that is within our control.

18 We are dealing with things like design issues,  
19 with right-of-way. It would really improve the right-of-  
20 way and third-party issues; we'd resolve parts of PG&E, as  
21 it was talked about earlier. So I am confident that we can  
22 deliver this. But I recognize it is a challenge and it is  
23 aggressive. But we need to make the right decisions  
24 quickly, and do it, and deliver it.

25 And I think this next six months will be

1 absolutely key to that.

2 VICE-CHAIR RICHARDS: Thank you. And I'll join  
3 my colleagues. In the eight -- or seven years that we've  
4 been sitting up here I do not recall any report or plan put  
5 before this Board by the management and staff to the degree  
6 of complexity that is involved here to have what appears to  
7 be the amount of data that you have been able to place into  
8 this plan, along with a level of confidence that we can  
9 achieve what needs to be done here. And that speaks well  
10 for certainly the effort that Brian, Russ, John, Roy and  
11 Joe back there placed into this, and all the staff behind  
12 it.

13 I think you truly deserve congratulations for  
14 this. And your hard work, as you pointed out Roy, is going  
15 to be the key to making the performance that's critically  
16 necessary for the project; something we can look forward  
17 to, to support the plan.

18 CHAIRMAN RICHARD: Thank you.

19 Director Rossi?

20 BOARD MEMBER ROSSI: Yeah, having spent 18 months  
21 of my life working with you on this I can only think of the  
22 biblical stanza --

23 AUDIENCE MEMBER: Could you speak up? I can't  
24 hear you at all back here.

25 BOARD MEMBER ROSSI: Sorry. But no, I can't

1 speak up any higher than I'm talking.

2 AUDIENCE MEMBER: Or maybe closer to the  
3 microphone?

4 BOARD MEMBER ROSSI: We'll try.

5 AUDIENCE MEMBER: Thank you, I'd really  
6 appreciate it.

7 BOARD MEMBER ROSSI: That is dancing at the  
8 beginning. And I would say that in that 18 months you all  
9 have done a tremendous job. And I echo all of my  
10 colleagues' congratulations as well. It is a chance now to  
11 move this thing forward with real understandings of where  
12 we are and where we're going. And why we're not getting  
13 where we're supposed to be getting, which will happen. I  
14 mean, life is what it is, but that we can keep  
15 directionally going the way we're supposed to go, so I  
16 applaud you for that as well.

17 But I do have two questions for you. One is that  
18 in the initial briefing there were a number of reserves,  
19 which have now been moved into other line items. I assume  
20 that we can track those now?

21 MR. FONG: That is correct. There's no reserve.  
22 Every fund or every budget is tied to an actual line item  
23 now.

24 BOARD MEMBER ROSSI: Okay. Perfect. The second  
25 thing is that as you look at this plan and you look at your

1 three priorities. And you look at do that one mitigation  
2 point about Valley to Valley, in effect versus Central  
3 Valley, and the work that you may or may not have to do  
4 predicated on funding. Is there a focus on things that  
5 people might think they need to have to do Valley to Valley  
6 that are expenditures of funds, that we would be better not  
7 to be expending until we have a better understanding about  
8 whether or not we're going to get the funding we need?

9 MR. HILL: No, no. We are very, very clear.  
10 That's the whole point of having a Baseline. That we focus  
11 on the activities that's in the plan, that's approved in  
12 the plan, identified in terms of money and timing, and  
13 stick to that plan. That is the whole point of having this  
14 plan. There is no activity that is being expended that is  
15 detracting from that prioritization.

16 BOARD MEMBER ROSSI: Again, thank you very much.  
17 I'll be dancing at the end.

18 MR. HILL: Can I say, "Thank you." The direction  
19 from the Board Members actually does help getting it to  
20 this point.

21 CHAIRMAN RICHARD: Director Camacho?

22 BOARD MEMBER CAMACHO: So this is considering --  
23 this Baseline is taking into consideration all of Valley to  
24 Valley?

25 MR. HILL: The Baseline takes into account the

1 whole program --

2 BOARD MEMBER CAMACHO: Oh.

3 MR. HILL: -- in terms of Central Valley, the V2V  
4 in terms of CERNIC (phonetic) and the RODs for the whole of  
5 the product.

6 BOARD MEMBER CAMACHO: And is there any  
7 contemplation of the rolling stock that we may need for  
8 testing?

9 MR. HILL: Yes, there is.

10 BOARD MEMBER CAMACHO: So that is factored into  
11 this?

12 MR. HILL: It is. It is a part of the schedule.  
13 It is part of the money. It is part of the considerations  
14 and decisions we will need to take in the timeline that  
15 I've identified of the next 6 to 12 months regarding what  
16 we are delivering when, yes.

17 BOARD MEMBER CAMACHO: Okay. Well then, I have  
18 really no other questions. And I do compliment you, this  
19 whole team for doing the job that you have done, because it  
20 really, really helps us understand this better. Thank you.

21 MR. HILL: Thank you.

22 BOARD MEMBER ROSSI: So unless you've got  
23 questions Mr. Chairman, I move the motion.

24 CHAIRMAN RICHARD: You can move the motion and  
25 I'll take a second.

1 BOARD MEMBER CAMACHO: Second.

2 CHAIRMAN RICHARD: And then I just have a comment  
3 that I want to make. Okay, it was moved by Director Rossi.  
4 And I think I heard Director Camacho second it.

5 Before we vote my colleagues have been eloquent  
6 in their comments about this. I just want to make two  
7 other quick points about the significance of this Baseline  
8 and what we're dealing with today.

9 And it's amazing how time does move one. But  
10 really, it was six months that we announced that the  
11 initial construction segment in the Central Valley was  
12 going to cost more than we had anticipated. It was going  
13 to take longer. And then that was followed by other  
14 assessments of higher costs and schedule impacts across the  
15 entire program. And so, for the last six months I think  
16 there's been a broad "in the land" sort of a sense that the  
17 program was facing a lot of headwinds because of these  
18 things, and so forth.

19 But actually, I look at it differently. As some  
20 of my colleagues have said, over the past several years  
21 we've had pieces of things. But I've always had that  
22 disquieting feeling that we just didn't have our arms  
23 around the entirety of the program, that things were  
24 operating in cross purposes, that we didn't have a real  
25 sense of what was going on at the deep, deep level. And

1 there is a term that's often used in the political context  
2 of a "reset," and I think over these last six months what  
3 we've really done here is taken a step back, gone into  
4 detail about what's real, told the public what that is.  
5 And now with this today, I think what we're showing is that  
6 we really have the tools to manage this program.

7           And one of the things that I have been saying  
8 publicly in response to some of the earlier reports was,  
9 "Look, maybe we were a little slow moving from a planning  
10 organization to a project delivery organization." The key  
11 to a project delivery organization is you've got to have  
12 the underlying fundamentals, the stuff that's under the  
13 hood. It's kind of boring. The public doesn't really  
14 understand it or care to; they just want to know what the  
15 results are. But the only way you get results is you've  
16 got to have the management tools to be able to accomplish  
17 something like this.

18           So from my perspective, and I think this is the  
19 view that you're hearing from all of us on the Board, is a  
20 growing level of confidence that we have the management  
21 tools in place now to move forward. Yes, it's going to be  
22 hard. Yes, there are going to be bumps in the road. But I  
23 just have a much greater level of comfort that there's  
24 control of the program and direction, that we're driving it  
25 and we're not just a passenger in our own airplane here.

1           So I just want to end by saying that Roy, I think  
2 it was one year ago this month that you stood where you're  
3 standing now when we introduced you.

4           Brian, you've been here six months. And in that  
5 six months not only did you dig into a lot of these issues  
6 that needed to be brought to life, you led the staff in  
7 producing the 2018 Business Plan, which was an enormous  
8 accomplishment and now followed that up with this Baseline.

9           One of the things that Brian said to me in  
10 sidebar, is a significant thing here, is the much higher  
11 level of capital expenditure. Meaning we're actually  
12 building stuff on the ground to a budget level and that  
13 gives us something to really go on.

14           So I just want to add my voice to those of my  
15 colleagues. I think we're getting a very high level of  
16 performance and we have a very high level of confidence in  
17 our leadership team, starting with the CEO Brian Kelly,  
18 with COO Joe Hedges. Roy Hill, you've been great this last  
19 year in getting your arms around all this. And Russ,  
20 you've been a stalwart. And of course, we know that you're  
21 backed up by teams of people.

22           So with that, I just wanted to say that this does  
23 feel like we're getting the basics in place, so that we can  
24 now go out there and really kick a lot of dirt around and  
25 get stuff done. So that's good.

1           With that, would the Secretary please call the  
2 roll? And let me just clarify on the motion, looking at  
3 Mr. Fellenz, so that the motion is to basically adopt the  
4 Baseline. And also to simultaneously adopt all of the  
5 contract modifications that are suggested by the staff in  
6 this presentation?

7           MR. FELLEENZ: Accept the Baseline and approve  
8 these changes to the contract amendments.

9           CHAIRMAN RICHARD: Okay, so your nomenclature is  
10 important.

11           So the motion is to accept the Baseline and to  
12 approve the proposed contract amendments. All right, with  
13 that will the Secretary please call the roll?

14           MS. JENSEN: Vice Chair Richards?

15           VICE CHAIR RICHARDS: Yes.

16           MS. JENSEN: Director Rossi?

17           BOARD MEMBER ROSSI: Yes.

18           MS. JENSEN: Director Curtin?

19           BOARD MEMBER CURTIN: Yes.

20           MS. JENSEN: Director Lowenthal?

21           BOARD MEMBER LOWENTHAL: Yes.

22           MS. JENSEN: Director Camacho?

23           BOARD MEMBER CAMACHO: Yes.

24           MS. JENSEN: Director Miller?

25           BOARD MEMBER MILLER: Yes.

1 MS. JENSEN: Chair Richard?

2 CHAIRMAN RICHARD: Yes. Thank you all very much.

3 BOARD MEMBER ROSSI: Oh, I would suggest, Mr.  
4 Chair, that we should thank Roy for, in answering Tom's  
5 question about what would make it better, that there would  
6 be no Board.

7 CHAIRMAN RICHARD: That there would be no Board?

8 BOARD MEMBER ROSSI: Yeah. (Chuckles).

9 CHAIRMAN RICHARD: Yeah, that would be good. I'm  
10 still wondering what a "shedule" (phonetic) is, but I'm  
11 getting to that. (Laughter.)

12 MR. HILL: Just go England in the World Cup,  
13 that's all. (Laughter).

14 CHAIRMAN RICHARD: What was it Winston Churchill  
15 said, "Two peoples divided by a common language," I think  
16 was the --

17 MR. HILL: It is "pounds" in there, not  
18 "dollars."

19 CHAIRMAN RICHARD: Yes. (Laughter). Pounds, not  
20 dollars, yeah, that's good.

21 Okay, our last public item is item five, to  
22 consider providing funding for an agreement with the BNSF  
23 Railway, it's also Railroad, to Create Work Windows for the  
24 Central Valley Construction. Mr. Hedges. And you're  
25 allocated 20 minutes. I don't think you need it, do you?

1 MR. HEDGES: Sir, it won't take 20 minutes.

2 CHAIRMAN RICHARD: Okay.

3 MR. HEDGES: The "ask" is to modify, reconcile  
4 HSRA 16-11, which you approved back April of 2016. There  
5 is two "puts" to this ask and one "take." The two puts,  
6 \$11 million is for the Calwa Connection. The other ask is  
7 for \$27 million with regards to the Una Siding. And the  
8 takeaway is a result of a CP4 ATC for \$16.5 million, so the  
9 total ask is for 21.5, above the previously approved 100  
10 million, with the stipulation that BNSF agrees to  
11 increasing their outages to three per week.

12 So again, if BNSF does not increase their outages  
13 then we'll null and vilify (phonetic) this vote an  
14 additional 21.5.

15 Now also what's important as we go forward in  
16 this new approved Baseline, the first question you should  
17 ask, "Is this money in the Baseline?" And the answer is,  
18 "Yes Joe, it is in the Baseline. It is accounted for in  
19 the Baseline."

20 It should have been the tenth item on page 17 of  
21 the presentation that you received. However, though,  
22 because of its delayed -- the lateness of this action we  
23 thought it was very important to be transparent, which is  
24 one of Brian's new edicts in our news at PMP with regards  
25 to the openness and transparency. So again, since it was

1 belated we thought we'd bring it to you and ask for your  
2 concurrence and approval to be able to do this.

3 Now, the significance of doing these with regards  
4 to the two puts, if you look at it, it affects the whole  
5 alignment. The Calwa Connection is basically it is south  
6 of Fresno. It allows us to connect the BNSF and UP  
7 together as integrated version, as in to create a  
8 diversion, as in to get the traffic to allow outages with  
9 regards to CP1.

10 Now, with regards to the request for Una Siding  
11 it is to allow us to -- for BNSF to stage and to store  
12 trains during outages, predominantly in the southern half  
13 of the corridor. What's interesting about this, this is  
14 thinking ahead. This is what the Baseline allows you to  
15 do. This is a requirement that would be required if we  
16 moved down into the LGA regardless, right? So by doing it  
17 right now we're able to avoid and to mitigate some of those  
18 costs with regards to approximately up to about \$70 million  
19 of additional costs to the Authority. So it's good,  
20 looking ahead.

21 Now, we will try to recover some of those -- this  
22 cost back from our contractors. We've talked about this  
23 integrated approach and aligning some of our conflicts.  
24 There is contractual language that would allow us to  
25 collect some of this back. We're working with Legal in

1 developing a strategy to be able to do that.

2 But again is what I'm looking for right now is to  
3 make sure right, that we do not incur the possible delays  
4 that could stretch the completion of CP4 out into the mid  
5 '20s, '25s areas. Very, very again looking at the  
6 schedule, looking at the implications right, trying to be  
7 proactive, okay?

8 Ma'am?

9 BOARD MEMBER LOWENTHAL: Move.

10 CHAIRMAN RICHARD: Question -- well, why don't we  
11 get the second first, and then we'll take questions.

12 VICE CHAIR RICHARDS: Second.

13 CHAIRMAN RICHARD: Okay, it's been moved by  
14 Director Lowenthal, seconded by Vice Chair Richards.

15 Question from Mr. Rossi?

16 BOARD MEMBER ROSSI: Yeah. When is this money  
17 going to be spent?

18 MR. HEDGES: This money will be -- we will  
19 immediately go forth. This money will be spent by BNSF.  
20 This is not additional tasking to our existing contracts or  
21 to a new contractor. BNSF will execute this money.

22 BOARD MEMBER ROSSI: This year?

23 MR. HEDGES: It will be expensed in the next two  
24 years.

25 BOARD MEMBER ROSSI: So it'll be expended

1 partially in this budget year and partially in next year's  
2 budget year?

3 MR. HEDGES: Yes sir. I'm not aware of exactly  
4 dollar for dollar, but it's for immediate -- it's to get  
5 these agreements in place. One of the things that has to  
6 happen is to ensure that we can include this and take  
7 benefit from this. It is especially down south with  
8 regards to Una, is getting this design, the procurement of  
9 the equipment underway, so that we can then execute it.

10 BOARD MEMBER ROSSI: So it's in the Baseline. It  
11 is we're going to approve this increase to a budget that's  
12 probably going to be expended in a previous -- in a future  
13 budget year?

14 MR. HEDGES: This year and next, sir.

15 BOARD MEMBER ROSSI: How much?

16 MR. HEDGES: I don't know, it's not -- I do not  
17 know, sir. I'd have to get you that, those answers. We  
18 can give you that reply right back.

19 BOARD MEMBER ROSSI: Because my concern is this.  
20 It's I'm trying to understand if you're increasing a  
21 contract or you're increasing the budget?

22 MR. FONG: Yes. So to answer your dollar  
23 question, it's currently in the fiscal year '18-'19 budget  
24 that I just presented, the 1.8? There's \$30 million of  
25 this work, which is already budgeted in that. It's part of

1 the \$1.8.

2 The additional ask of \$21.5 will be spent in  
3 fiscal year '19-'20 and '20 and '21. So this is an ask for  
4 a resolution to what was originally \$100 million, is now to  
5 \$121 million.

6 BOARD MEMBER ROSSI: So, it's not a budget issue,  
7 it's a -- you're increasing the contract?

8 MR. FONG: Yes. In the future --

9 BOARD MEMBER ROSSI: Because the budget isn't  
10 changing.

11 MR. FONG: Correct.

12 BOARD MEMBER ROSSI: You're going to spend the  
13 same monies. So if the budget isn't changing, then what  
14 you're doing is increasing the contract? I'm just trying  
15 to understand (indiscernible) --

16 MR. FONG: Yeah, that is actually correct.

17 BOARD MEMBER ROSSI: -- the T accounts here. And  
18 so as you look at that what we're doing is increasing the  
19 contract, which you've already built into the Baseline?

20 MR. FONG: That is correct.

21 BOARD MEMBER ROSSI: Okay, I'm good.

22 CHAIRMAN RICHARD: Okay, other questions?

23 Will the Secretary please call the roll?

24 BOARD MEMBER ROSSI: With one caveat. If this is  
25 something we've seen before I want to be sure we don't see

1 it here, is now that it's approved that it doesn't get --  
2 who has the authority to pull it forward?

3 CHAIRMAN RICHARD: What? To pull it forward into  
4 current year?

5 BOARD MEMBER ROSSI: Yeah, because if you look at  
6 your cash flows --

7 MR. HILL: It would go through our Governor's  
8 process, the PDC, the BOC and (indiscernible) --

9 BOARD MEMBER ROSSI: And the CEO?

10 MR. HILL: The CEO.

11 BOARD MEMBER ROSSI: Okay, so we know to  
12 (indiscernible)

13 CHAIRMAN RICHARD: Correct. Thank you, sir, may  
14 I have another. (Laughter).

15 All right, Secretary, please call the roll.

16 MS. JENSEN: Vice Chair Richards?

17 VICE CHAIR RICHARDS: Yes.

18 MS. JENSEN: Director Rossi?

19 BOARD MEMBER ROSSI: Yes if we're amending it to  
20 read "contract."

21 MS. JENSEN: Director Curtin?

22 BOARD MEMBER CURTIN: (No audible response).

23 MS. JENSEN: Director Lowenthal?

24 BOARD MEMBER LOWENTHAL: Yes.

25 MS. JENSEN: Director Camacho?

1 BOARD MEMBER CAMACHO: Yes.

2 MS. JENSEN: Director Miller?

3 BOARD MEMBER MILLER: Yes.

4 MS. JENSEN: Chair Richard?

5 CHAIRMAN RICHARD: Yes. Thank you, staff, for  
6 that.

7 With that the Board will now enter into closed  
8 session in the anteroom off to my right. And I will come  
9 back and report on any items out of the closed session.

10 (Off the record at 11:37 a.m.)

11 (On the record at 12:10 a.m.)

12 CHAIRMAN RICHARD: Okay, the Board has --

13 (Off mic colloquy).

14 CHAIRMAN RICHARD: Okay. The Board has completed  
15 its closed session. We have no items to report. With  
16 that, this meeting in the California High-Speed Rail  
17 Authority is adjourned.

18 (Chairman Dan Richards adjourned the Board Meeting  
19 at 12:11 p.m.)

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**REPORTER'S CERTIFICATE**

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

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

IN WITNESS WHEREOF, I have hereunto set my hand this 9th day of July, 2018.



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Eduwiges Lastra  
CER-915

**TRANSCRIBER'S CERTIFICATE**

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

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

IN WITNESS WHEREOF, I have hereunto set my hand this 9th day of July, 2018.



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