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
APPEARANCES

BOARD 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
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PROCEEDINGS

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?
BOARD MEMBER MILLER: Here.

MS. JENSEN: Senator Beall?

EX OFFICIO BOARD MEMBER BEALL: (Absent).

MS. JENSEN: Assemblymember Arambula?

EX OFFICIO BOARD MEMBER ARAMBULA: (Absent).

MS. JENSEN: Chair Richard?

CHAIRMAN RICHARD: Here.

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

(The Pledge of Allegiance is made.)

CHAIRMAN RICHARD: Thank you.

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

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

With that we'll move to public comment. And I
have one public comment item from Roger Blackwell of Sacramento. Sir, please go to the podium.

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

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

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

And I'm saying this is the way the freight
railroads can only come across Tehachapi. Tehachapi is
every ten minutes there's a train that's running through
there.

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

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

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

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

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

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

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

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

CHAIRMAN RICHARD: Thank you for coming today.

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

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

BOARD MEMBER ROSSI: (Indiscernible - off mic).

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

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

CHAIRMAN RICHARD: A candidate statement.

BOARD MEMBER CURTIN: Thirty minutes each.

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

UNIDENTIFIED SPEAKER: (Indiscernible).
CHAIRMAN RICHARD: Ms. Lowenthal?

BOARD MEMBER LOWENTHAL: Was there a nomination yet?

CHAIRMAN RICHARD: No. We're recognizing it.

BOARD MEMBER LOWENTHAL: Oh, okay. Thank you.

Are we able legally to do both at the same time? Well, I would like to nominate both of you to continue in your positions. I don't know if you're gluttons for punishment or --

BOARD MEMBER ROSSI: Well, we know that’s the case.

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

So, I am nominating both of you.

BOARD MEMBER ROSSI: Second.

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

So, it was nominated. I'm interpreting that for the Vice President position, Tom Richards, and for the President or the Board Chair, yes. Okay. It's been moved
by Director Lowenthal, seconded by Director Rossi. Are there other nominations?

(No audible response.)

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

MS. JENSEN: Vice Chair Richards?

VICE CHAIR RICHARDS: Yes.

MS. JENSEN: Director Rossi?

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

MS. JENSEN: Director Curtin?

BOARD MEMBER CURTIN: Yes.

MS. JENSEN: Director Lowenthal?

BOARD MEMBER LOWENTHAL: Yes.

MS. JENSEN: Director Camacho?

BOARD MEMBER CAMACHO: Yes.

MS. JENSEN: Director Miller?

BOARD MEMBER MILLER: Yes.

MS. JENSEN: Chair Richard?

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

VICE CHAIR RICHARDS: As do I.

(Applause).

CHAIRMAN RICHARD: So, moving -- Tom, did you want to give an acceptance speech? Was that what that --
VICE CHAIR RICHARDS: No. I said "thank you" there.

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

BOARD MEMBER LOWENTHAL: So Moved.
BOARD MEMBER ROSSI: Seconded.
CHAIRMAN RICHARD: Okay, it's been moved -- was that Director Miller or Director -- Director Lowenthal and seconded by Director Rossi.

And the Secretary, please call the roll.

MS. JENSEN: Vice Chair Richards?
VICE CHAIR RICHARDS: Yes.
MS. JENSEN: Director Rossi?
BOARD MEMBER ROSSI: Yes.
MS. JENSEN: Director Curtin?
BOARD MEMBER CURTIN: Yes.
MS. JENSEN: Director Lowenthal?
BOARD MEMBER LOWENTHAL: Yes.
MS. JENSEN: Director Camacho?
BOARD MEMBER CAMACHO: Yes.
MS. JENSEN: Director Miller?
BOARD MEMBER MILLER: Yes.
MS. JENSEN: Chair Richard?
CHAIRMAN RICHARD: Yes. Thank you.

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

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

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

CHAIRMAN RICHARD: Sure. Good morning.

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

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

CP2-3 PCM is ARCADIS U.S. And they have a
contract value of $66.8 million and a contract term of
April 30th, 2019.

And HNTB is the PCM for CP4. They have a
contract value of $30.0 million and a contract term that

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

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

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

We've been updating the PCM Manual, as well as
the attachments and references.

BOARD MEMBER ROSSI: Can I ask you a question?

CHAIRMAN RICHARD: Put your mic on, Director Rossi.

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

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

BOARD MEMBER ROSSI: Okay. Fine. Thank you.

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

BOARD MEMBER ROSSI: Great.

MR. OGLE: Or just the next slide.

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

And so the next slide, on the bottom of that next slide you see a summary of the performance evaluations that we are conducting right now. And what that evaluation sheet is doing is it's taking the nine evaluation
criterions that are in the PCMs' contract. And those are
the project management and administration, construction
oversight, quality oversight, environmental oversight,
safety and security, third-party and utility oversight,
project controls oversight/risk management, right-of-way
coordination and environmental oversight.

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

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

The next slide shows a dashboard.

Go ahead, Director Rossi.

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

MR. OGLE: The slide is just --

BOARD MEMBER ROSSI: Are you adding up? I guess
you're adding, no that's 35 squares, so you're adding up?
Is that the way that works, so where it says "total score" all of these things below come to that total score?

MR. OGLE: Correct.

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

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

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

MR. OGLE: It won't?

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

MR. OGLE: Correct.

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

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

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

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

BOARD MEMBER ROSSI: Okay. Fair enough, we can do it offline.
MR. OGLE: The next slide is the Performance Evaluation Dashboard. And what it has there, is there is a total score. And then each of the nine evaluation areas are also scored. And all of those scores collapse up into the total -- into this total score.

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

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

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

VICE CHAIR RICHARDS: To make a general score.

Okay. Probably it'd help if we'd just seen this a little bit earlier and then we wouldn't be asking you --

MR. OGLE: Understood.

VICE CHAIR RICHARDS: -- questions like this.


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

MR. OGLE: The final slide here is some of the changes that we are looking at in moving forward. At the March Board meeting we were asked what are we going to be doing differently? So some of the changes that are underway are re-energizing and focusing on our contract
management team. That's the Authority folks, the Authority staff.

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

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

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

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

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

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

MR. OGLE: Excuse me?

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

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

CHAIRMAN RICHARD: Correct.

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

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

BOARD MEMBER CAMACHO: Mr. Chairman?

CHAIRMAN RICHARD: Director Camacho?

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

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

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

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

BOARD MEMBER CAMACHO: Well, we have -- you had
ICE, ISE --

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

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

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

MR. HEDGES: Yeah, we're going to keep that in right proportion. One of the things that have -- you just saw right now is the definition of roles with regards to the Authority's position, responsibility with regards to engineering the RDP and the state, the PCM and the design builder. We want to make sure that the design builder maintains the role and the responsibility of being the designer of record. That is our key focus right now.
BOARD MEMBER CAMACHO: Yes. But in fact, under a design-build they have an architect stamping those drawings there. They are, in fact, the ones responsible, so to have a redundant stamp on the drawings by a PCM make no sense to me.

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

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

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

That's why one of the things of future actions that Terry indicated is the right size. You're redoing the
manual, redoing our process on future contracts, it is much more clear.

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

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

BOARD MEMBER CAMACHO: Okay. Thank you.

CHAIRMAN RICHARD: Mr. Ogle?

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

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

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

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

BOARD MEMBER CURTIN: I'm very happy to see these
changes, but I have a question about the integration points of the projects. These are the PCMs on each individual projects, and I know there's been concerns. At least I've had concerns in the past about where the projects actually meet. How does the -- who does the oversight for the integration points if there's disagreements or differences?

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

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

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

BOARD MEMBER CURTIN: Right. That was after it
was discovered that there was a problem. I'm asking is it
going to be a sort of an ongoing process and who's
responsible to pull those meetings together?

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

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

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

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

    MR. OGLE: Correct.

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

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

    BOARD MEMBER CURTIN: Okay. I'm just asking who
is responsible to get them started?

MR. OGLE: The PCM is responsible.

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

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

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

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

BOARD MEMBER CURTIN: All I'm saying is that we have different entities doing different portions of it. And they view the roles from their own perspective. We need somebody who says they have to sit down and organize -- they have to organize answers to problems, but we have to also identify when those problems are happening, as
opposed to after we find out there's a problem.

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

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

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

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

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

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

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

BOARD MEMBER CURTIN: Good.

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

BOARD MEMBER CURTIN: Okay.

MR. HEDGES: I compliment both engineering and
environmental, for doing that right now as we speak.

BOARD MEMBER CURTIN: Thanks.

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

BOARD MEMBER ROSSI: I have one for you.

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

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

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

MR. KELLY: Mr. Chairman, I'm going to take some responsibility for that. When we pull the briefing documents together to brief the members in advance, the informational document on this case wasn't in there, mostly
because it was information and we're focusing on the action items. But going forward, we'll ensure they're in the briefing documents earlier and we'll go through them on the briefings that we normally do.

CHAIRMAN RICHARD: Very good.

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

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

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

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

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

   MR. OGLE: So there is some subjectivity in the scoring. The DCMs are encouraged and to meet with the PCMs after they do their initial evaluation for that particular time period and to sit down and then go through the evaluation with them and evaluate whether the scores are accurate or not. After that is done the scores are brought to me and I sit down with the DCMs and we go through this,
we go through the scores again, reflective of what is in
there. So we are accurately trying to reflect what are the
performance of the PCMs. But the PCMs have input. It's
the DCMs that are ultimately responsible for the evaluation
and then that gets shared with me before it gets finalized.

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

MR. OGLES: Yes, sir.

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

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

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

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

CHAIRMAN RICHARD: Okay. And then my last
question on this is what happens, what is the consequence
of a determination that a PCM is say below requirements? I
mean, obviously we get out the proverbial whip and try to
get them to do better, but what -- are there contractual
consequences? What happens?
MR. HEDGES: There is, sir. Well the first step would be is the issuance of NCRs right, asking to basically at this point to do a root-cause analysis and to take a corrective action on the part of the PCM. If that corrective action was not followed through, then you would invoke the contract with regards to the termination of default clauses and start that process if the remedy was that severe.

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

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

So not for today, but I guess I'd be interested at some point in thinking about whether or not a series of performance incentives and penalties is maybe a better way
to motivate people than simply -- I'm not sure whose head
we're putting the gun to, I guess, is when we do this.  So
that's just one thought, just because as I said, experience
has shown that sometimes we end up with these conversations
about, "Well we're not happy, but we can't do this."

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

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

CHAIRMAN RICHARD:  Okay.

MR. FELLENZ:  -- for contacts to get information
about past performance with particular architectural
engineers.

CHAIRMAN RICHARD:  All right, if there's a way to
do that, that's fine.  I was just responding to the notion.
I don't want to get painted into a corner where either we
can't get rid of somebody, because it's too disruptive to
the program. And we can't deny them a contract, going
forward. So that's the only reason that I'm just
suggesting today for your consideration maybe there's some
gradation in there of performance incentives and penalties
that gives us a stronger hand.

BOARD MEMBER ROSSI: Mr. Chairman?

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

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

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

BOARD MEMBER CAMACHO: In the military there are
a jillion models of performance-based contracts and they're
evaluated based on your performance each quarter. So it's
certainly an incentive to raise your level of performance.
MR. HEDGES: Sir, I'd also probably advocate too, that as we get a better definition with these contracts are, standardize them and be able to apply them at gradient approach to a -- to the construction project, i.e., if it's a $450 million project or a $1.5 billion project, can you right-size these contracts, a great approach to that? Maybe even use a one-fixed price in the future instead of T&M.

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

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

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

MR. HEDGES: Sir, thank you. And I want to recognize Terry and his team for the ones who carried the water. They've done an outstanding job.
MR. HEDGES: Yeah. And then too is we want to start looking at this, to apply this in other places within the Authority. This was kind of a prototype to look to see if we can do this at other places.

CHAIRMAN RICHARD: Okay. Director Miller?

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

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

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

MR. OGLE: Yes. We're going to do it on a
quarterly basis, but monthly we're going to be looking at the PCM informally and doing this as well, so that we don't wait till three months to --

BOARD MEMBER MILLER: Right. Thank you.

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

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

(Laughter).

MR. OGLE: Thank you.

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

Good morning Mr. Hill.

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

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

It is an important milestone. Basically, it brings together all the information we have on this program, and have had on this program for ten years, $4
billion of spend. It integrates the program controls, the IT Platforms and the Baseline information itself to one single source of information.

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

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

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

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

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

It basically, to use the title, is scope, time, cost and risk. It is not just 10-12 slides, it is a massive amount of data collected that is there for reference for us to use and go forward.
It also invests in the bookends as part of those Business Plan objectives that we are going to go forward with, in Southern and Northern California, so a key milestone, a key tool.

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

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

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

And Russ, Chief Financial Officer, will go through those in particular at the end of the next section of this presentation.
The Baseline Cost Summary, as I mentioned two numbers before, 13.7, which is the program budget, which is basically the budget that allows us to undertake work until the next, 2025, meets their obligations in the Central Valley, the ARRA, the RODs, and also the Bookends.

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

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

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

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

It equally shows that we will be delivering to
you in October a Preferred Alternative for the Bakersfield
to Palmdale and also the LGA ROD in October, which will be
a Board Meeting I believe, in Bakersfield to meet that.

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

MR. HILL: Local Generated Alternative.

BOARD MEMBER ROSSI: Got it.

MR. HILL: It's the Bakersfield Proposal.

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

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

Critical path key delivery dates, there's three
things I would highlight here for you. Obviously, we
complete the ARRA work ongoing, by 2022. There a number of
activities that we start outside and make decisions. We
have to make a number of decisions in the next 6 to 18
months regarding Bakersfield, regarding tracking systems
and trains procurement. And all those are dependent upon funding and the direction and availability of those funds and how we best utilize them.

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

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

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

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

And so I look to you to approve those as part of
the Baseline. They're within the numbers overall. They're part of the work activities that we need to undertake in the '18-'19 financial budget period.

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

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

Schedules: critical work, tunnels, etcetera. I will come to it in a minute. This is only part of the
Baseline. It's just the first start of establishing how we look at the schedules outside of the Central Valley and mitigate with a plan forward, how we have funding for those activities. And how we can do work when that funding becomes available.

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

BOARD MEMBER ROSSI: Could I ask you a question?
MR. HILL: Sure.
BOARD MEMBER ROSSI: When you get down to your -- yeah, that was it -- Silicon Valley to Central Valley schedules, and back a little bit. So I'm assuming that work if I'm reading this right, doesn't occur until you figure out the funding (indiscernible) --

MR. HILL: Absolutely, right. Those --
BOARD MEMBER ROSSI: So you stay focused on your three major items that you mentioned at the beginning?
MR. HILL: We are absolutely prioritized as far as ARRA, the Central Valley and the Bookend work, absolutely. Those decisions are things that we now with the Baseline flagged up, they become decisions within the next 6 to 12 months. And depending on funding, development in that period is when you would come and make a decision as far as how we spend those funds.
BOARD MEMBER ROSSI: Thank you very much.

MR. HILL: Yeah.

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

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

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

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

The information we have now allows us to change control every particular item on this program, again whether it's a schedule item, a timeline item, a cost item,
a scope item, a risk item. So we will change control every part of this program going forward. Completion of interim services: looking at how we have interim services throughout this, the Valley, Central Valley and the V2V. Implement change control, as I talked about, PMP, and conduct a risk analysis over the next six months.

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

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

MR. FONG: Thank you, Roy.

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

The important part of the Baseline is our budget. That's what I'd like to talk about today. For the first time we have a cost-loaded schedule that's constrained by funding availability. Basically what that means is that our Capital Expenditures, or "Cap Exp" are now tied to a schedule. And that schedule is aligned with a budget
that's broken down from the contract level. That is something we've never had before.

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

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

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

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

I'd like to now move over to our admin budget. And our admin budget supports the Department's budgets for state salaries benefits and standard operating expenditures.
such as rent, office supplies, travel, training and IT.

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

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

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

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

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

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

I'm going to start right to left with colleagues' questions. Questions for the staff, starting with Director
BOARD MEMBER LOWENTHAL: I have wanted to thank you for your incredibly hard work and the clarity of the presentation. I was really pleased on page 8 to -- in looking at the amendments it just seems that in the past we've gotten these amendments one by one. You know, we need more money for this area, more money for that area. I think it's very helpful to have all of it in one place, so we know what the future is bringing. And I think that this Baseline is going to be a tremendous roadmap master plan for the future.

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

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

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

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

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

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

MR. KELLY: (Indiscernible).

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

MR. KELLY: Sorry, just to answer your question on some of the things. There are some areas where we --I always call it high specialization in the position we want to fill. For example, risk assessment is an area that's a highly specialized area. And that's one that we have the authority to bring in a public or a state staff person to fill that role. I think we're going to expand our search and consider more options to fill that and bring in the right resources and capability in that area.
So that's when you say, "Which ones are difficult?" Or that's a high specialization area that I would point to as an example.

BOARD MEMBER LOWENTHAL: Thank you.

MR. KELLY: You're welcome.

CHAIRMAN RICHARD: Director Miller?

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

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

BOARD MEMBER MILLER: Right.

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

BOARD MEMBER MILLER: Right. And so that's
something that I would just think you're working hard on right, because that does expedite --

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

BOARD MEMBER MILLER: He has a comment on that.

MR. HILL: -- is the key starting point

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

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

BOARD MEMBER MILLER: Great.

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

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

I would just, as a separate note, this NEPA assignment is something that has been in effect in six
states on the highway side. The result is generally months of review, streamlined process, and hundreds of thousands that are millions of dollars in savings in that process. And so, we have -- I think we're the only state with the application back there for the railroad side. It would be precedent-setting. But it's an important step forward and we think it'd align with both the administration here and the federal Administration's announced want to increase environmental streamlining in infrastructure. And so we think this is a good place for us to come together and move forward.

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

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

MR. HILL: I checked with --

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

MR. HILL: No, no. No, that's not. It's -- I
checked before we came to the meeting. It's specific requirements. They are separate, and they are absolutely necessary for us to go forward with this.

BOARD MEMBER MILLER: Okay. Thank you.

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

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

MR. HILL: I believe we have the control over nearly all of it. It is within our ability should we do the right things. This is obviously a substantial point in time to be able to have a plan, work to a plan, manage a plan and manage changes. And that will be a discipline that everybody in this room will need to understand. It is not possible to deliver a program of this size and nature and say yes to people all the time. It has to be a discipline to say, "No, this is our plan. And if you need to do something else, we have to consider it." It will
have implications. And the good thing with the Baseline is that now we can have immediate, almost immediate "Here's the implication of making a decision."

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

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

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

And I think this next six months will be
absolutely key to that.

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

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

CHAIRMAN RICHARD: Thank you.

Director Rossi?

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

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

BOARD MEMBER ROSSI: Sorry. But no, I can't
speak up any higher than I'm talking.

   AUDIENCE MEMBER: Or maybe closer to the microphone?

   BOARD MEMBER ROSSI: We'll try.

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

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

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

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

   BOARD MEMBER ROSSI: Okay. Perfect. The second thing is that as you look at this plan and you look at your
three priorities. And you look at do that one mitigation
point about Valley to Valley, in effect versus Central
Valley, and the work that you may or may not have to do
predicated on funding. Is there a focus on things that
people might think they need to have to do Valley to Valley
that are expenditures of funds, that we would be better not
to be expending until we have a better understanding about
whether or not we're going to get the funding we need?

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

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

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

CHAIRMAN RICHARD: Director Camacho?

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

MR. HILL: The Baseline takes into account the
whole program --

   BOARD MEMBER CAMACHO: Oh.

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

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

   MR. HILL: Yes, there is.

   BOARD MEMBER CAMACHO: So that is factored into
this?

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

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

   MR. HILL: Thank you.

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

   CHAIRMAN RICHARD: You can move the motion and
I'll take a second.
BOARD MEMBER CAMACHO: Second.

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

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

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

But actually, I look at it differently. As some of my colleagues have said, over the past several years we've had pieces of things. But I've always had that disquieting feeling that we just didn't have our arms around the entirety of the program, that things were operating in cross purposes, that we didn't have a real sense of what was going on at the deep, deep level. And
there is a term that's often used in the political context of a "reset," and I think over these last six months what we've really done here is taken a step back, gone into detail about what's real, told the public what that is. And now with this today, I think what we're showing is that we really have the tools to manage this program.

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

So from my perspective, and I think this is the view that you're hearing from all of us on the Board, is a growing level of confidence that we have the management tools in place now to move forward. Yes, it's going to be hard. Yes, there are going to be bumps in the road. But I just have a much greater level of comfort that there's control of the program and direction, that we're driving it and we're not just a passenger in our own airplane here.
So I just want to end by saying that Roy, I think it was one year ago this month that you stood where you're standing now when we introduced you.

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

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

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

So with that, I just wanted to say that this does feel like we're getting the basics in place, so that we can now go out there and really kick a lot of dirt around and get stuff done. So that's good.
With that, would the Secretary please call the roll? And let me just clarify on the motion, looking at Mr. Fellenz, so that the motion is to basically adopt the Baseline. And also to simultaneously adopt all of the contract modifications that are suggested by the staff in this presentation?

MR. FELLENZ: Accept the Baseline and approve these changes to the contract amendments.

CHAIRMAN RICHARD: Okay, so your nomenclature is important.

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

MS. JENSEN: Vice Chair Richards?

VICE CHAIR RICHARDS: Yes.

MS. JENSEN: Director Rossi?

BOARD MEMBER ROSSI: Yes.

MS. JENSEN: Director Curtin?

BOARD MEMBER CURTIN: Yes.

MS. JENSEN: Director Lowenthal?

BOARD MEMBER LOWENTHAL: Yes.

MS. JENSEN: Director Camacho?

BOARD MEMBER CAMACHO: Yes.

MS. JENSEN: Director Miller?

BOARD MEMBER MILLER: Yes.
MS. JENSEN: Chair Richard?

CHAIRMAN RICHARD: Yes. Thank you all very much.

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

CHAIRMAN RICHARD: That there would be no Board?

BOARD MEMBER ROSSI: Yeah. (Chuckles).

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

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

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

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

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

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

CHAIRMAN RICHARD: Okay.

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

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

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

It should have been the tenth item on page 17 of the presentation that you received. However, though, because of its delayed -- the lateness of this action we thought it was very important to be transparent, which is one of Brian's new edicts in our news at PMP with regards to the openness and transparency. So again, since it was
belated we thought we'd bring it to you and ask for your concurrence and approval to be able to do this.

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

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

Now, we will try to recover some of those -- this cost back from our contractors. We've talked about this integrated approach and aligning some of our conflicts. There is contractual language that would allow us to collect some of this back. We're working with Legal in
developing a strategy to be able to do that.

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

Ma'am?

BOARD MEMBER LOWENTHAL: Move.

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

VICE CHAIR RICHARDS: Second.

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

Question from Mr. Rossi?

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

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

BOARD MEMBER ROSSI: This year?

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

BOARD MEMBER ROSSI: So it'll be expended
partially in this budget year and partially in next year's budget year?

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

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

MR. HEDGES: This year and next, sir.

BOARD MEMBER ROSSI: How much?

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

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

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

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

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

MR. FONG: Yes. In the future --

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

MR. FONG: Correct.

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

MR. FONG: Yeah, that is actually correct.

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

MR. FONG: That is correct.

BOARD MEMBER ROSSI: Okay, I'm good.

CHAIRMAN RICHARD: Okay, other questions?

Will the Secretary please call the roll?

BOARD MEMBER ROSSI: With one caveat. If this is something we've seen before I want to be sure we don't see
it here, is now that it's approved that it doesn't get --
who has the authority to pull it forward?

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

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

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

BOARD MEMBER ROSSI: And the CEO?

MR. HILL: The CEO.

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

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

All right, Secretary, please call the roll.

MS. JENSEN: Vice Chair Richards?

VICE CHAIR RICHARDS: Yes.

MS. JENSEN: Director Rossi?

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

MS. JENSEN: Director Curtin?

BOARD MEMBER CURTIN: (No audible response).

MS. JENSEN: Director Lowenthal?

BOARD MEMBER LOWENTHAL: Yes.

MS. JENSEN: Director Camacho?
BOARD MEMBER CAMACHO: Yes.
MS. JENSEN: Director Miller?
BOARD MEMBER MILLER: Yes.
MS. JENSEN: Chair Richard?
CHAIRMAN RICHARD: Yes. Thank you, staff, for that.

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

(Off the record at 11:37 a.m.)
(On the record at 12:10 a.m.)
CHAIRMAN RICHARD: Okay, the Board has --
(Off mic colloquy).
CHAIRMAN RICHARD: Okay. The Board has completed its closed session. We have no items to report. With that, this meeting in the California High-Speed Rail Authority is adjourned.

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

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.

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

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