



**DRAFT**

## **FINANCE AND AUDIT COMMITTEE MEETING MINUTES**

**October 21, 2021**

**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 October 21<sup>st</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:**

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

### **Staff Present:**

Mr. Brian Kelly, Chief Executive Officer  
Mr. Brian Annis, Chief Financial Officer  
Ms. Paula Rivera, Chief Auditor  
Ms. Jeannie Jones, Chief Administrative Officer  
Mr. Daniel Horgan, Deputy Chief Operating Officer  
Mr. Ramadan, Board Secretary

### **Public Comment**

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

### **Item #1 – September Meeting Minutes**

The September 21, 2021 Meeting Minutes were moved for approval by F&A Committee Member Ghielmetti and seconded by Committee Member Camacho and approved unanimously by all members.

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

Vice Chair Miller commented that she has no remarks, initiatives, or updates.

### **Item #3 – Contract Management Report**

Chief Auditor Paula Rivera presented the Contract Management Audit findings to the F&A Committee Members.

Responses to the Audit were provided by the Chief Administrative Officer Jeanie Jones.

Question:

Member Camacho asked if there was anything substantial in the inconsistencies that were found in the Audit?

Response:

Ms. Rivera replied one of the things that we found was some of the documentation was consistently missing across all types of contracts. The audit did not have a specific random sample. We chose across all the offices, so we had some legal contracts, some admin contracts, and program contracts. Fairly consistently there were a few procedures where that documentation was missing. This indicated to us that the procedure either was not well understood or needed to be updated. The procedures are now updated to not required documentation that really should be optional. The training has also been changed from a two-hour training to a 12-hour training. The hope is that this will further clarify whether the discrepancies are related to how contracts are managed or what the procedures are requiring.

Question:

Member Camacho asked how long this has been going on?

Response:

Ms. Rivera responded that the procedures were created in 2017 in response to a previous audit. As part of the continuous improvement part of our Quality Plan, since it has been four or five years since the procedures were written, it was time to look at them and revise them. That has been done. We will do a follow-up audit in a year or so. There are also assessments that are done by the Contract Assessment Branch each year, and they look at a select number of procedures. Between the assessments and the Audit, we should know soon whether the revisions to the contract procedures have been effective.

Question:

Member Ghielmetti asked if there is a procedure to spot check these contracts from time to time?

Response:

Ms. Rivera replied, one of the things we recommend is that the supervisors of the contract managers meet with their contract managers and do a spot check.

Mr. Kelly added the other spot check is an audit like this one, which is an audit of roughly 8% of the contracts, to see if we are in compliance. I want to reaffirm that since the 2018 Audit, we put in a lot of new policies and procedures that have just come into place. For example, we are now doing annual assessments on this. We were not doing that before. We have exponentially expanded the training. And we are following the recommendations to put in place stakeholder groups to look at, update, and make sure all contract managers understand what documentation is required or not required. So again, I think we heard a lot about this in 2018 and have been working since that time to improve the situation.

**Item #4 – Financial Reports Executive Summary**

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

Question:

Member Camacho asked what is causing the low expenditure rate for CP 1, CP 2-3, and CP 4?

Response:

Mr. Annis responded that our expenditures over the last two years include, one year at about \$1.5 billion, and in the more recent year about \$1.2 billion for the 12-month period. You are correct that we are not seeing a ramp up. Certainly, it is not showing up for the month of August.

Mr. Kelly added that some of this will be covered by Mr. Horgan in his presentation. We are still, particularly in the downtown Fresno area, in the midst of a lot of utility relocation work that is not the heavy construction work where we are moving and expending at a higher clip. We are about 60% through that stuff. When that completes you will see the construction expenditures pick up. Also, we have four large commercial settlement issues on CP 2-3 that we are in negotiations on. As those advance, I expect that those construction numbers will pick up as well. So, there are things that we are working through right now in real time, that as we get through those, you will see the construction flow pickup pace. We have talked about those is closed sessions and other venues. Again, I think Mr. Horgan can cover this more in the Central Valley Status Report (CVSR).

Question:

Member Camacho asked which of the CP's has a stall occurring due to utilities?

Response:

Mr. Kelly replied that he was talking about CP 1. In the downtown Fresno area, we have about 1,500 utility relocations to make, and we are about 60% through those. It may even be closer to 2,000. Until we get through those, we cannot open the full-fledged construction work. We are powering through them now. The other issue is the Hanford viaduct, which we are now closing in on moving forward to get the superstructure going. So, I think as we get through the utility relocations and those things on the ground, you will see the construction pace pick up.

**Item #5 – Central Valley Update**

Deputy Chief Operating Officer Daniel Horgan presented the Central Valley Status Report to the F&A Committee Members.

Question:

Member Camacho asked if any of the delays we are having are a result of right-of-way?

Response:

Mr. Horgan replied yes.

Question:

Member Camacho asked where we are with right-of-way?

Response:

Mr. Horgan replied that he would be reporting on right-of-way shortly.

He later reported that August was a good month for right-of-way. We delivered 24 parcels which is good progress. There were six parcels added, but fortunately, these were all parcels of land that were already owned by the Authority. Another ten parcels of land were identified by contractors and these are being evaluated by Dennis Kim and the Right-of-Way Department as we speak. Our preference is not to add any right-of-way parcels, but if the designs dictate and we have no other option, then we may have to add one or two more parcels.

Question:

Vice Chair Miller asked if our right-of-way parcels include parcels needed for utility relocation?

Response:

Mr. Kelly replied yes. We have to obtain right-of-way for those purposes, as well as railroad and others.

Question:

Vice Chair Miller asked if all parcels are included on slide 10 of the Central Valley Status Report?

Response:

Mr. Horgan replied that we have another slide which shows the railroad parcels. Parcels we are getting from Union Pacific Railroad and BNSF.

Mr. Kelly added that he thinks in total we have something like 166 railroad parcels needed and we are at about 112.

Having no further business, the meeting was adjourned at 9:25 AM.

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