

CALIFORNIA HIGH-SPEED RAIL AUTHORITY

BOARD MEETING

TRANSCRIPT OF PROCEEDINGS

CALIFORNIA SECRETARY OF STATE AUDITORIUM

1500 11TH STREET

SACRAMENTO, CA 95814

TUESDAY, JANUARY 15, 2019

10:00 A.M.

Reported by:
Peter Petty

APPEARANCESBOARD MEMBERS

Dan Richard, Chairman

Tom Richards, Vice Chair

Lynn Schenk

Michael Rossi

Daniel Curtin

Nancy Miller

Bonnie Lowenthal (Absent)

Ernest Camacho

EX OFFICIO BOARD MEMBERS

Assemblymember, Dr. Joaquin Arambula (Absent)

Senator, Jim Beall (Absent)

STAFF

Joseph Hedges, Chief Operating Officer

Tom Fellenz, Chief Counsel

Paula Rivera, Chief Audit Executive

Moe Ramadan, Acting Board Secretary

PRESENTERS:

Michael Rossi, Finance & Audit Committee, Board Member

Paula Rivera, Chief Auditor

APPEARANCES (Cont.)PUBLIC COMMENT:

David M. Schwegel, PE, US High Speed Rail Association

Ted Hart, Self

William Grindley, Self

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P R O C E E D I N G S

10:00 a.m.

PROCEEDINGS BEGIN AT 10:00 A.M.

SACRAMENTO, CALIFORNIA, WEDNESDAY, JANUARY 15, 2019

CHAIRMAN RICHARD: It's 10:00 o'clock. This meeting of the California High-speed Rail Authority Board will come to order precisely at 10:00 o'clock this morning. The Board is going to go in to closed session prior to the regular order of things. And so at this moment, I'm going to say that the Board will now enter into a closed session in an adjacent conference room. We will report back on any actions out of that closed session meeting when we come back into the public session, at which time we'll go through the regular order.

So we will adjourn to that at this point. Thank you.

(Off the record at 10:01 a.m.)

(On the record at 11:45 a.m.)

CHAIRMAN RICHARD: All right, the Board will be back in order. I'll ask the Secretary to please call the roll.

MR. RAMADAN: Good morning.

CHAIRMAN RICHARD: Good morning.

MR. RAMADAN: Director Schenk?

BOARD MEMBER SCHENK: Here.

1 MR. RAMADAN: Vice Chair Richards

2 VICE CHAIR RICHARDS: Here.

3 MR. RAMADAN: Director Rossi?

4 BOARD MEMBER ROSSI: Here.

5 MR. RAMADAN: Director Curtin?

6 BOARD MEMBER CURTIN: Yes.

7 MR. RAMADAN: Director Lowenthal?

8 Director Camacho?

9 BOARD MEMBER CAMACHO: Here.

10 MR. RAMADAN: Director Miller?

11 BOARD MEMBER MILLER: Here.

12 MR. RAMADAN: Senator Beall?

13 EX OFFICIO BOARD MEMBER BEALL: (Absent).

14 MR. RAMADAN: Assemblymember Arambula?

15 EX OFFICIO BOARD MEMBER ARAMBULA: (Absent).

16 MR. RAMADAN: Chair Richard?

17 CHAIRMAN RICHARD: Here.

18 Director Miller, will you lead us in the Pledge
19 of Allegiance please?

20 BOARD MEMBER MILLER: Sure. Please stand
21 everyone.

22 (The Pledge of Allegiance is made.)

23 CHAIRMAN RICHARD: Thank you. We'll open our
24 meeting now.

25 First of all, let me just say that the Board did

1 meet in closed session. There were no action items that
2 came out of that to report.

3 We'll turn now to the public comment. First to
4 David Schwegel followed by Ted Hart and William Grindley.
5 And Happy New Year to everybody.

6 MR. SCHWEGEL: Yes, Happy New Year to you as
7 well.

8 Greetings everyone, David Schwegel, Greater
9 Sacramento Economic Council. Happy New Year, welcome to
10 Sacramento and please be sure to visit Gavin Newsom. Wish
11 him season's greetings, because I'm sure we can all agree
12 it's always High-Speed Rail season. Maybe he'll be
13 inspired to allocate some of the billions in surplus to
14 finish Valley-to-Valley and Merced-to-Sacramento. Maybe
15 he'll even throw a big benefit concert at the Golden 1
16 Center to raise funds to get over the Tehachapis into the
17 Los Angeles Basin.

18 And who know, maybe there'll be enough money to
19 send all those public commenters in Burbank to every single
20 High-Speed Rail Conference between now and the Olympics.
21 But these conferences are of course an extraordinary value.
22 They offer valuable industry perspective. The US High
23 Speed Rail Association reminds me that they are all about
24 very efficient construction. I met Dow Constantine at the
25 most recent conference. He talked about how the greater

1 Seattle area raised \$54 billion on Sound Transit and was
2 able to make light rail work across the floating bridge,
3 the first of its kind ever in the world.

4 But we will need to get stakeholders from all
5 over the world engaged, because one of the main talking
6 points at the June 2010 Conference in Los Angeles, is the
7 way that the rest of the industrialized world sees us as
8 being very unfriendly to climate change. And the way we
9 can turn that perception around very quickly is if we are
10 able to work with all these other agencies throughout the
11 Pacific Southwest to get high-speed rail down to the Los
12 Angeles Basin in time for the Olympics.

13 Because when you think about it, Tokyo in 2020,
14 2024 in Paris, those are all major high-speed rail hubs and
15 we really need to bring as many stakeholders, experts from
16 around the world, to figure out how we're going to fulfill
17 this vision to the US Pacific Southwest to bring high-speed
18 rail down to LA in time for the Olympics. Thank you.

19 CHAIRMAN RICHARD: Thank you, Mr. Schwegel.

20 Next is Ted Hart followed by William Grindley.
21 Good morning.

22 MR. HART: Good morning, nice to see you. It's
23 been a little bit of time since I've addressed the Board.
24 And over a period of these past ten years I've addressed
25 the Board many times.

1 This morning, Dan, I would ask that my time be
2 given to William Grindley. And I'm asking this because in
3 all the year that I have addressed the Board I've never
4 wasted your time and I believe that what he has to present
5 and say was extremely important. So I would leave it at
6 that and hope he might be able to do it.

7 I'll wish you a New Year to everyone also.

8 CHAIRMAN RICHARD: Okay, so thank you Mr. Hart.

9 Let me just say we're asked this on occasion.
10 And as a matter of policy we don't tack on time. On the
11 other hand, we only have three speakers this morning, Mr.
12 Grindley, if he doesn't abuse it, I'll give him an
13 opportunity to make his full remarks to the Board.

14 MR. HART: Thank you so much. I appreciate it.

15 MR. GRINDLEY: Thank you, Mr. Chairman, Happy New
16 Year to everyone.

17 CHAIRMAN RICHARD: Good morning.

18 MR. GRINDLEY: I have some handouts, which are in
19 front of you, of a report that my colleague, Bill Warren
20 and I, have taken the last three years to prepare.

21 The first page of the handout to you, it says
22 that Section 2704(8)(j) threw the High-Speed Rail Project
23 into competition essentially against air and auto travel.
24 So what did we do to try to find out that the total travel
25 time and total travel costs of high-speed rail was better

1 than that of air or auto?

2 We looked at 140 routes during the first four
3 years, that is the Silicon Valley to Central Valley period,
4 and 180 routes in the period after 2033. And by the way,
5 total travel time and total travel costs are the metrics
6 that we used in the May 2008 report, which was jointly
7 written by the Authority and the Department of
8 Transportation. Go to page 2 and you will see what just 10
9 of those 36 columns of Excel look like; 10 times 37 is 370
10 calculations or data inputs per route, adds up to about
11 12,800 cells.

12 Go to page 3, please. What were our strategic
13 findings? In business, and you're going to be in
14 competition, you figure out what's going on first with your
15 major markets. Now, let's look at what we've found and
16 between the two largest markets: LA and San Francisco. And
17 we found that yes, high-speed rail wins one of the routes
18 between those, that is between Gilroy and Palmdale.
19 Therefore, the rest of them go to aircraft, because why?
20 Aircraft fly a lot faster than high-speed rail does.

21 Secondly, high-speed rail won no routes between
22 San Diego and San Francisco, the second and third largest
23 markets, because San Diego is 600-miles away and you have
24 no proposal in your 2018 Plan to serve any distance between
25 downtown or even part of the LA Metro area and San Diego.

1 But somehow, their Plan claimed 2,800,000 riders in the
2 2008 Plan.

3 Go to page 4, second strategic finding is that
4 the Authority's planners shot themselves in the foot by
5 making a rider to or from this city, from Sacramento, take
6 a bus ride in the first four years of their operation, of
7 four hours. In the time from 2033 onward through the
8 planned period of 2040, you will only take a bus ride of
9 three hours and 20 minutes. Now, that really destroys the
10 competitiveness on the total travel time basis and anyone
11 who's lived in the Bay Area knows you can drive from
12 Sacramento to downtown or to San Jose, in less than two
13 hours. If you take a high-speed rail train, three hours
14 and 20 minutes to Merced, even in a good time it takes you
15 nearly five hours to get to San Jose. It takes you longer
16 to get to San Francisco. That adds up to a lot of people
17 that you're going to lose.

18 The fifth slide is neither the present link of
19 high-speed rail between the Central Valley or San Joaquin
20 Valley and Silicon Valley really makes much sense. On the
21 one hand the high-speed rail only valley -- oh no, the
22 high-speed only link -- is going to cost the riders
23 something between \$26 and \$28,000 per year of a roundtrip
24 daily commute for 200 days. You do win 50 percent of those
25 routes, or less than 50, 47 percent of those routes, on

1 that link on basis of time. The cost seems to be a very,
2 very excruciating factor and unless that's subsidized by
3 the state or the employers I don't think you're going to
4 attract many riders.

5 Recently, the idea has been floated -- am I doing
6 okay there, Chair?

7 CHAIRMAN RICHARD: Yeah, if I could ask you --

8 MR. GRINDLEY: Sure.

9 CHAIRMAN RICHARD: If I could ask you to get to
10 your last slide and your conclusion and then I'll comment
11 on what we will do with this information with the staff.

12 MR. GRINDLEY: Yes. Great, thank you.

13 All right, there was an idea floated in the *Los*
14 *Angeles Times* the week before last about running the
15 Altamont Corridor Express to Merced and connecting the
16 high-speed rail system at that. We don't know where the
17 idea came from, but we did a time analysis, total travel
18 time analysis, and going from Merced to San Jose will take
19 nine hours daily. Going from Fresno to San Jose, that
20 round trip will be ten hours and 20 minutes.

21 CHAIRMAN RICHARD: Via --

22 MR. GRINDLEY: Via ACE train.

23 CHAIRMAN RICHARD: ACE Altamont.

24 MR. GRINDLEY: Or ACE, well Fresno you have to
25 ride high-speed rail or -- never mind, okay got you.

1 Now in conclusion what did we find, first page?
2 When you sort out all of these numbers, and they are in the
3 big report which you have a bound copy, you find the
4 astounding -- and it astounded us -- that only one in five
5 forecasted riders from your 2018 Plan are likely to show
6 up. Because high-speed rail will not be faster than auto
7 or air on all those other routes and auto is always
8 cheaper. Auto is always cheaper. All of that is using
9 your numbers from your 2018 Plan and from your 2008 Plan
10 documents onward.

11 Thank you very much.

12 CHAIRMAN RICHARD: Thank you, Mr. Grindley.

13 MR. GRINDLEY: It's a lot.

14 CHAIRMAN RICHARD: Obviously, you've done a lot
15 of work here and let me just assure you, we will ask our
16 staff to do an analysis of this. And I know at least one
17 Board Member who will probably thoroughly want to get into
18 the details.

19 MR. GRINDLEY: Thank you, we are willing to sit
20 down and go through our empirically-driven database model
21 all right, and show you where we made assumptions that
22 tilted in favor of the Authority.

23 CHAIRMAN RICHARD: All right.

24 MR. GRINDLEY: All right? And how we got there
25 and you know, we all make errors. We're happy to admit

1 there may be some errors in there. But where we found that
2 17 percent was the number, we can make a lot of errors and
3 you're not going to produce a lot of revenue, even if we
4 made a lot of errors. Thank you very much. Good day.

5 CHAIRMAN RICHARD: Thank you Mr. Grindley and Mr.
6 Hart. Thank you.

7 Those are the only requests that I had for
8 speaking today. And so with that the public comment
9 session is closed. We'll proceed to our regular agenda as
10 soon as I can pull the Board materials out.

11 And so the one thing that I never forget is --

12 BOARD MEMBER ROSSI: So moved.

13 CHAIRMAN RICHARD: -- to consider the adopting of
14 the minutes from the last meeting.

15 BOARD MEMBER CAMACHO: Second.

16 CHAIRMAN RICHARD: It is moved by Director Rossi,
17 seconded by Director Camacho. Will the Secretary please
18 call the roll?

19 MR. RAMADAN: Director Schenk?

20 BOARD MEMBER SCHENK: Yes.

21 MR. RAMADAN: Vice Chair Richards?

22 VICE CHAIR RICHARDS: Yes.

23 MR. RAMADAN: Director Rossi?

24 BOARD MEMBER ROSSI: Yes.

25 MR. RAMADAN: Director Curtin?

1 BOARD MEMBER CURTIN: Yes.

2 MR. RAMADAN: Director Camacho?

3 BOARD MEMBER CAMACHO: Yes.

4 MR. RAMADAN: Director Miller?

5 BOARD MEMBER MILLER: Yes.

6 MR. RAMADAN: Chair Richard?

7 CHAIRMAN RICHARD: Yes.

8 Before I turn to item two let me just say that
9 I've asked the staff to pull item three off the agenda.
10 We'll be doing that next month to have the 2019 Forward
11 Look.

12 So item two is a status update on the High-Speed
13 Rail Authority's implementation of the California State
14 Auditor's recommendations. I'm going to turn to the Chair
15 of our Finance and Audit Committee, Director Rossi, to
16 introduce this matter. And Mr. Rossi, please proceed.

17 BOARD MEMBER ROSSI: Seven years -- I thought
18 that I could avoid this.

19 CHAIRMAN RICHARD: Pick the mic up.

20 UNIDENTIFIED SPEAKER: No, don't pick the mic up.
21 (Laughter).

22 CHAIRMAN RICHARD: Don't pick the mic up. And
23 for future reference do not listen to the Chair when he's
24 making recommendations on how the dais should operate, so
25 thank you. (Laughter).

1 BOARD MEMBER ROSSI: What we're going to do here
2 very quickly is, as everyone knows, we had an audit. We've
3 gone through the audit. Staff is preparing their responses
4 to the audit. And we are implementing all of their
5 recommendations happily, because they all make sense. And
6 I would add that it's clear that the Governor would like us
7 to get these done as soon as possible.

8 So if we just go to the top of the first page, as
9 you can see in Chapter 1 there are basically five
10 requirements. The first one is done. The second one is in
11 progress, as are the rest. And we will meet the
12 requirements or we will meet the timelines that we
13 committed to when Tom Richards was before the legislative
14 bodies.

15 Chapter 2, as you can see here, again the audit
16 recommendations are fairly straightforward. And they're
17 all in progress and there are also another -- there's
18 several more -- mostly procedural items that are being
19 taken care of. And so again we're doing everything we can
20 to implement these faster than we had committed to, to the
21 Assembly.

22 Chapter 3 was really more a set of requirements
23 that had to do with how we moved forward to ensure that we
24 were testing properly and getting the biggest benefit for
25 the dollars expended in the area of sustainable energy.

1 And as you can see, at least as we sit here today, a number
2 of the items that the auditor had suggested were in
3 progress, continue to be in progress, and will be utilized
4 over time as we move through the construction of high-speed
5 rail.

6 And that is where we are. We committed to get
7 all of this done on time or ahead of time, and we will do
8 that.

9 CHAIRMAN RICHARD: Director Rossi, when you say
10 we're committed to have it done on time or ahead of time,
11 can we just remind the public what timeframe we're looking
12 at now for full implementation of these?

13 BOARD MEMBER ROSSI: Do you have that data,
14 Paula?

15 MS. RIVERA: Most of them are by May.

16 CHAIRMAN RICHARD: Oh, I'm sorry. I think we're
17 going to want that on the record, so that it can be
18 transcribed. So Director Rossi has just turned the podium
19 over to our Chief Auditor Paula Rivera.

20 MS. RIVERA: So most of the recommendations will
21 be implemented by May as identified in the Audit Report.
22 One of them has a date of -- the one with sustainability
23 has a date of November of '19 and one of them will begin in
24 January with the reporting to the Legislature.

25 CHAIRMAN RICHARD: Will begin this January?

1 MR. RIVERA: Yes.

2 CHAIRMAN RICHARD: Right. Okay. So the ones for
3 May, was that the schedule that the auditor suggested for
4 us, or is that --

5 MR. RIVERA: Yes. Those are the dates that the
6 auditor identified in their audit report that we needed to
7 implement the recommendations by.

8 CHAIRMAN RICHARD: Okay. And what you're saying
9 is we are on track to meet those dates?

10 MR. RIVERA: Yes.

11 CHAIRMAN RICHARD: Okay.

12 BOARD MEMBER ROSSI: Did you notice he believed
13 you and not me. Yes, we're on track. (Laughter).

14 CHAIRMAN RICHARD: Okay. Are there questions
15 from the Members of the Board for either director Rossi or
16 for Ms. Rivera, the auditor, at this point?

17 CHAIRMAN RICHARD: Director Miller?

18 BOARD MEMBER MILLER: I don't have a question,
19 but I just want to thank staff and Director Rossi for being
20 so on time and informative with the results in terms of the
21 audit. I know that took a lot of staff time over the
22 holidays and we really appreciate it. So thank you.

23 BOARD MEMBER ROSSI: Staff did a truly an
24 excellent job. What you don't get to see here is the
25 pieces of execution they've already done and are doing with

1 existing files, getting them up to date, to be sure that
2 they are not deficient in the requirements of
3 documentation.

4 That's ongoing and all of this should be done for
5 the next couple of months. But it's a lot of work and
6 staff has really done a fine job and just continues to do a
7 fine job.

8 CHAIRMAN RICHARD: Okay. And then -- I'm sorry,
9 other questions? If not, I have something to add.

10 Okay. Yeah, let me just say two things. First
11 of all, I think given the public import of the
12 recommendations it behooves us to have an intermediate
13 report back to the Board and not just wait until May to
14 find out. And certainly, I know that Director Rossi and
15 Director Richards, as the Finance and Audit Committee, will
16 be monitoring this every month. Is that a fair assumption?

17 BOARD MEMBER ROSSI: Yes.

18 CHAIRMAN RICHARD: Okay, so we want to make sure
19 that we're on track and making progress for this.

20 I just want to conclude with two things on this.
21 First of all, I share the comment that was made. There's
22 been a lot of work done since the audit report came out. I
23 know that we indicated immediately that we would implement
24 all the recommendations from the audit report. Saying that
25 is one thing. Actually having people doing it is something

1 else. So I want to thank both the F & A Committee but also
2 very much the staff. And Ms. Rivera, I imagine you're not
3 doing this alone, so if you would convey that to your staff
4 as well. But you've been excellent in this role, so we
5 appreciate that.

6 And then finally I'd like to just supplement
7 something that Director Rossi said, when he said the
8 Governor clearly wants us to do this. We've had a direct
9 communication from the Governor's Office on this matter.
10 And it's really -- the first input from Governor Newsom to
11 this body and that was communicated directly that the
12 Governor cares about this, wants to make sure that we were
13 absolutely implementing every single one of the audit
14 recommendations, that we're doing it promptly,
15 comprehensively and with public transparency.

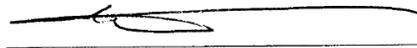
16 And in particular, Governor Newsom wants to make
17 sure that attention is being paid to those things that
18 affect the public purse, so change orders, contract
19 management issues, that we're being very clear and open
20 about those. I think that was very much the intent of this
21 Board and our staff. So I don't think that there's any
22 problem with that, but I think it's noteworthy that the
23 Governor is putting particular emphasis on our
24 implementation of these recommendations as quickly and as
25 thoroughly as possible.

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 24th day of January, 2019.



PETER PETTY
CER**D-493
Notary Public

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

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 24th day of January, 2019.



Myra Severtson
Certified Transcriber
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