



**DRAFT**

## FINANCE AND AUDIT COMMITTEE MEETING MINUTES

**December 10, 2020**

**Webcast at:**

[www.hsr.ca.gov](http://www.hsr.ca.gov)

The meeting of the California High-Speed Rail Authority (Authority) Finance and Audit Committee Meeting was called to order on December 10<sup>th</sup> at 8:30 A.M. via webinar due to Governor Newsom's State of Emergency declaration regarding the COVID-19 outbreak and in accordance with Executive Order N-25-20 and the Guidance for Gatherings issued by the California Department of Public Health. The Meeting Minutes were prepared in the order items were presented during the meeting.

**Committee Members Present:**

Mr. Tom Richards, Committee Chair  
Mr. Ernest Camacho, Committee Member  
Mr. Jim Ghielmetti, Committee Member  
Ms. Nancy Miller, Committee Member

**Staff Present:**

Mr. Brian Kelly, Chief Executive Officer  
Mr. Brian Annis, Chief Financial Officer  
Mr. Joseph Hedges, Chief Operating Officer

**Public Comment**

An opportunity for public comment was made at the outset of the meeting.

**Item #1 – October Meeting Minutes**

The October 15, 2020 Meeting Minutes were moved for approval by F&A Committee Member Camacho and seconded by Committee Member Miller and approved. Committee Member Ghielmetti abstained from voting.

**Item #2 – F&A Committee Chairman's Remarks, Initiatives, and Updates**

Committee Chair Richards stated he was pleased to have Member Ghielmetti join the F&A Committee.

**Item #3 – Financial Reports Executive Summary**

Chief Financial Officer Brian Annis presented the Financial Report Executive Summary to the F&A Committee Members.

Question:

Member Ghielmetti asked what was the previous year's totals for Cap and Trade? You cited Feb-20, May-20, Aug-20, and Nov-20. How does that compare to the previous year total dollars?

Response:

Mr. Annis replied there was a bill in 2017 that extended the Cap and Trade program through 2030, and from that extension point to the May-20 auction, our average annual amount since was \$720M a year. These last four auctions are a little bit over \$400M for the last calendar year, which are below average. Some of that may still come back when the unsold allowances come up for resale in the future.

Question:

Member Ghielmetti asked if we were \$300M short of where we would like to be?

Response:

Mr. Annis replied yes, we are running \$320M less than the average we had a couple of years prior to COVID-19.

Question:

Chair Richards asked if what we've received exceeds what we use in our budget numbers. Is that also correct?

Response:

Mr. Annis replied that is correct. We tend to talk about a range of \$500M to \$750M a year. Even with the last year, we have been within that range. Last year was below that, but if you take the full period, we are within the range of \$500M to \$750M.

Question:

Member Ghielmetti asked why are these vacant positions so important? Why are we tracking them?

Response:

Mr. Annis replied in the past, the Board has been interested in knowing how we are doing filling positions as a metric of staffing up to address workload. A lot of these positions are replacing consultant staff so as we do fill the state positions, the consultant staff will be reduced. Happy to report the information the Board is interested in seeing in here.

Question:

Chair Richards asked Mr. Annis if he could look into providing an update on the reduction of consultant staff no longer necessary for the project due to the transfer of job duties to state staff.

Response:

Mr. Annis replied yes, I believe we would have the number of consultant staff in a given month. Mr. Annis also directed the Committee Members to the position detail in the Administrative Budget and Expenditures Report.

Question:

Member Camacho asked what do you mean by the Design-Builder was not eligible to bill?

Response:

Mr. Annis replied that there were some items that were billed in the September invoice that were based on change order proposals that have not yet been approved, so we could not pay those.

Chief Operating Officer Joe Hedges added that those change orders have been/are being processed as we speak. It will allow them to bill for work that was done at risk.

Question:

Member Camacho asked for the Time Impact Analysis adjustment, are we saying that we are budgeting 23%?

Response:

Mr. Annis replied no, that is the total payment to the Design-Build contracts. We don't have a Time Impact Analysis (TIA) estimate in here but as any incur, we will report them. None have occurred yet in the first four months of the fiscal year. That is why we indicate n/a.

Question:

Member Camacho asked if we have a feel for what that might be in total for CP 1, CP 2-3 and CP 4? Is that being budgeted for? Do we have some sort of budget to accommodate that?

Response:

Mr. Annis replied that is an item that would come out of the contingency. We don't have a specific budget for that.

Question:

Member Camacho asked if it exceeds contingency, where do we grab it from?

Response:

Mr. Annis replied he will have contingency reporting that will show the current status of contingency. We have contingency for each construction package and then we do have an unallocated contingency above that. Those would be the two categories that you would look to first.

Question:

Member Miller asked where we are in terms of our timeline because some of these utilization numbers are very low, some seem close to target, and some seem like we might have to go into contingency.

Response:

Mr. Hedges replied he will show exactly where we are at with the role of procurement. One of things that you are seeing coming about with the re-baselining is that we need to put additional funds towards ROW. This is driven predominantly by significant parcel increase. That is why we have exceeded our budgets.

Question:

Member Camacho asked what does the 75% for the category of construction on Total Project Expenditures represent? It does not represent 75% of project completion, correct?

Response:

Mr. Annis replied that is correct. It is 75% of the dollars spent were on construction.

Question:

Member Camacho stated it is certain that we will expend more than 25% to finish the project, is all that going to be contingency?

Response:

Mr. Annis replied this table is exclusively reflecting expenditures that we have made through October. It is not forward looking at all. It is only saying of the money we have spent from 2006 through October 2020, here is the categories of those expenditures.

Chair Richards added of the total amount spent to date, 75% has been spent on construction. It is not an indication of how much we still got to spend on construction, but construction spend as percentage of total expenditures.

Question:

Member Camacho commented that it is a little misleading when represented this way.

Response:

Mr. Annis replied that we can perhaps put a label above the percentage to make it a little clear.

Question:

Member Ghielmetti asked if we don't use all the contingency in CP 1 and CP 2-3 needs more money in their contingency, can you move one to another?

Response:

Mr. Annis replied yes.

**Item #4 – Central Valley Update**

Chief Operating Officer Joe Hedges presented the Central Valley Status Report to the F&A Committee Members.

Question:

Member Ghielmetti asked how realistic is the SBU goal 30% and who set it?

Response:

Chair Richards replied that was a Board action several years ago. Based upon on an aspirational goal of 30% and a strong position by members of the Board at the time of the importance of the small business participation in the project. I think we might be achieving more than other state agencies. It might be something to investigate. Might also make sense to investigate what goals other state agencies have. If we can make 30%, that would be wonderful. If it is just not justifiable, we must be realistic about it also.

Question:

Member Ghielmetti commented that we really should take another look at that goal and look at what Caltrans is doing.

Response:

Chief Executive Officer Kelly stated what might be useful is to bring a data set back to the Board that breaks down where we are hitting that 30% number and where we must strive to get to that aspiration. I think it is good to compare it to other construction type agencies in California. I want to be clear, that there are many types of contracts which we are hitting that 30% objective. Then there are areas where it is a little bit more difficult. We can break that down and show that to the Board in the future.

Question:

Chair Richards asked Mr. Kelly how much time do you want to schedule before you bring the SBU review back to F&A Committee?

Response:

Chief Executive Officer Kelly replied he would like to bring the information back to the Committee in February for the initial review on where we are compared to other agencies, where we are achieving the goal, and where there are challenges.

Chair Richards asked that it be noted to the schedule in February.

Having no further business, the meeting was adjourned at 9:49 AM.

The Authority additionally posts on its website transcripts from F&A meetings, which detail the discussion, questions, and answers from the meeting.