



CALIFORNIA HIGH-SPEED RAIL BRIEFING: **June 18, 2019 BOARD MEETING AGENDA ITEM #9**

TO: Chairman Mendonca and Board Members

FROM: Scott Jarvis, Chief Engineer

DATE: June 18, 2019

RE: Consider Conforming Existing Board CEO Delegation Policy Regarding Contracts to Board Actions Taken at the May 21, 2019 Board Meeting (Baseline Acceptance and CEO Delegation Regarding Budgets)

Summary of Recommended Action

The purpose of this Board action request is to conform the existing Board Policy, Delegation of Authority - HSRA11-001, last amended on August 16, 2018, to the Board delegation to the CEO to manage the Program Baseline, approved at the May 21, 2019 Board meeting.

The structure of the existing Chief Executive Officer (CEO) delegation, as relates to contracting authority, dates to 2011. This is prior to the more recent (2018 and 2019) advent and implementation of a Program Baseline, which creates a scope, schedule and budget (including contingency) for a defined program. Accordingly, for the Board's approval in May 2019 of the Program Baseline, including delegation to the CEO to manage the Program Baseline, the existing CEO delegation relating to contracting authority requires conforming revision.

Background

To deliver the program as outlined in the 2018 Business Plan, a Program Baseline was developed that included the details of the scope, schedule and cost assumptions to deliver the plan. At its June 19, 2018 meeting, the Authority Board accepted the Program Baseline based upon the included scope, schedule and budget.

As project development progressed, the Authority refined the scope, capital investment and schedule requirements detailed in the Program Baseline, including updating the program estimate at completion (EAC) with a detailed "bottoms-up" Monte Carlo risk analysis. This analysis updated the estimated cost of the funded scope elements to \$15.6 billion.

At the May 21, 2019, Board meeting, as relevant to the present request, the Board:

- accepted the updated Program Baseline, including the Fiscal Year 19/20 Budget that aligns spending for next fiscal year with expected program expenditures and related existing and future contracts; and
- delegated authority to the CEO to manage the approved contingency balance included in the updated Program Baseline, with required reporting to the Finance and Audit Committee at its regular meetings or upon request.

Prior Board Action

In August 2013, in accordance with Resolution #HSRA 13-20, the Authority Board authorized the CEO to manage the Finance and Audit Committee's approved contract contingency balance for construction, design-build and design-build-operate contracts.

In June 2018, the Authority Board accepted the Program Baseline and the fiscal year 2018-19 budget, and approved amendments to existing contracts necessary to implement the Board-adopted *2018 Business Plan*.

In August 2018, via *Resolution #HSRA 18-15*, the Authority Board authorized an increase to the CEO's delegated contracting authority from \$5 million to \$25 million for Sections A, B, and C of Board Policy *HSRA 11-001*.

In May 2019, via *Resolution #HSRA 19-03*, as relevant to the present request, the Authority Board accepted the updated Program Baseline, including the Fiscal Year 19/20 Budget, and delegated authority to the CEO to manage budget and schedule contingencies included in the updated Program Baseline, with required reporting to the Finance and Audit Committee at its regular meetings or upon request.

Discussion

Board approvals to accept the updated Program Baseline and to delegate contingency management to the CEO in May 2019 now creates a need – for the Board's intent to be fully effectuated – to conform the CEO delegated contracting authority contained in Board policy HSRA 11-001, last updated in August 2018.

Therefore, staff recommends that the Board consider and approve amending Board Policy HSRA 11-001 as detailed in the attached redline of that Board Policy:

- (a) to allow the CEO to approve and execute new contracts up to \$25 million without Board approval, provided the associated action is consistent with the Program Baseline and Program Budget (including the contingency balance amount contained therein);
- (b) to require Board approval of all new contracts greater than \$25 million;
- (c) to allow the CEO to amend any contract as to time only, for any time extension amount, provided that the action is consistent with the Program Baseline Schedule;
- (d) to allow the CEO to amend any contract by any dollar amount, provided the associated action is consistent with the Program Baseline and Program Budget (including the contingency balance amount contained therein); and
- (e) to require the CEO to report (i) contingency balance trending information to the F&A Committee at its regular meetings, or more frequently upon request, and (ii) to the Board Chairperson any single contingency use equal to or greater than \$25 million.

Legal Approval

The Legal Office has reviewed the contents of the proposed amendments to Board Policy HSRA 11-001 and has concluded that the Board has the legal authority to approve those amendments.

Budget and Fiscal Impact

2019-20 Fiscal Year Budget Impact

None. The Budget was previously approved at the May 21, 2019, Board meeting.

Total Program Budget Impact

None. The Program Budget was previously approved at the May 21, 2019, Board meeting.

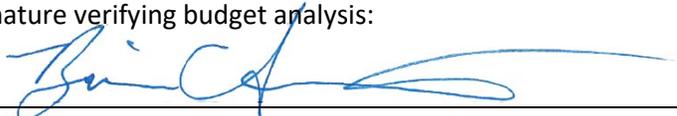
Recommendations:

Staff recommends that the Board consider and approve amending Board Policy HSRA 11-001 as detailed in the attached redline of that Board Policy:

- (a) to allow the CEO to approve and execute new contracts up to \$25 million without Board approval, provided the associated action is consistent with the Program Baseline and Program Budget (including the contingency balance amount contained therein),
- (b) to require Board approval of all new contracts greater than \$25 million,
- (c) to allow the CEO to amend any contract as to time only, for any time extension amount, provided that the action is consistent with the Program Baseline Schedule,
- (d) to allow the CEO to amend any contract by any dollar amount, provided the associated action is consistent with the Program Baseline and Program Budget (including the contingency balance amount contained therein), and
- (e) to require the CEO to report (i) contingency balance trending information to the F&A Committee at its regular meetings, or more frequently upon request, and (ii) to the Board Chairperson any single contingency use equal to or greater than \$25 million.

Attachments

- Exhibit A – Draft Resolution #HSRA 19-05
- Exhibit B - Board Policy HSRA11-001 (last Amended August 2018), with proposed changes
- Exhibit C - Previous Board Actions

REVIEWER INFORMATION	SIGNATURE
Reviewer Name and Title: Brian Annis Chief Financial Officer	Signature verifying budget analysis: 
Reviewer Name and Title: Tom Fellenz Chief Counsel	Signature verifying legal analysis: 