

CALIFORNIA HIGH-SPEED RAIL AUTHORITY

BOARD OF DIRECTORS MEETING

TRANSCRIPT OF PROCEEDINGS

IN-PERSON

THURSDAY, FEBRUARY 16, 2023

11:00 A.M.

Reported by:

Martha Nelson

APPEARANCESBOARD MEMBERS

Tom Richards, Chair Pro Tem

Nancy Miller, Vice Chair

Lynn Schenk

Martha Escutia

Anthony Williams

James Ghielmetti

Henry Perea

Margaret Pena

Emily Cohen

STAFF

Brian P. Kelly, Chief Executive Officer

Bruce Armistead, Chief of Rail Operations

Britton Snipes, Board Secretary

PUBLIC COMMENT

Keith Dunn, Association of California High-Speed Trains

Mike West, State Building and Construction Trades Council

Laura Uden, Bay Area Chapter of U.S. Veterans Business
Alliance

Roland Lebrun

Andy Kunz, U.S. High Speed Rail Association

APPEARANCESPUBLIC COMMENT (cont.)

Dan Leavitt, San Joaquin Regional Rail Commission,
San Joaquin Joint Powers Commission

Karen Goh, Mayor, City of Bakersfield

Dean Devita, National Conference of Firemen & Oilers

<u>INDEX</u>		<u>PAGE</u>
	Proceedings	5
	Public Comment	9
1.	Consider Approving the November 17, 2022, Board Meeting Minutes	27
2.	CEO Report 2023 Project Update Report Summary Program update	43
3.	Executive Authorization Request	--
4.	Consider Providing Approval to Release a Request For Qualifications for the Rail Systems Engineering Services Contract	28
5.	Finance and Audit Committee Report	107
	Adjourned	110

P R O C E E D I N G S

11:00 a.m.

THURSDAY, OCTOBER 20, 2022

CHAIR RICHARDS: Thank you and welcome, ladies and gentlemen. I hope you feel as lucky as we do and for with you joining us and us being with you.

So this is the February meeting at the California High Speed Rail Authority's Board of Directors. We're all sure that it's the 16th of February, so we're where we are supposed to be this morning.

In between this, you don't -- if you're not here, you don't see this, but I feel like we're in a football field because the audience is about on the other side of the field. We're down here. It has nothing to do with COVID, but we see no football players. So next month, if we're here, we're going to move the chairs more close to us. And you may not like that, but that's what we're going to do.

So with that, again, welcome. And we'll start by calling the roll. And that is because the meeting is now in order.

So, Mr. Secretary, if you'd call the roll.

MR. SNIPES: Thank you, Mr. Chairman.

Director Schenck?

BOARD MEMBER SCHENK: Present via Zoom.

1 MR. SNIPES: Chair Richards?
2 CHAIR RICHARDS: Here.
3 MR. SNIPES: Vice Chair Miller?
4 VICE CHAIR MILLER: Here.
5 Assemblymember Arambula?
6 Director Perea?
7 BOARD MEMBER PEREA: Here.
8 MR. SNIPES: Director Ghielmetti?
9 BOARD MEMBER GHIELMETTI: Present.
10 MR. SNIPES: Director Escutia?
11 Director Williams?
12 BOARD MEMBER WILLIAMS: Here via Zoom.
13 MR. SNIPES: Director Pena?
14 BOARD MEMBER PENA: Here.
15 MR. SNIPES: Senator Gonzalez?
16 Director Cohen?
17 BOARD MEMBER COHEN: Present.
18 MR. SNIPES: We have a quorum.
19 CHAIR RICHARDS: Thank you, Mr. Secretary.
20 And do we have a flag today? Oh, there's one
21 over in the corner. Thank you.
22 We'll ask Director Perea if you could lead us in
23 the Pledge of Allegiance?
24 BOARD MEMBER PEREA: Ready. Salute.
25 (Whereupon the Pledge of Allegiance is recited in

1 unison.)

2 CHAIR RICHARDS: Thank you.

3 I also want to thank -- before we get started, we
4 have wanted to do this for some time and I know for all the
5 tech people out there this is a no-brainer, but for my
6 small brain it was a big one, we now are able to have a
7 meeting with some members in person and if a member can't
8 be in person, they are now virtual on Zoom, so it's a huge
9 benefit for all of us who are traveling from around the
10 state to get here. So I wanted to thank the IT people and
11 Natalie Murphy, who shepherded all of this to occur.

12 Before we start public comments today, I want to
13 introduce Director Emily Cohen. Emily is the Senior Vice
14 President of -- how do you -- what is it -- United
15 Contractors. Sorry Emily. So she is responsible for
16 government relations, public policy, advocacy, and internal
17 affairs. And we want to thank the Senate Pro Tem Senator
18 Tony Atkins for the appointment.

19 And Emily, welcome. And if you would like to
20 make a comment or two, so long as it's not, I want to find
21 the back door, please.

22 BOARD MEMBER COHEN: Not yet. No, I'm happy to
23 be here. I look forward to working with all of you. And I
24 extend my thanks to the Pro Tem and her team as well.
25 Thank you.

1 CHAIR RICHARDS: Thank you. We're happy to have
2 you here, Emily.

3 And one final thing before we start our agenda, I
4 want to acknowledge and thank Ernie Camacho. Ernie served
5 on this Board for six years, and he brought an invaluable
6 breadth of experience and background in facilities and
7 construction management that really went a long way to
8 helping the Authority and our Board.

9 I would say about Ernie, in addition to his
10 service on the Board and the Finance and Audit Committee, I
11 cannot remember one time in six years that, for the periods
12 of time that I was in a position to be asking, he never
13 said no. He always stood up, came forward, provided
14 invaluable service in side assignments, as well as
15 something that I'll not forget, and that's the counsel he
16 gave me over the period of time that he was here.

17 I can't say enough about him. I can't say enough
18 about his commitment. And I can only tell you that in
19 addition to what he's done, I am very, very honored that we
20 have become good friends.

21 And so for Ernie Camacho, I'll see you soon,
22 compadre.

23 So with that, we will now --

24 BOARD MEMBER SCHENK: Mr. Chairman?

25 CHAIR RICHARDS: Yes.

1 BOARD MEMBER SCHENK: I'd like to --

2 CHAIR RICHARDS: Director Schenk, sure.

3 BOARD MEMBER SCHENK: Thank you. I certainly
4 echo everything that you say about Ernie Camacho, the depth
5 of his experience in construction. For those of us like me
6 who is not from that industry, his experience and most of
7 all his wisdom will be sorely, sorely missed. And as you
8 say, he's become a good friend, and someone who cares
9 deeply about this project. So whenever he would bring up
10 issues that some of us didn't see or didn't know about, it
11 was always in the best interest of the project.

12 And I agree with you, I'm pleased to call him a
13 friend and hope that he will continue to be available to be
14 supportive of us.

15 CHAIR RICHARDS: Thank you, Director Schenk.

16 Alright, moving to our agenda this morning, I am
17 going to make an adjustment. We will have the hearing on
18 the Rail Engineering Services RFQ second on the agenda
19 today.

20 The first thing we'll move to is public comment.

21 And, Mr. Secretary, if you'll let the public know
22 how they can address us?

23 MR. SNIPES: Thank you, Mr. Chairman.

24 Good morning, everybody. Before we begin public
25 comment for the California High-Speed Rail Board of

1 Directors meeting, I would like to go over some important
2 information.

3 For members of the public who have joined us in
4 person to provide us comments, you will be called upon in
5 the order we have received your card. If you are joining
6 the meeting via Zoom and wish to provide public comment,
7 please use the raise-your-hand feature located at the
8 bottom of your screen, or if you are dialing in by phone,
9 pressing the number two will raise your hand and put you
10 into the queue. Speakers will be called upon in the order
11 their hands are raised.

12 Once you are in the queue and your name is
13 called, please click the prompt on the screen to allow your
14 microphone to be unmuted. If you are joining us by phone,
15 we will call on you by the last four digits of your phone
16 number. At that point, you will hear a message that your
17 phone is being unmuted.

18 Each speaker will be given two minutes to speak.
19 I will interrupt when you have 15 seconds remaining. When
20 it is your turn to speak, please slowly and clearly say
21 your first and last name, and if applicable, state the
22 organization you represent.

23 Mr. Chair, we will begin with the in-person
24 speakers. Our first speaker is Keith Dunn.

25 CHAIR RICHARDS: Good morning, Mr. Dunn. Oh,

1 there you are. Alright. Yeah, he's on the end zone.

2 MR. DUNN: Well, thank you, Mr. Chair, I did play
3 football in college, but I was the guy trying to tackle the
4 people trying to get to the end zone, so a little more
5 comfortable with the tackle than the block.

6 I'm here today. I appreciate the opportunity to
7 speak to you. You know, I'm here for the Association for
8 California High-Speed Trains, as well as the District
9 Council of Ironworkers of the State of California in the
10 vicinity.

11 I want to congratulate you on the 10,000 jobs
12 that were created and celebrated in the Valley the other
13 day. It's a milestone. It's important. It's a lifeline
14 for many of our workers and ironworkers that keeps their
15 families going and adds a lot to the Central Valley and the
16 economy there.

17 Jobs are important but, you know, jobs are only
18 as good as they are. And what really matters is the
19 quality of life, the quality of life for our families.
20 And, you know, this project is a project that is a
21 solutions-oriented effort. We get kicked around.

22 We hear a lot about existential threats to not
23 only our state, which is an easy thing to quantify when you
24 look at the fires and the floods and all the different
25 things that take place in California, climate change is

1 real. We all know that. We throw around the word
2 existential threat a lot. I remember in college when I had
3 my first course on existentialism and waiting for Godot and
4 Beckett, and I was like, what the hell is all this? You
5 get a little older. You start to understand some of those
6 things.

7 Existential threat is a real threat to our state
8 and our livelihood, and that is what matters. And that's
9 why numbers are great, 10,000 is great, we're going to have
10 more jobs, but numbers are not the reason that we are
11 moving forward with this project. This project is the
12 answer to an existential threat, and I take that from our
13 former governor who really knew how to talk about this, an
14 existential threat to our existence and our livelihoods
15 here in safety in this state.

16 So I applaud the 10,000 jobs. This project is
17 going to be the largest single reducer of climate emissions
18 in the transportation industry --

19 MR. SNIPES: Fifteen seconds. Thank you.

20 MR. DUNN: -- in the state.

21 Let's not get lost in the numbers. We need to
22 move forward with this program to create jobs, which again,
23 with the iron workers and the work that I do, it is very
24 important and critical. But it is also critically
25 important to the livelihood and the safety of our families

1 that we move forward with this program and address this
2 existential threat moving forward.

3 So thank you. I look forward to continuing to
4 support this program and your efforts to complete the
5 valley and eventually move from San Francisco to Los
6 Angeles.

7 CHAIR RICHARDS: Thank you, Mr. Dunn.

8 And Mr. Secretary, please note that Director
9 Escutia is now with us. Thank you.

10 MR. SNIPES: Our next speaker is Mike West.

11 CHAIR RICHARDS: Good morning, sir, and welcome.

12 MR. WEST: Good morning. Mike West on behalf of
13 the State Building and Construction Trades Council.

14 Mr. Chair and members of the Authority, thank you
15 for the opportunity to speak today. I'm here today to
16 express gratitude for your work, Chief Executive Officer
17 Kelly's work, and all the staff of the Authority on making
18 the dream of high-speed rail a reality.

19 Like any large public works project that takes
20 years to complete, costs rise. From raw materials to
21 inflation, there are many cost variables on a project of
22 this scope, however, there is no time -- there is no reason
23 to pull back now. The longer we wait to complete this
24 project, the more it will cost. In the meantime, the
25 project is delivering real economic benefits to areas of

1 the state that need it most.

2 The Authority celebrated, as Mr. Dunn said, the
3 10,000th construction job created on this project earlier
4 this week. This is the largest public works project in
5 generations in California. These jobs are not just jobs,
6 but life-changing careers for the construction workers and
7 apprentices who have them.

8 Furthermore, data shows that it will be nearly
9 impossible to meet the state's ambitious GHG reduction
10 goals without a robust and efficient high-speed rail system
11 connecting the broader and far-reaching public transit
12 network. Now is not the time to delay. We must keep
13 going.

14 We urge the Authority to push forward and make
15 the dream of high-speed rail system a reality for the state
16 of California and the thousands of workers whose lives this
17 project will change for the better. The rest of the world
18 has done this. Why can't we?

19 Thank you very much.

20 CHAIR RICHARDS: Thank you, Mr. West.

21 MR. SNIPES: Our next speaker is Laura Uden.

22 CHAIR RICHARDS: Good morning, Ms. Uden. And
23 I've consented to provide an additional couple of minutes
24 for Ms. Uden.

25 MS. UDEN: Thank you. Thank you, Chair, and

1 thank you, Board.

2 I represent disabled veterans across firms across
3 the country that want to work on High-Speed rail Program,
4 and the President of the Bay Area Chapter of the U.S.
5 Veterans Business Alliance, and owner of a small,
6 disadvantaged, and disabled veteran firm.

7 I'm also the Chair of the Professional Services
8 Committee on the High-Speed Rail Business Advisory Council.
9 I've been a member of that council for almost a decade,
10 working on behalf of small business owners, trying to
11 improve utilization of small, disadvantaged, and disabled
12 veteran businesses on the program, including helping
13 address the issues of fare treatment and prompt payment.

14 We appreciate the support of the Authority
15 executive team on these issues and look forward to
16 continued meetings with them. I really want to say that
17 because we're starting our meetings back up.

18 Thank you, CEO Kelly. I really appreciate that.

19 I wanted to speak about two things today, the
20 High-Speed Rail Authority's conflict of interest policy and
21 Board members.

22 On the conflict of interest policy, I provided
23 comments, as did others, on the Authority's proposed
24 revisions. We met with some Board members and Authority
25 management to discuss our suggestions on behalf of small

1 businesses, trying to navigate the conflict of interest
2 determination process. I remain hopeful that our
3 suggestions can be implemented to clarify and simplify that
4 process. And I especially want to thank Director Miller
5 and Director Escutia for their interest and support of our
6 efforts, which we hope will result in positive changes, so
7 thank you for those meetings, they helped a lot.

8 On Board membership, I've spoken with many other
9 small business owners and we have serious concerns about
10 the removal of Mr. Camacho from the Board. We did not hear
11 of any particular reasoning behind his removal, except
12 possibly Senator Atkins' displeasure with the person who
13 appointed him. While many of us vehemently disagreed with
14 the actions of Mr. de Leon, removing the many Board members
15 he appointed who have served the public, including Senator
16 Atkins' own constituents, is not a helpful response to the
17 situation. It's simply punishing those Board members along
18 with the people they serve, and we are the people they
19 serve.

20 Mr. Camacho has been a staunch supporter of small
21 businesses on the program, as well as being the only Board
22 member originating from the construction industry. We
23 appreciate the appointment of Director Cohen, who has also
24 a construction background, but Mr. Camacho's extensive
25 experience of six years on this program combined with his

1 decades of experience in the industry is difficult to
2 replace. And his support of the Board members learning
3 about the construction industry has been invaluable.

4 While we truly appreciate the efforts of the
5 Board to help small business succeed on the program, Mr.
6 Camacho was the only one who truly could understand our
7 concerns from the perspective of the industry. He's helped
8 many small businesses personally with issues impacting the
9 ability to compete on the program and to address payment
10 problems and other issues that they faced once working on
11 the program. He was directly working with many small
12 businesses on some of their concerns, and now he's gone.

13 His removal will damage small businesses in
14 general across the program and will injure specific small
15 firms that he was assisting with their issues. I wanted to
16 appreciate Mr. Camacho for his tireless efforts on our
17 behalf and voice the concerns of many small business owners
18 across the state on what appears to be an arbitrary
19 decision that will impact our success as business owners.

20 Many Business Advisory Council members included
21 Senator Atkins in a letter in December of 2021 asking for
22 help in addressing small business issues on the High-Speed
23 Rail Program but received no response from her office. I
24 also reached out to the Senator's office last week about
25 the removal of Mr. Camacho from the Board, but again

1 received no reply.

2 We strongly suggest this decision be rescinded
3 and that Mr. Camacho be returned to his role so we can
4 continue to add significant value to both the program and
5 us as small business owners.

6 Thank you for your time.

7 CHAIR RICHARDS: Thank you, Ms. Uden. And not to
8 be responsive to you but just to the public, first of all,
9 just so you do know, and it might give you some comfort,
10 Jim Ghielmetti has been in the construction business for
11 longer than most of us have been alive. I don't mean that
12 in a discouraging sort of way, Jim, but I want to point out
13 that this is nothing new for you and so I want people to
14 have comfort that there are people on this Board that have
15 construction and development experience.

16 Our new Board member, Emily Cohen, works for an
17 organization and is very close to large infrastructure
18 projects in her career. I'll not say much.

19 I have been in construction and development for,
20 I hate to say, 40 years. So this is all I've done in my
21 adult life, including building lots of houses, shopping
22 centers, industrial buildings, and a number of other things
23 also.

24 So we are very focused on construction on this
25 Board and the costs associated and the people that we deal

1 with in the construction industry, lots of small
2 subcontractors, probably more than any large
3 infrastructure, so we're very sensitive to it. And I
4 appreciate your comments. I just don't want anybody to get
5 the sense that the appointments here are ones that are
6 not -- have some qualification and everybody brings
7 something to the Board.

8 I would say that I don't think there was any
9 retribution, I don't, I'm unaware of it, with regards to
10 Mr. Camacho. I think the pro tem had cause to do whatever
11 she wants to do. This is her responsibility and I'm very
12 pleased with the appointment that she's made. So we're
13 looking forward to moving forward.

14 And I can promise you that I will rely upon and
15 call on Ernie Camacho probably more often than any of you
16 would probably know.

17 But anyway, thank you very much for your
18 comments.

19 VICE CHAIR MILLER: May I comment as well?
20 Please. Thank you for your comments. And I've enjoyed
21 working with you over this past year and it might even be
22 two. You know, with COVID, we've all lost a little bit --
23 track of time. But I want you to know that while I will
24 miss Ernie, because I enjoyed talking with him and working
25 with him, even though we sometimes did not always agree on

1 an approach, he was a gentleman and he was a very
2 invaluable member of the community, of our Board and our
3 community.

4 But that does not negate the fact that we have a
5 new Board member that I'm looking forward to working with
6 as well. And change happens on this Board quite a bit and
7 we just need to be aware of that and confident that those
8 prior Board members are still involved. And I talked with
9 Ernie myself last week and we'll continue to do that.

10 But I want to say my personal, you know, welcome
11 to this Board, and we look forward to working with you.
12 Thanks.

13 CHAIR RICHARDS: Alright, who's up next, Mr.
14 Secretary?

15 MR. SNIPES: That is all the public speakers we
16 have in person.

17 We will now move to the Zoom participants.

18 CHAIR RICHARDS: Alright.

19 MR. SNIPES: Once again, if you are joining the
20 meeting via Zoom and wish to provide public comment, please
21 use the raise-your-hand feature located at the bottom of
22 your screen, or if you're dialing in by phone, pressing the
23 number two will raise your hand and put you into the queue.
24 Speakers will be called upon in the order that their hands
25 are raised.

1 Once you are in the queue and your name is
2 called, please click the prompt at the bottom of your
3 screen to allow the microphone to be unmuted. If you are
4 joining by phone, we will call on you by the last four
5 digits of your phone number. At that point, you will hear
6 that your phone is being unmuted.

7 Mr. Chairman, our first speaker is Roland Lebrun.
8 Mr. Lebrun?

9 MR. LEBRUN: Good morning, Chair.

10 CHAIR RICHARDS: Good morning.

11 MR. LEBRUN: Can you hear me?

12 CHAIR RICHARDS: We hear you loud and clear.

13 MR. LEBRUN: Can you hear me?

14 MR. SNIPES: Yes.

15 MR. LEBRUN: Okay. Good morning, Chair Richard,
16 Board members.

17 I would like to start by echoing your and
18 Director Schenck's comment about Director Camacho. He will
19 be sorely missed.

20 Next, thank you for addressing the depletion of
21 \$4 million (phonetic) in risk contingency, but I hope that
22 you will agree that the recommendations of the Audit Office
23 did not fully address the issue, specifically, how your
24 Executive Team somehow managed to let this fly under the
25 radar until it was reported by a member of the public. And

1 what actions will be taken to ensure that this does not
2 happen again in the future?

3 My final comment relates to Mr. Kelly's vague
4 comment about relocating utilities and conflicts with PG&E
5 and Union Pacific in CP 1. Instead of having a frank and
6 open discussion about the Fresno trench disaster,
7 specifically why the Authority ever considered cutting a
8 200-mile-an-hour trench right through what has been the de
9 facto Central Valley Wye for over a century, including 20
10 miles of tracks aimed directly at Hollister and Silicon
11 Valley via Panache (phonetic) Pass.

12 In closing, I look forward to the Governor's
13 appointment of the new Inspector General, who will
14 hopefully take a less dismissive approach to members of the
15 public's letters and testimony, starting with my letter and
16 comments at the June 2019 Board meeting.

17 MR. SNIPES: Fifteen seconds.

18 Thank you.

19 CHAIR RICHARDS: Thank you, Mr. LeBron.

20 MR. SNIPES: Our next speaker is Andy Kunz.

21 MR. KUNZ: Hi.

22 CHAIR RICHARDS: Good morning.

23 MR. KUNZ: Hey, can you hear me?

24 CHAIR RICHARDS: Yes. Thank you. Good morning.

25 MR. KUNZ: Hi. I'm Andy Kunz, President of the

1 U.S. High Speed Rail Association.

2 I want to compliment the Board and all the public
3 officials who have stood behind this project. It is the
4 most visionary project in the country. It's our first
5 foray into building true high-speed rail to catch us up
6 with the rest of the world. More than 20 nations have
7 high-speed rail, and it's proven successful in every nation
8 that it's built. And we're very excited that this is
9 finally taking shape in the country.

10 And once again, thank you so much for all of
11 y'all's hard work and leadership on this important project.

12 CHAIR RICHARDS: Thank you, sir.

13 MR. SNIPES: Our next speaker is Dan Leavitt.

14 CHAIR RICHARDS: Good morning, Mr. Levitt.

15 MR. LEAVITT: Good morning, Chair Richards and
16 members of the Board. I'm Dan Leavitt with the San Joaquin
17 Regional Rail Commission and the San Joaquin Joint Powers
18 Authorities. We manage both the ACE and San Joaquin's
19 passenger rail services.

20 First of all, I would like to congratulate you on
21 reaching your historic 10,000 labor jobs milestone.

22 And then just to report that my agencies have
23 been working with your staff and the ETO on inputs from our
24 services to assist with your Project Update Report.

25 In addition, we're continuing to work with your

1 staff on integrating our services with high-speed rail.
2 Both ACE and San Joaquin's services will directly connect
3 with high-speed rail and your early operating segment at a
4 multimodal hub station in downtown Merced. And we just
5 initiated key environmental and engineering work needed to
6 connect the San Joaquin's to your station. And we do
7 appreciate your staff's help with that effort.

8 Finally, just want to let you know we greatly
9 appreciate all your efforts on this vital and really
10 important project for California's future, and we look
11 forward to continuing to work with you.

12 CHAIR RICHARDS: Thank you, Dan.

13 MR. SNIPES: Our next speaker is Karen Goh.

14 CHAIR RICHARDS: Karen, who?

15 MS. GOH: Good morning, Chair Richards and
16 members of the Authority Board. I'm Karen Goh --

17 CHAIR RICHARDS: Good morning, Mayor.

18 MS. GOH: -- Mayor of Bakersfield -- good
19 morning, Chair -- California's ninth largest city where we
20 feed and power the world.

21 Thank you so much, Chair Richards, for traveling
22 to Bakersfield in August to meet with the current Council
23 of Governments and with me. With the legislature having
24 released funding in this year's budget and an agreement in
25 development for a station designer, we recognize it's game

1 time in Bakersfield.

2 As I shared with you, Chair Richards, we're
3 looking forward to a truly world-class station in
4 Bakersfield. Our city is beginning to plan and prepare for
5 the impacts of the station on our community. In 2018, the
6 city worked closely with the Authority to complete a
7 station area plan. Chester Avenue, which runs through
8 downtown Bakersfield to the station site was displayed
9 prominently throughout the plan. The plan presented
10 includes the first two phases of the station. More
11 specifically, the plan recommends prioritizing complete
12 street improvements to Chester Avenue during the design
13 phase of the station.

14 Bakersfield has a shovel-ready transformative
15 project along Chester Avenue. This project provides for
16 the construction of a truly complete street designed
17 specifically to connect disadvantaged neighborhoods and
18 businesses to downtown Bakersfield and the future high-
19 speed rail station site. The city is finalizing a federal
20 RAISE Grant application. I sent a letter to the Board and
21 staff seeking a letter of support.

22 Thank you to staff for reaching out to me this
23 week, and I look forward to discussing the investments that
24 will be made on the station site and how we can plan for
25 the impacts of construction and land acquisition on the

1 city of Bakersfield.

2 Thank you so much again, Chair Richards and
3 members of the Board, for your time.

4 CHAIR RICHARDS: And thank you, Mayor, and we'll
5 look forward to seeing you, CEO Kelly, and myself in early
6 March.

7 MR. SNIPES: Our next speaker is Dean Devita.

8 MR. DEVITA: Good afternoon. My name is -- how
9 are you today?

10 CHAIR RICHARDS: Good, thank you.

11 MR. DEVITA: My name is Dean Devita. I'm the
12 President of the National Conference on Firemen & Oilers,
13 SCIU. I just want to congratulate this Committee on the
14 work you've been doing. This project is going to lead the
15 way for many projects of this kind throughout our country.

16 This is amazing that you've reached the 10,000
17 work ago this past week. And I just want to take time and
18 congratulate you, but I also want to congratulate the
19 workers and all the other workers behind them who are
20 enjoying that employment that they are receiving right now
21 and their families.

22 You know, when they build these train stations,
23 and these lines, it generates more work than just the
24 employee that's hired to build the construction of the
25 railway or the railroad worker who will be working on it

1 one day. There will be cities built around the train
2 stations, office buildings, residential buildings,
3 hospitals, doctor's offices, TV stations, all kinds of
4 things, and most important, schools and libraries.

5 So I really want to tell you, I appreciate the
6 work you're doing and we will support you every way we can,
7 and congratulations and continue this great success that
8 you're enjoying.

9 Thank you.

10 CHAIR RICHARDS: Thank you.

11 MR. SNIPES: Mr. Chair, we have no other
12 attendees that would like to provide public comment.

13 CHAIR RICHARDS: Okay, thank you, Mr. Secretary.

14 And with that then, ladies and gentlemen, the
15 public comments portion of this meeting is completed.

16 We will now move to our agenda items. Item
17 number one, the meeting minutes for November of 2022.

18 Do we have a motion for approval?

19 BOARD MEMBER PEREA: Second.

20 CHAIR RICHARDS: Second.

21 Please call the roll.

22 MR. SNIPES: Director Schenck?

23 BOARD MEMBER SCHENK: Yes.

24 MR. SNIPES: Chair Richards?

25 CHAIR RICHARDS: Yes.

1 MR. SNIPES: Vice Chair Miller?

2 VICE CHAIR MILLER: I'm abstaining. I was not in
3 attendance.

4 MR. SNIPES: Director Perea?

5 BOARD MEMBER PEREA: Yes.

6 MR. SNIPES: Director Ghielmetti?

7 BOARD MEMBER GHIELMETTI: Yes.

8 MR. SNIPES: Director Escutia?

9 BOARD MEMBER ESCUTIA: Aye.

10 BOARD MEMBER WILLIAMS: Director Williams?

11 BOARD MEMBER WILLIAMS: Abstain.

12 MR. SNIPES: Director Pena?

13 BOARD MEMBER PENA: Yes.

14 MR. SNIPES: Director Cohen?

15 BOARD MEMBER COHEN: Abstain. I wasn't a Board
16 member.

17 MR. SNIPES: Chair, the motion carries.

18 CHAIR RICHARDS: Okay, thank you.

19 And now we will jump out of the order of the
20 agenda. We're going to move to item number four, which is
21 to consider providing approval of the release of the
22 request for qualifications for the Rail Systems Engineering
23 Services contract.

24 Mr. Armistead, good morning.

25 MR. ARMISTEAD: I'm here to ask that you approve

1 the Rail Systems Engineering Services request for
2 qualifications.

3 CHAIR RICHARDS: Can you move the microphone a
4 little bit closer to there you go?

5 MR. ARMISTEAD: Okay. Is that better?

6 CHAIR RICHARDS: Sure.

7 MR. ARMISTEAD: Okay.

8 CHAIR RICHARDS: Either that or take three or
9 four inches off of your height, I don't care, whichever is
10 easier.

11 MR. ARMISTEAD: Here's some background on the
12 draft contract term and conditions.

13 The current Rail Systems Engineering Services are
14 provided by the rail delivery partner contract. The Rail
15 Systems Engineering scope is not included in the current
16 PDS contract. The PDS contract is the successor to the RDP
17 contract.

18 Management of the RSES contract will be under the
19 Authority's rail operations and delivery branch. The term
20 of the contract will be approximately five years and four
21 months, and the estimated cost is \$73.2 million, so
22 qualifications-based procurement, which means that we'll
23 have fair and reasonable costs that will be negotiated with
24 the top offer prior to executing the contract. Small
25 business utilization goals are shown there, along with DBE

1 and disadvantaged business enterprise utilization goals.

2 The Rail Systems Engineering -- oops. Alright,
3 there's a little delay.

4 The Rail Systems Engineering consultant will
5 provide a core group of engineers to support the Authority
6 in a partner role with expertise in tracking systems,
7 signaling and train control, station integration and other
8 things. They will review all the civil designs to ensure
9 compliance with the Authority's design criteria manual,
10 also make sure that the tracking systems requirements are
11 met through our verification and validation processes.

12 They'll assure that no elements in the rail
13 construction, the civil construction, would interfere with
14 the rail construction, rail maintenance and rail
15 operations.

16 They'll respond to special requests for technical
17 evaluations which arise beyond the construction and plan
18 reviews as the environmental documents are prepared and
19 preliminary designs are submitted, support the Authority's
20 integration of elements of all the rail system, and they
21 will manage those design interfaces, provide support to the
22 civil tracking systems elements for trainsets and stations.

23 They'll manage the risk register and system
24 safety for all the safety cases related to the civil works,
25 tracking systems, trains and stations.

1 Some background. Revenue certification. The
2 Rail Systems Engineering consultant is critical to support
3 our certification efforts. Our high-speed rail project
4 will be certified as a railroad that is ready for passenger
5 service from their set to Bakersfield, then eventually
6 extending to L.A. to San Francisco.

7 The Authority has active construction on the
8 first 119-mile segment. The tracking systems contractors
9 will follow that, will follow the civils and trainsets, a
10 train set certification facility. And a heavy maintenance
11 facility will also be constructed.

12 A little background on European norms. The EU's
13 regulatory approach in the past, the 27 countries that make
14 up the EU set their own railroad standards. For example, a
15 train designed and certified for operation in Germany would
16 not necessarily be certified to operate in France.

17 Subsequently, the EU developed standards,
18 regulations and a formal process that allowed the
19 interoperability throughout the European Union. These
20 include technical specifications for interoperability, or
21 the TSIs. They also came up with European normatives, the
22 ENs we call them. These are specifications for the -- and
23 demonstration of reliability, availability, maintainability
24 and safety. That one's EN50126. There's also EN50128 and
25 129 that cover software signaling, communications and

1 process control.

2 The FRA approach, these rules of general
3 applicability, are established in the CFRs. These are
4 primarily design-based regulations that universally apply
5 to all railroads in the U.S. The published rules may not
6 adequately cover innovations and the FRA will allow for
7 rules of particular applicability. Such rules are only
8 applicable to specifically identified application in the
9 RPA. Safety cases, risk assessments, hazard assessments
10 and mitigations are all benchmarked against these
11 regulatory requirements.

12 Contracts to be supported by a Rail Systems
13 Engineering consultant: the track, SIG systems, trainsets,
14 stations, and construction management of the rail
15 contracts. These contracts are detailed as we see here.
16 This chart is best read from the bottom up.

17 The trainset contract will be responsible for
18 trainset manufacturing, design of the trainset maintenance
19 facilities, all testing and commissioning of the rolling
20 stock.

21 The track and systems contract will be
22 responsible for the design, manufacturing, construction and
23 installation of all the track and systems elements. So
24 these contracts will be responsible for doing everything
25 that makes the train go on top of the civil works that are

1 currently being constructed.

2 Our construction manager, when we bring them on,
3 will be responsible for all the site safety and security,
4 the construction oversight, they will support us in our
5 certifications and the integration support along with
6 construction -- with contract management support.

7 And our Rail System Engineering Services contract
8 will provide asset management support, they'll help assist
9 us with the certification, as I mentioned, integration, and
10 they will provide us with rail engineers that will help us
11 to oversee and verify that the track and systems, rolling
12 stock, and civil works all meet our design requirements.
13 And the Authority is responsible for contract management of
14 all the contracts.

15 So all these contracts will report to the
16 Authority. And we'll have state employees in the
17 appropriate roles for managing these contracts. So we,
18 essentially, the Authority will hold the paper for the rail
19 system engineering contract, we'll hold the paper for
20 construction management, will hold the paper for track and
21 systems, and the trainsets. And the rail systems engineer
22 will help us with managing the interfaces of all those
23 designs and the installations.

24 A little more about entry into passenger service.
25 This chart is also best read from the bottom up. The

1 system readiness, train readiness, track and systems, and
2 stations and civil designs, those will all culminate in our
3 system readiness package that will include a safety plan
4 with the case and tests and the technical documentation
5 that shows objective evidence of all of our requirements
6 being met.

7 So that safety case will represent our system
8 readiness, operational readiness, we'll have maintenance
9 readiness, administrative readiness, which will assure that
10 the train operating company that we develop will be ready
11 to run a revenue service. We'll have emergency readiness
12 and safety cases on the operational side, along with
13 training and our operating rules and procedures.

14 That will then lead us to our trial running. And
15 at the trial running phase, we'll operate a service
16 schedule that includes maintenance response drills and
17 degraded mode operations for our service. So we'll run
18 these drills, we'll run integrated modes, make sure that
19 all of our response plans, safety plans and procedures are
20 all in order for us to run a service safely. That will
21 culminate in a ready-for-revenue service certificate. So
22 we'll accept the railway after we have the system readiness
23 done, the safety cases all completed, the operational
24 readiness done.

25 Then we'll trial run for about a year a service

1 schedule. We'll go through the emergency drills.
2 Emergency responders will respond to certain events and
3 we'll make sure that our drills and plans are ready. And
4 we'll have a Trial Run Committee that includes regulatory
5 agencies and Authority representatives.

6 The safety then will receive a safety
7 certification trial run completion certificate by the rail
8 authority, and in this country it's the Federal Railroad
9 Administration. Once we receive that certification that
10 we're ready to run revenue service, then we'll enter into
11 passenger service, enter into high-speed passenger service.

12 Back to the contracts. So the Rail Systems
13 Engineering will be our support throughout this process
14 when we get to -- in order for us to get to revenue
15 service. And as I mentioned earlier, they will support us
16 in integrations and reviewing the safety cases, et cetera.

17 Our valuation of the statement of qualifications
18 will be scored by an Evaluation Committee pursuant to the
19 requirements established in the RFQ. Pre-award audits will
20 be conducted to assure that -- well, pre-award audits be
21 conducted to assure that the labor rates that are in the
22 proposals, cost proposals, are consistent with market
23 standards.

24 Environmental, social, and governance efforts,
25 which may include any environmental sustainability efforts,

1 socioeconomic equity policies, governance policies, or
2 report will be incorporated as a pass/fail requirement for
3 our RFQ.

4 This is our procurement schedule. If approved
5 today, we'd like to release the RFQ tomorrow. We'll have a
6 virtual pre-bid conference and a small business
7 informational workshop on March 7th. SOQs will be due on
8 May 2nd. We'll have it, we'll be ready to issue an
9 anticipated notice of proposed award in May of May 2023.
10 We'll be coming back to this body for approval of a
11 contract and execution in July of 2023.

12 And at this time, I'd like to try and answer any
13 questions that you may have.

14 BOARD MEMBER ESCUTIA: I have a question, Mr.
15 Chairman. This is Martha Escutia.

16 CHAIR RICHARDS: Go ahead, Director Escutia.

17 BOARD MEMBER ESCUTIA: Yes, thank you. Thank
18 you, Mr. Armistead. It was very informative slide. I
19 really appreciate the visual aspect of this.

20 If I can ask the secretary to go back to page
21 nine of the slide presentation? Thank you.

22 Now, obviously, you know, the trainsets, that's
23 going to be a different contract that I guess someday we
24 will approve, same thing with track and systems,
25 construction management. So basically, the way I interpret

1 this chart, Mr. Armistead, is that the Rail Systems
2 Engineering Services contract is basically going to gather
3 everything that comes pursuant to the trainsets, track and
4 systems and construction management, I suppose analyze it
5 and then present that to the Authority; is that correct?

6 MR. ARMISTEAD: Loosely, yes, that is correct.

7 BOARD MEMBER ESCUTIA: Don't you think that's a
8 lot of work?

9 MR. ARMISTEAD: Yes, it is. But the way the
10 European normatives are set up is that we have a verifier
11 and a checker. And just looking at this slide, in
12 instances where the construction management organization
13 would be checking the designs of the track and systems
14 contractor to assure that the designs meet our
15 requirements, then the Rail Systems Engineering Services
16 contractor would verify that the construction manager has
17 provided the objective evidence that meets our
18 requirements.

19 And yes, it is a lot of work. Our Rail Systems
20 Engineering Group will be our arm for verifying and
21 checking all the requirements along with assuring that the
22 safety cases are prepared in a proper way for us to meet
23 revenue service requirements. And I will say in other rail
24 organizations, these groups are very large, and in mature
25 railroads, they number in the hundreds of people.

1 BOARD MEMBER ESCUTIA: Okay, so basically what
2 you're saying is that whoever gets this contract for rail
3 systems engineering is we'll probably have, you know, a lot
4 of people to do all this work, but at the same time to have
5 enough staff to constantly evaluate what needs to be done,
6 obviously in a safe manner; is that correct?

7 MR. ARMISTEAD: Yes, it is.

8 BOARD MEMBER ESCUTIA: So with regard to
9 evaluation and the constant evaluation, which I think is
10 critical, I just want to make sure that for diverse
11 contracting requirements, that evaluation in terms of the
12 diversity of the subcontractors is a constant. You know, I
13 read somewhere in your slides that they're going to be
14 created on a pass/fail pursuant to the RFQ. What happens
15 after that? They're not evaluated that they're making --
16 that they're, you know, honoring their commitments to
17 diverse contracting --

18 MR. ARMISTEAD: Oh.

19 BOARD MEMBER ESCUTIA: -- (indiscernible)?

20 MR. ARMISTEAD: Absolutely. Our contract
21 management rules say we do a contract compliance audit
22 every year of our contractors. So we look at them to
23 make -- we look at their performance to assure that they're
24 being consistent with our requirements of the contract for
25 meeting all of the clauses in the contract, not just their

1 diversity requirements. And we review and make judgments
2 based on those requirements if we're going to continue or
3 what corrective action may be necessary for us to assure
4 that that contractor meets their goals.

5 BOARD MEMBER ESCUTIA: Alright. So, I mean, I'm
6 glad to hear that because I wouldn't want, you know,
7 diverse contracting goals to fall down the wayside for lack
8 of, you know, evaluation on our part. So I'm glad to hear
9 that you're going to be auditing this firm at least once a
10 year. Thank you for saying that.

11 And then lastly, just for my edification -- and
12 I'm a fairly new Board member, I've only been here for
13 three years -- is this contract basically the one to
14 replace WSP?

15 MR. ARMISTEAD: They will replace a portion of
16 WSP. The PDS contractor has the lion's share of the RDP,
17 rail delivery partner contract. This is our rail systems
18 piece, which is our task three, to get into too much
19 detail. This is our task for all the rail systems
20 engineering, including the asset management and all the
21 things that, as I said, make the train go. So this will be
22 our rail systems.

23 BOARD MEMBER ESCUTIA: Okay. And the only reason
24 why I'm asking that question is because I'm concerned about
25 transition, you know, to go from say WSP to whoever gets

1 this RFP. But it sounds like if there's still going to be
2 a group of persons associated with WSP, that will they be
3 able to assist in this new contract?

4 MR. ARMISTEAD: That's a very good point. We
5 would be -- we've timed the offboarding of the WSP
6 contractor to match with the onboarding of the new RSES
7 contractor. So there will be an overlap of three to six
8 months --

9 BOARD MEMBER ESCUTIA: Okay.

10 MR. ARMISTEAD: -- depending on the successful
11 proposer. So we'll have a -- and they're also going
12 through this right now with PDS and the new RDP -- and the
13 new PDS, old RDP, where there are duplications of roles
14 until there's a level of competence that this person can
15 now be released. And in some cases, there are employment
16 changes that are made. Sometimes the employee for the
17 previous company now comes to work for the other company.

18 BOARD MEMBER ESCUTIA: Okay.

19 MR. ARMISTEAD: And that's common in --

20 BOARD MEMBER ESCUTIA: Right.

21 MR. ARMISTEAD: -- large projects.

22 BOARD MEMBER ESCUTIA: And from what I've been
23 hearing about this industry, there's a lot of interaction
24 with different, you know, stakeholders and I understand it.

25 I'm glad to hear about the opportunity for

1 transition. I'm glad to hear about the overlap between off
2 Boarding and onboarding. And thank you very much, Mr.
3 Armistead for your direct answers to my questions. Thank
4 you.

5 MR. ARMISTEAD: Okay. Thank you.

6 CHAIR RICHARDS: Thank you, Director Escutia.

7 Any other questions from members of the Board?

8 BOARD MEMBER PEREA: I have one.

9 CHAIR RICHARDS: Yes.

10 BOARD MEMBER PEREA: Thank you, Mr. Chairman.

11 With respect to the question that's always asked,
12 "When will trains be running," how do you back into that
13 by, one, when will the RFPs go out for the tracking systems
14 and for the train set, and how does that tie into that,
15 "When will trains be running?"

16 MR. ARMISTEAD: Well, Mr. Kelly is going to go
17 through a little bit of the Project Update Report, which
18 includes schedule. But we do -- typically, the way it's
19 done is you look at your revenue service date and then you
20 back off of that for trial running, then you back off of
21 that for dynamic testing, and then you back off of that for
22 your static testing.

23 And then at some point during that time, you have
24 to have the delivery of the trainsets in order to do your
25 static and dynamic testing. And that is timed with the

1 understanding that we have to be in revenue service by a
2 certain date, so we have to have the trainsets by a date
3 prior to that in order to complete the dynamic testing.

4 BOARD MEMBER PEREA: But it will be your
5 operation that will be leading the charge in that effort?

6 MR. ARMISTEAD: Yes. Yes.

7 BOARD MEMBER PEREA: Okay.

8 MR. ARMISTEAD: Yes.

9 BOARD MEMBER PEREA: Alright. Thank you.

10 CHAIR RICHARDS: Any other questions for Mr.
11 Armistead?

12 BOARD MEMBER PEREA: Move approval.

13 BOARD MEMBER GHIELMETTI: Second.

14 CHAIR RICHARDS: Okay, we have a motion and a
15 second. Please call the roll.

16 MR. SNIPES: Director Schenck?

17 BOARD MEMBER SCHENK: Yes.

18 MR. SNIPES: Chair Richards?

19 CHAIR RICHARDS: Yes.

20 MR. SNIPES: Vice Chair Miller?

21 VICE CHAIR MILLER: Yes.

22 MR. SNIPES: Director Perea?

23 BOARD MEMBER PEREA: Yes.

24 MR. SNIPES: Director Ghielmetti?

25 BOARD MEMBER GHIELMETTI: Yes.

1 MR. SNIPES: Director Escutia?

2 BOARD MEMBER ESCUTIA: Aye.

3 MR. SNIPES: Director Williams?

4 BOARD MEMBER WILLIAMS: Aye.

5 MR. SNIPES: Director Pena?

6 Director Cohen?

7 BOARD MEMBER COHEN: Yes.

8 MR. SNIPES: Mr. Chair, the motion carries.

9 CHAIR RICHARDS: Thank you, Mr. Secretary.

10 And thank you, Mr. Armistead, very much.

11 MR. ARMISTEAD: Thank you.

12 CHAIR RICHARDS: Ladies and gentlemen, we're now
13 going to move back to what was the CEO report at number two
14 and is now number three.

15 Good morning, Mr. Kelly.

16 MR. KELLY: Good morning, Mr. Chairman, Board
17 members, thank you for the opportunity to address you this
18 morning.

19 As I do every month, I have a CEO Report which
20 will update various parts of our program, things that we've
21 done between the last meeting and this one. But this is
22 also an opportunity to update you on where we are on a
23 broader issue, which is, as you all know, each odd-numbered
24 year we submit to the legislature a Project Update Report
25 that is due on March 1st. Typically, we present that

1 report directly to the legislature from the Authority, and
2 it's like sort of a standard report that's often due from
3 agencies to the legislature.

4 This year's Project Update Report is a little bit
5 different, it's much more weighty. There are things we
6 said in the 2022 Business Plan that we were going to update
7 in this report. And then when the budget bill passed last
8 year, the legislature added additional requirements.

9 So because of many of the issues that are going
10 to be reported on March 1st, I thought, in discussing with
11 the Chairman, that we thought it was a good opportunity and
12 a good idea to talk about some of these things in advance
13 of the March 1st submittal to the legislature. So I'm
14 going to start my CEO Report with a summary of that Project
15 Update Report, and then I will get into other program
16 updates. At the end, I will simply stop and answer
17 questions first about the PUR, and then I'll move into
18 other parts of the program.

19 Okay, let me see if I can start this. Here we
20 go. Whoops. Sorry, guys, there's a little delay in the --
21 okay.

22 So first, it's worth starting with where we
23 jumped off with the 2022 Business Plan when we passed the
24 2022 Business Plan. And that process is very different.
25 That involves a draft period where we put out a draft of

1 the plan, we take public comment on that draft and we make
2 changes, and then we submit it to the legislature. Again,
3 the PUR is different. But the 2022 Business Plan, there
4 were several things that we left for the 2023 Project
5 Update Report to cover.

6 The first is we talked about in the 2022 Business
7 Plan getting our scope definition clearer so that we can
8 update costs, schedules, and scope for the Merced to
9 Bakersfield stretch, and really the entirety of the
10 program. We identified in that 2022 Business Plan seven --
11 or eight major commercial issues on CP 1, four on CP 2-3,
12 and one on CP 4 that we were in negotiations on, and we had
13 to work through and complete those negotiations.

14 As I'm standing here today, seven of the eight
15 have been concluded on CP 1, three of four are done on CP
16 2-3, and the one major commercial issue on 4 was concluded
17 some time ago. With that conclusion, we get better scope
18 definition of the project, and we also said we'd therefore
19 update our revised baseline schedules.

20 You may remember I reported to the Board on the
21 baseline schedules for the construction segment in August,
22 and again of November of 2022. For CP 1, our conclusion
23 date is 2026, the same for CP 2-3. And for CP 4, that will
24 reach substantial completion later this year, looking at
25 the end of quarter two, June, or perhaps July of 2023.

1 We also, as I said, committed in the Business
2 Plan to reset our budgets, not just for the 119 miles, but
3 with a greater defined scope and a fuller budget with
4 higher risk probabilities contained in it for the Merced to
5 Bakersfield stretch, so we've done that, as well, as we
6 head into this Project Update Report.

7 And of course, we update our capital costs for
8 all of Phase 1. And our practice here at the Authority, at
9 least since 2018, has been once the Board completes the
10 record of decision for various environmental segments,
11 that's a time when we update the cost estimate for Phase 1,
12 because having done that environmental document, we have a
13 better sense of exactly what we're building, and we've
14 agreed to and identified mitigation measures in those
15 segments that often come with cost. And so as we commit to
16 those mitigation measures, we update the cost element when
17 the RODs are done, and that's -- we've completed two of
18 those since the '22 Business Plan.

19 And finally, we committed in the '22 Business
20 Plan to update our ridership analysis. I just want to say
21 at the outset, this is preliminary. Right now, our
22 modeling team has worked with the California State
23 Transportation Agency and Caltrans, as well as partners at
24 other transit entities, to update the ridership analysis
25 and model for our program going forward. And really, you

1 know, it's related to transit ridership generally, because
2 much of what we're saying we're accomplishing from a
3 ridership perspective in the valley is tied to the service
4 that our connecting agencies operate as well.

5 Again, I wanted -- so those are the things that
6 we jumped off with in the '22 Business Plan. And then, of
7 course, in July of '22 the legislature passed SB 198, which
8 was the budget agreement that included funding of \$4.2
9 billion appropriated for our program out of the High-speed
10 Rail Bond.

11 And the legislature added some additional
12 requirements to the Project Update Report, the first, as I
13 mentioned, update cost and schedule estimates for the
14 Merced to Bakersfield segment with specified milestones for
15 completion and the stated risk and contingency assumptions.
16 That's new for the Project Update Report. And that really
17 had us all focused over the last several months on every
18 scope element issue that's in the Merced to Bakersfield
19 stretch.

20 When we last did our budget, there were some
21 elements that were not yet concluded in terms of where
22 certain stations would terminate, exactly what structure
23 would be needed to get to those termination points. Those
24 are much better understood now, and they will be reflected
25 in the Project Update Report that we submit.

1 The other element from the legislature was to
2 clear direction that we are to build -- this was in
3 statute -- to build a segment as a dual-track electrified
4 railroad with a shared station in Merced with passenger
5 services that will operate north to Sacramento and west to
6 the Bay Area. So they defined in statute where the station
7 location would be and defined the cross-platform connection
8 to San Joaquin Amtrak and the Altamont Commuter Express.

9 We also received additional input from the cities
10 and other local partners for station design and location.
11 You heard in the public comment period earlier today, the
12 Mayor of Bakersfield called in and talked about the station
13 location in Bakersfield. In our presentation last year in
14 the budget bill, there was talk and discussion about an
15 interim station location. That's now been dismissed and
16 we're at a firm station location in Bakersfield, and so the
17 Project Update Report reflects that.

18 And of course, we learned a lot during 2022 on
19 our track and distance procurement that we went out on.
20 And we saw through that procurement a lot of instability in
21 the marketplace post-COVID with respect to the highest
22 inflation period in 40 years and some supply chain
23 challenges that had us pull that track and system
24 procurement and sort of reset and re-strategize how we're
25 going to approach it, because we did see a lot of

1 instability in the marketplace. And you were probably
2 hearing and seeing about that market stability affecting
3 other megaprojects and other transit systems in California.
4 I'm going to talk a little bit about that.

5 Sorry, this is jumping around a little bit.

6 Okay, so the 2023 Project Update Report, it
7 starts with our target objective of the 2030 operational
8 goal by the end of 2030, and it reflects the scope,
9 schedule, cost, and risk for that early operating segment
10 with the target schedule for operations by the end of 2030.
11 We do apply using the Federal Railroad Administration's and
12 the FTA guidelines on applying risk to that schedule, which
13 we have applied to our schedule, and we have a schedule
14 envelope of between 2030 and 2033 for operations to begin.

15 Our largest single risk factor on our schedule
16 will be the availability of funding. We'll have to make
17 sure we have funding before we execute necessary contracts
18 to get the work done, and that will be our largest risk
19 factor as we look at the schedule going forward.

20 The Project Update Report has very credible
21 estimates in it. These cost updates and risk analyses were
22 conducted by experts to establish a budget at what we call
23 a P65, or a probability 65 risk level, which means that
24 your budget that you've established has a 65 percent chance
25 of covering the cost of the system. That standard is a

1 standard that is in line with FRA and FTA guidelines, as
2 well as the schedule envelope that we've developed.

3 How did we do this? Well, this was a whole team
4 effort. It started with guidance and direction from me and
5 set out a plan with a timeline and deliverables. We
6 conducted extensive workshops with department leads on
7 scope, schedule, cost, and risk, and then we conducted
8 reasonable checks on all of those things.

9 Our cost estimates followed, capital cost
10 estimating guidance from both the federal and industry best
11 practices, USDOT, and the American Association of Civil
12 Engineer guidelines.

13 Our risk process was conducted by the Authority's
14 independent risk advisors. And just to pause for a moment
15 here, you may recall, a couple of years ago this Board
16 approved us directly contracting for risk services. We
17 entered a contract with Ernst & Young to do that. We went
18 out and brought in the risk expert that had been advising
19 the Federal Railroad Administration before, and he now
20 advises us directly, and that risk advisor was part of the
21 team that looked at our risk and helped us set both
22 analyzing the risk standards and setting our contingencies
23 to deal with the risk that's ahead. And finally, we worked
24 with our financial advisor, KPMG, to do financial
25 reasonableness checks on the estimates that we have in the

1 Project Update Report.

2 What's the outcome and the result? It's a cost
3 estimate range that is informed by risk for the early
4 operating segment, and it meets all of the legislative
5 requirements that were added for the Project Update Report
6 for this year.

7 So what's the outcome of this? Well, first I
8 want to talk a little bit about where we are in the
9 marketplace.

10 As I said earlier, as we saw during work last
11 year on the procurement of the track and systems, the
12 industry saw a lot of impact from the inflation and supply
13 chain issues. I mentioned here, as an example, the Gateway
14 Project in New York, which is a ten-mile, roughly \$40
15 billion -- oh sorry, \$16 billion, ten-mile major rail
16 improvement between New Jersey and New York. They suffered
17 39 percent budget increase. We saw similar impacts in this
18 marketplace affecting projects like the Transbay Tunnel in
19 the Bay Area, the Caltrain electrification, Purple Line in
20 Southern California. And so there was a lot of impact with
21 the inflation supply chain issues on mega projects around
22 the state, and we are not immune from those impacts.

23 So the cost on our project in California as we
24 project forward for this, we had estimated last year that
25 the entirety of the Merced to Bakersfield stretch, plus the

1 bookend projects we're doing in northern -- in Southern
2 California, and all of the environmental documents we were
3 approving would cost about \$25.7 billion, and those
4 estimates are now up under our new risk profile between
5 about \$6.5 and \$9.6 billion. I'll go through the risk
6 probabilities on why there's a range. But we'll see those
7 estimates, and we will be reporting those estimates in the
8 Project Update Report on March 1st.

9 There are three key parts that drive our costs,
10 and I just want to talk about those. One, as I stated
11 earlier, we've seen all throughout the industry the impacts
12 of inflation and escalation, and for us that's about 21
13 percent of the costs. So just updating the unit price of
14 our cost to build Merced to Bakersfield, we update to 2022
15 and we use a construction materials index that is common
16 for construction practices, and that alone showed a 21
17 percent increase.

18 Then secondly, our escalation, which is the year-
19 over-year percentage of growth with time in costs from the
20 project. And in our case, our escalation factor has
21 historically been two percent, but in this inflationary
22 period, this year it's five and one-third percent, and for
23 the next several years it'll be over three percent.

24 Eventually, after about year five, it will come back down
25 and we'll be back into roughly a two percent year-over-year

1 estimate. Now, we use forecasts from the Department of
2 Finance and from the Federal Reserve to make those
3 estimates. But again, that's a key impact on our cost
4 differences between where we were and where we are.

5 The second key issue is scope changes and
6 increase. And specifically, I mentioned earlier, there
7 were elements of our program last year where we had some
8 things undefined, particularly the location of the -- I'm
9 sorry -- Bakersfield Station downtown on F Street. We had
10 contemplated an interim stop before.

11 Now there's a fuller commitment to do all the way
12 to the F Street Station. Those station elements include
13 things like canopies and misters and platforms and
14 escalators and access points. We're clearer on what
15 elements would be a part of these stations. Again, it'll
16 be part of our design process working with communities like
17 Bakersfield. But understanding that scope, putting in the
18 scope from the definition of the Downtown Merced Station,
19 which is now statutory, the scope changes added about 41
20 percent to the cost.

21 The other thing I'll just say about scope is tied
22 to the track and systems contract. Again, last year when
23 we went out on track and systems, we had an estimate for
24 cost. We saw the instability in the marketplace. We saw
25 the inflationary impacts. And while we did not pursue that

1 contract last year, for purposes of our cost estimating
2 here, we are acknowledging that instability. We saw it and
3 we're putting in our cost estimate going forward. So track
4 and systems is up significantly.

5 And then finally, we are meeting the probability
6 65 risk potential or probability. And to do that, we have
7 to increase the contingency in our budget. And so to get
8 to a P65 level, our risk contingencies are higher and those
9 account for about 38 percent of the cost.

10 So three areas, escalation, scope, and
11 contingency for risk.

12 Oops. Boy, this thing jumps. Sorry about that
13 guys. Okay.

14 There's really two parts to the work that we're
15 doing right now. And I've talked to the Board about this
16 at length in the past, but I think it's valuable to
17 understand. In one way, we are closing the door on the 119
18 miles that we have under construction right now. And that
19 means, as we've talked about at length, you know, the 119-
20 mile, the start of that construction segment and the
21 sequencing of how that work began without the right of way
22 done, without the utility relocations done, we're in a
23 position where we've been playing catch up for the last
24 several years. We've been working through getting the
25 right-of-way finished, getting the utilities relocated,

1 getting all the designs and scope into the contracts so
2 then you can execute those contracts and move on from 119.

3 We're finally coming to the end of that process,
4 but we have been paying for it for some time. And because
5 it was out of sequence, construction-related delays have
6 been on us because we're the parties responsible for right
7 of way and things like that. And where that's taken more
8 time, we've paid for that. And so about 2.2 billion of our
9 cost estimate here is closing the door on the 119 miles,
10 just getting all of it done, escalating out into the
11 completion dates out to 2026.

12 The good news is we've made tremendous progress.
13 About 72 percent of our utilities have either been
14 relocated or are in the process of being relocated now.
15 The right-of-way, which has been a long-reported problem or
16 challenge in the 119 miles, now 96 percent of that is in
17 hand. Right-of-way is no longer a fundamental challenge or
18 threat for our moving our program forward. We're almost
19 done with the right-of-way. And all of the design for the
20 structures for the 119 miles are complete, 100 percent.

21 So we have to work through third-party agreements
22 so we can finish moving those utilities. And then we'll
23 work through the finalization of the construction work on
24 the 119 miles. Again, the first construction package will
25 be done in the second quarter of 2023. The other ones will

1 complete at the very beginning and middle part of 2026. So
2 that's part of it.

3 Then the second part, again, is looking forward,
4 Merced to Bakersfield, doing these extensions. We're
5 looking towards new procurements for civil constructions to
6 Merced and Bakersfield, track and systems work, stations,
7 and finally trainsets. And we are already approaching the
8 extensions differently than the 119 were approached. And
9 there's a lot of reasons for why the 119 went the way it
10 did, but what we're doing now is advancing the design on
11 those extensions.

12 We are now in that advanced design period that
13 will allow us to conduct value engineering, do geotechnical
14 work, identify all the right-of-way that we need, develop a
15 100 percent right-of-way acquisition plan, identify the
16 utilities that need to be moved, and make sure we do not
17 start construction until that's done.

18 Secondly, we will likely use smaller contracts
19 going forward. Rather than waiting for stretches that are
20 30 or 60 or 22 miles long, once the right of way is
21 complete and utilities are moved, we will likely use
22 smaller construction packages going forward to execute the
23 work more quickly and manage the contracts more
24 efficiently.

25 And so that's our program going forward. And

1 we've identified, again, going forward a cost range of
2 about between four-and-a-half and six-and-a-half higher
3 than where we were for the extensions to Merced and
4 Bakersfield.

5 This slide shows you the differences that I
6 mentioned on just the 119-mile Central Valley segment. I'd
7 like to call your attention really here to the top row.
8 The second column is where we were in the '22 Business
9 Plan, and you see the Central Valley civil construction was
10 at \$10.255 billion. When we estimated for the year of
11 expenditure now and just brought up our escalation factor,
12 we got to \$11.485 billion.

13 And then you see these P numbers on the rows that
14 follow, P30, P50, P65, those are the different risk
15 probability levels on where the budget needs to be to
16 finish that work in the Valley. So you see we added \$2.2
17 billion to get through the civil construction at the P65
18 level. And again, that P65, it's not necessarily magical,
19 but it's what the FRA and the Federal Transit
20 Administration use as guidelines for mega projects like
21 ours.

22 More broadly on the Merced to Bakersfield early
23 operating segment, it's the same kind of thing. You see
24 that the subtotal for just the Merced to Bakersfield, about
25 midway down on this chart in the Business Plan, we were at

1 \$23.4 billion. You see that's up when we just do the
2 estimate of -- the updated estimate of costs for unit
3 prices and things like that. And then again, we apply the
4 risk factor and as you go to the right, a P30 risk has that
5 at \$29 billion, a P50 at \$31.4 billion, and a P65 at
6 \$32.976 billion.

7 One thing I'll call out in this chart just to
8 clarify one issue is there's -- just above that subtotal
9 line it says, "Phase 1 transfer," and it references \$1.719
10 billion, and then that's not carried over in the next row.
11 We identified in the Business Plan that we did last that
12 there was about \$1.719 billion in costs that we budgeted
13 outside of the Merced to Bakersfield stretch because we
14 hadn't concluded where the final Bakersfield station would
15 be. We identified it as cost, but it wasn't in the budget
16 for Merced to Bakersfield.

17 Now that the station is declared and we know
18 where it's going to be, we've moved that \$1.719 billion
19 into the Merced to Bakersfield stretch. So it's a little
20 bit of an accounting move, but it recognizes that that
21 scope is indeed in the Merced to Bakersfield stretch, not
22 outside of it. And so it's covered in those red arrows on
23 the right point to where that \$1.719 billion is filled into
24 the cost.

25 So more broadly, I said we update our Phase 1

1 costs, as well, when we finish our environmental documents.
2 Since the Business Plan, this Board has approved two
3 additional RODs for the State of California -- for this
4 project rather, both the Merced to San Jose segment and the
5 San Francisco to San Jose segments were approved. So we
6 update our cost estimates, plus the update with the Central
7 Valley estimates that I just went through in the Merced to
8 Bakersfield estimates. This is now what it looks like for
9 all of phase one. We have a low base cost of \$106 billion,
10 and then a high, which we generally report in every
11 Business Plan and in this Business Plan.

12 So while there's no question that cost to build a
13 500-mile electrified high-speed train system is expensive
14 and there's a lot of zeros tied to that number, it's also
15 true that these costs are absolutely in line with
16 international costs for high-speed rail. And I want to use
17 this to just make the point.

18 The High-Speed Rail 2 project in Britain covers
19 about 140 miles, it carries a cost estimated between \$42
20 billion and \$54 billion, and a completion date between 2029
21 and 2033. While that project differs from ours in some of
22 this physical characteristics, it can be compared to our
23 cost range of \$29.8 billion to \$33 billion for the 171-mile
24 Merced to Bakersfield segment that we are proposing to
25 build.

1 And then secondly, in all of our Business Plans,
2 we update what we call a capacity analysis, which is
3 comparing the cost of the high-speed rail system and the
4 benefits you gain from that system versus other ways of
5 achieving the same sort of transportation capacity benefits
6 by expanding freeway lanes or expanding airports. The cost
7 of doing that, those items is between \$130 billion and \$215
8 billion. And again, our high-speed rail cost range comes
9 in well below that.

10 So while it's a lot of dollars, it's an expensive
11 project, it will take some time, it is still a relative
12 bargain. And the other benefits, the mobility,
13 environmental, and economic are off the charts with our
14 project.

15 The last element that we had to update in the
16 Project Update Report is the ridership analysis. We
17 started a ridership analysis update with the California
18 State Transportation Agency who puts out the State Rail
19 Plan, and our transit partners, ACE and San Joaquin's, as
20 well as Caltrans who oversees the inner city rail program
21 for the state of California. And so we've updated our
22 ridership estimates and we use those to build our scenario
23 for Merced to Bakersfield.

24 And so I'm going to show you in a moment that
25 ridership and transit ridership in California is generally

1 down and we are not immune from those impacts, it affects
2 us as well. Even though we are not a current operator,
3 when we estimate what our ridership will be, we are
4 informed by what's going on now in the real world. And we
5 are seeing this pressure everywhere.

6 Here in Sacramento, there will be a robust
7 conversation in the legislature this year about what
8 they're calling the transit operational funding cliff. And
9 what that generally means is transit operators up and down
10 the state saw a huge impact when COVID struck. Those
11 ridership numbers have not come back and they're seeking
12 operational funding help. And so they'll be in Sacramento
13 talking a lot about that. And again, we're not immune from
14 those impacts.

15 There are three drivers to the ridership changes
16 that I'm going to go through. One of them is population
17 rates in California. Again, we're projecting this out
18 going forward and population rates in California are much
19 lower, more stagnant than they were. There was a time when
20 California was going to have about 50 million people by
21 2040. That number today is 42-and-a-half. The total
22 employment packages in California in terms of total
23 employment and new jobs is falling back a little bit from
24 where it was in 2020. It's back to about a 2018 or 2016
25 element, so there's an impact on ridership there.

1 Our model does a better job at looking at travel
2 behavior. Would somebody drive to a train station, get in
3 a train if it's far away, versus just driving? And so we
4 have a more realistic view of travel behavior in this
5 modeling.

6 And then the last thing is because we are
7 connecting to ACE and Amtrak, for example, in the Central
8 Valley, the reduction in commuter ridership in California
9 post COVID is lingering. And part of that is while people
10 are still employed, they're not going to work necessarily
11 five days a week as they were before, they're going fewer,
12 and so transit ridership has been impacted by that part, so
13 our numbers will reflect that.

14 While our numbers are down, it's important to
15 note that ridership by building our system in the Central
16 Valley will be 70 percent higher than the non-build
17 alternative. That travel by train along the segment in the
18 Central Valley still reduces travel time by 90 to 100
19 minutes. We have greenhouse gas reduction benefits by
20 electrifying that corridor. And the ridership for Silicon
21 Valley to Central Valley in Phase 1 segment still provide
22 robust transit -- or sorry, train riding corridors.

23 So our next steps on this, these are preliminary
24 numbers, which I'll jump into in a minute, but our next
25 step is to work with our partners to right size the service

1 plans, to make sure there's a full agreement on the
2 ridership estimates, modernize fare plans, and integrate
3 service and execute several agreements, operating
4 agreements. And as we do that, we'll be updating where we
5 are in the 2024 Business Plan.

6 This is a picture of that impact on the ridership
7 I mentioned just for the Merced to Bakersfield stretch in
8 our Business Plan. And in 2019, we estimated that not
9 building in the Valley, they would have about 3.97 -- this
10 is on the left -- 3.97 million riders a year. With our
11 system, it would jump up to about 8.78 million. Under the
12 new projections, they would have about 3.88 million with a
13 no-build scenario in the Valley, and with ours it would
14 jump up to 6.61 million. So again, while we're seeing
15 reduced ridership, we're still seeing important benefits
16 from building the Central Valley system.

17 This is the valley-to-valley picture. And again,
18 you see that reduction in the ridership, but there's an
19 important note here. We were in the Business Plan about
20 18.4 million in year one of Valley to Valley. That
21 estimate now is at 11.5 million, or 11.49 million. And
22 just to put some context to this, again, while it's
23 reduced, the busiest passenger rail corridor in America
24 today for intercity rail is the Northeast corridor in New
25 England. And that carries about 12 million riders a year,

1 and that's the busiest corridor in the country. So again,
2 building Valley to Valley in year one, you would be on par
3 with the busiest passenger rail corridor in the country.
4 And because of the travel reduction times, you would see
5 growth in our system beyond those early years.

6 But this is, again, these are preliminary
7 numbers. We're going to do a lot of refinement with these
8 with our partners over the course of the next several
9 months and report further in our Business Plan but we
10 Are -- yeah, in the 2024 Business Plan, but I did want to
11 report what we're seeing right now, which again is industry
12 wide in California and around the country.

13 This is a picture of the Phase 1 system. And
14 again, we had estimated before about 38.5 million riders in
15 the first year of Phase 1. Now we're at 31.3 million,
16 roughly. And again, if you consider that the busiest
17 passenger rail corridor in the country right now carries
18 about 12 million intercity travelers a day, this is, you
19 know, two-and-a-half times that for the Phase 1 system.

20 The other thing that's important to note that I
21 didn't say earlier, but just about transit ridership and
22 what we're seeing right now, the core issue is more on
23 commuter and local transit, people taking it to work
24 typically. Longer distance trips, like air travel or
25 longer distance train trips, that ridership is more stable.

1 It has come back further from COVID, and that our analysis
2 shows that as well. And I think anybody who's been to an
3 airport would see that air travel is pretty robust again.

4 So is it still the right option for California?
5 Obviously, we think it is. Our initial operations will cut
6 travel times in half, producing those central valley trips
7 by 90 to 100 minutes. We have a higher projected ridership
8 than really all of the supported Amtrak's services combined
9 in California right now that carry about 5.6 million
10 riders. Again, 6.6 million would be carried in the first
11 year of the Merced to Bakersfield stretch. And when,
12 again, when we complete California high speed rail, we'll
13 be looking at carrying about 31 million riders a year,
14 which is significantly more than the highest intercity
15 corridor in the country today.

16 So I'm not giving you a lot of great news, and
17 it's -- but it is what it is. But I do want to say that
18 it's important that we don't lose fact -- or lose sight of
19 what we're doing and the advancements that we are making on
20 this project. We've covered and cleared now 422 miles of
21 the 500 miles that we need to clear to go from San
22 Francisco to L.A. and Anaheim. By the end of '23, we'll
23 clear the Palmdale to Burbank environmental stretch and
24 we'll be at 465 miles cleared. The 119 miles that are
25 currently under construction in summer of '23, we'll have

1 substantial completion of CP 4. Right-of-way is 96 percent
2 done, utility relocations are moving.

3 We have started advanced design into Merced and
4 Bakersfield; 171 miles will be in construction or advanced
5 design this year, it already is. And we have station
6 design, four stations being designed now, through the
7 contract the Board approved earlier this year for Merced,
8 for Fresno, for Kings-Tulare, and for Bakersfield.

9 So again, we continue to move forward and of
10 course, just the other day, Chairman Richards and I and
11 others celebrated the 10,000 jobs created on this project,
12 which will continue to grow as we move the project forward.

13 By the fourth quarter of this year, the design
14 for the Bakersfield to Merced extension will reach the
15 configuration footprint and we'll have a very good sense of
16 what right-of-way needs we have to do so we can commence
17 that work. 2026 is the year of completion for CP 1 and CP
18 2-3 construction elements in the Central Valley as well.

19 Coming to the end of this promise.

20 Again, so what's important for us now going
21 forward with these cost estimates? There is no permanent
22 funding program in place for high-speed rail nationally or
23 here in California. As we stand here today, we have a cap
24 and trade commitment through 2030 with an expiration date
25 in 2030. And for a project that's going to last for years,

1 for decades really, and is going to cost, you know, a bit
2 to build, i's important for us that we ultimately address
3 the issue of what do we do beyond 2030?

4 I think before we have that conversation, we do
5 want to make sure that we are strong with our federal
6 partner and we have a full and committed federal partner to
7 getting our work done. To date, the federal government has
8 contributed about \$3.5 billion to this project and the
9 state has paid the rest, and so it's an 85-15 percent cost
10 share.

11 And what we're trying to do now is work hard with
12 our federal partner to do what we said we were going to do
13 when the IIJA past, which is work hard to compete in the
14 six different federal programs that total about \$75 billion
15 nationally to achieve roughly \$8 billion out of federal
16 funds to move this project forward. And I want to be
17 clear, we will need those dollars to build Merced to
18 Bakersfield. And we want to establish that those federal
19 dollars are here, I think, before we have additional
20 conversations about what to do beyond 2030 and so that's
21 important.

22 Brian Annis, our grant team, and our federal team
23 have been working closely with me in consultation with the
24 Federal Railroad Administration on working through a phased
25 approach to federal funding where we outline for them now

1 where and what we would be applying for, how we would use
2 those dollars, and over the course of the next five years
3 how the project would grow with the benefit of those
4 federal funds. So I think I have a graphic display here to
5 sort of show. And there's a lot going on in this display
6 so let me walk you through this a little bit. But this is
7 something that we've shared with the FRA and they've been
8 very welcoming of it.

9 Along the top are, in that blue box, are the
10 phases of project development. Environmental is the first
11 phase, advanced design, right-of-way, final design, civil
12 construction, track and systems, the second track, and then
13 trainsets.

14 And what you can see here is the dark green is
15 where things are completed. And if you look down that left
16 column you see Merced, Madera, Fresno, Kings, Poplar, and
17 Bakersfield. That's, from north to south, our segment in
18 the Central Valley. And you can see, we're building out
19 from the middle because we are in the 119-mile stretch now.
20 And so we're through final design for sure and into
21 construction, funded construction and funded the first
22 track and systems for the 119. So that dark green and
23 light green is either completed or funded.

24 And so our first application to the federal
25 government is all that area that is letter A and kind of

1 that brown color, if you will. That is how our first
2 application would be submitted to the federal government
3 later this year so that we can expand right-of-way in early
4 work toward Merced, expand right-of-way in early work
5 toward Bakersfield. We would do track and systems second
6 track that would be the second track for all of Madera to
7 Poplar Avenue. And then we're also pursuing funds for
8 trainsets so we can move forward on train set procurement.
9 That's Phase 1.

10 Phase 2 would be in 2024. And on this is kind of
11 the white color, it's the B section, which is where we
12 pursue federal funds for the civil works to get to Downtown
13 Merced.

14 And then the last is -- or second to the last is
15 Phase C in 2025, where future federal funds we would pursue
16 for civil construction of the Merced station to Bakersfield
17 and for the track and systems all the way to Merced.

18 So this is just a way that we've communicated
19 with the FRA on how we would use grants going forward to
20 ultimately build out the Merced to Bakersfield system. And
21 you can see in this from the green that most of the 119
22 where we have funding to get most of that to get that work
23 done, it's really bringing the federal government to help
24 us get the Merced to Bakersfield pieces done. This has
25 been well received by the FRA and we're having very

1 productive conversations with them about this approach.

2 I should say one other thing, we will not have to
3 wait a long time to know whether we have a full federal
4 partnership with the federal government on this project.
5 As things stand right now, we have \$300 million in grants
6 pending there. Brian Annis mentioned this in the F&A
7 report this morning. But that \$300 million is for grade
8 separations to start a little bit south into the city as
9 Shafter for grade -- about six grade separations there.

10 And right on the heels of that in April, our
11 first major grant application under the federal-state
12 program will be submitted where all these letter A's on
13 this chart will be in that federal grant request. And that
14 will go to the federal government in April and we expect
15 that they will award likely by the end of the year. So we
16 will know in 2023 where we stand with the federal
17 partnership on this program.

18 Again, Chairman Richards and I were in Fresno the
19 other day. We were joined by FRA Administrator Amit Bose.
20 And, you know, I know there was recent press coverage on a
21 grant we did not get. That was not entirely a surprise to
22 us because the USDOT made a decision to just do that grant
23 cycle for one year and we had applied for multiple years.
24 But as the FRA Administrator informed all of us in Fresno
25 the other day that this project from their perspective is

1 unparalleled, and the federal government will continue to
2 partner with California to deliver this project, and they
3 will stand shoulder to shoulder with the workers in the
4 cities of California to deliver this particular project.

5 He was asked specifically about the Mega Grant
6 and whether that is a foreshadowing of future rejections
7 for us and he said, "I don't think in any way it's a
8 reflection of the federal commitment to the California High
9 Speed Rail project." The pot that California -- that
10 California, in particular, is paying close attention to is
11 the federal-state partnership project, \$12 billion
12 potential, \$12 billion program over the next five years.
13 And as he noted that's a really good opportunity.

14 So again, it's important that we have a strong
15 federal partner. We're going to need it to build this
16 segment. And the Project Update Report will go through all
17 of that and what we're doing working with the federal
18 government on this.

19 So lastly, with all this stuff, what are our
20 goals and what do we do? How do we go forward on this?
21 You know, we still have targeted goals that we want to
22 reach to achieve our passenger service. We have a full
23 commitment to get the 119 miles done with the federal money
24 that we do have. We are fully committed to complete the
25 environmental work everywhere, which is a requirement of

1 our federal partner, and we're fully committed to our local
2 partners on the book and projects that we've funded, so
3 that will continue.

4 Our schedule looks like this, track and systems
5 RFQ, we want to come back and talk about that beginning in
6 2023, potential train set procurement as early as '24, 119-
7 mile double track electrified by '28, passenger service
8 between Merced and Bakersfield in that schedule window
9 between 2030 and 2033. And again, to be clear, all of the
10 work outside of the 119 miles, we will need our federal
11 partner on. And so we've got to see how that comes out in
12 this year.

13 In terms of outside the Central Valley, we will
14 reach full environmental clearance for all 500 miles by
15 2025. All segments from S.F. to Anaheim, we have an
16 opportunity to advance that design work so we know what
17 it's going to take to build all of Phase 1. And our goals,
18 clearly, these goals necessitate that full federal funding
19 partnership that we talked about and that we're working on.

20 I think for this part of the presentational pause
21 here and happy to answer any questions from Board members
22 at this point before I go into the rest of the CEO update.

23 CHAIR RICHARDS: Thank you, Mr. Kelly.

24 Any, at this point, any questions or comments
25 from members of the Board?

1 BOARD MEMBER ESCUTIA: I have some questions, Mr.
2 Chairman.

3 CHAIR RICHARDS: Yes, please go ahead, Director
4 Escutia.

5 BOARD MEMBER ESCUTIA: Thank you.

6 On page six of your slide presentation, Brian,
7 the cost outcomes, and I know that there's obviously a lot
8 of supply side issues, inflation and whatever, do these
9 cost outcomes include the change orders that have
10 basically -- you know, are part of CP 1 as well as CP 2-3,
11 et cetera?

12 MR. KELLY: Yeah. The short answer to that is
13 they do. It's an estimate that includes not just the cost
14 of change orders executed, but an estimate of, based on
15 history, what change would have happened. So part of that
16 is an estimate of known change orders and some contingency
17 for what might be unknown change orders, but all of that is
18 part of that probability 65 risk contingency.

19 BOARD MEMBER ESCUTIA: And on that P65, can you
20 explain to me what that is?

21 MR. KELLY: Yeah. Fundamentally, I think the
22 simplest way to say it is, you know, we run scenario
23 models, we do a different kind of what's called a Monte
24 Carlo analysis for -- we did it on the area where we know
25 the most, which is the 119 miles, and then we do a top-down

1 estimate with all of our risk experts on what the cost will
2 be beyond 119 miles. And what you get to with the
3 probability number is this is the probability that the
4 budget you establish will cover, essentially, the cost of
5 doing that program. So it's a 65 percent probability with
6 that budget --

7 BOARD MEMBER ESCUTIA: Okay.

8 MR. KELLY: -- that we would cover those costs.
9 And that is the level that the FRA recommends it for a mega
10 project at our stage.

11 BOARD MEMBER ESCUTIA: Okay. Now, I understand
12 when I first came on this Board three years ago, that the
13 ARRA agreement, the condition to get those ARRA funds, was
14 to basically build out first those 119 miles, which is, I
15 guess, the test track. Now you're telling me that we do
16 have money for that right now in our bank account? We have
17 money to do that?

18 MR. KELLY: Yeah, we do for the 119 miles. We
19 really need the federal help for the extension parts beyond
20 that.

21 And also, I think, you know, probably when you
22 started, the technical delivery date with the FRA was out
23 of date on the requirements to get the 119 miles done. So
24 that's been renegotiated. And the delivery date for that
25 119 miles is now December 31st of 2028. So we now have

1 time to get that finished. And we have a budget that we
2 estimate now that we have to do that.

3 BOARD MEMBER ESCUTIA: Alright. Now this
4 ridership data analysis, it scares me because I remember
5 being on the Senate floor with Senator Quentin Kopp. And
6 there was a discussion about this project not being
7 subsidized, you know? And so obviously, you know, we had
8 to ensure that the ridership data was as accurate as
9 possible. And now you're saying that ridership data is
10 being analyzed, it's being amended, so I'm expecting that
11 it's going to go down, even as a result to say demographic
12 changes. You know, I think I read somewhere in the paper
13 today that 500,000 Californians are leaving California.

14 So if the ridership data goes down, how does
15 that -- does that add costs to the project?

16 MR. KELLY: The ridership, one, the ridership
17 data, as we're reflecting, is showing a downward trend and
18 it does take into account those demographic changes that I
19 discussed.

20 What we'll need to do is a couple of things.
21 One, if the demand for the transit is lower, you do have to
22 look at how might you shift your service plan, and how
23 might you shift your fare structure because you can, in so
24 doing, you can reach sort of a sweet point between number
25 of riders and revenue generated. And so there will be some

1 shifting that we'll have to do, optimizing of the system
2 that we'll have to do to accommodate all that. That work
3 is going to be done in partnership with our partners and
4 that's still in front of us. We'll report on that in the
5 2024 Business Plan.

6 So we still -- and I'll just say this about the
7 subsidy issue, it's true that for the full Phase 1 system,
8 the bond bill says the program shouldn't be subsidized, but
9 even at the lower ridership estimate we see now, 31-and-a-
10 half million riders between San Francisco and the Bay Area,
11 we think that is still going to be a net operating surplus
12 system.

13 BOARD MEMBER ESCUTIA: And then lastly, you know,
14 I'm just going back now to my days of Assembly Vice Chair
15 for the Transportation Committee and my work on Alameda
16 Corridor and my exposure to the ubiquitous change orders --

17 MR. KELLY: Yeah.

18 BOARD MEMBER ESCUTIA: -- I would love to, you
19 know, just for my edification, to get, you know, a very
20 small chart, very small email that identifies CP 1, what
21 was the money that was originally bid for it, which I think
22 was slightly under \$1 billion, and how much money have we
23 actually paid out for it as a result of change orders? And
24 then segregate the type of change order, because I know
25 that some change orders are legitimate, some of them I

1 don't know, and some of them are our fault because of the
2 right of way problem. Can I get that information with
3 regard to CP 1, as well as CP 2-3?

4 MR. KELLY: Yeah, we do report a picture of that
5 each month to the F&A Committee, but I could -- but I'm
6 happy to --

7 BOARD MEMBER ESCUTIA: Just extract the
8 information and just give it to me.

9 MR. KELLY: Yeah. I'm happy put a compendium
10 together of those impacts for each of the CPs. I can make
11 that available to you, yes.

12 BOARD MEMBER ESCUTIA: And so it's my
13 understanding that the way these change orders operate is
14 that you and High-Speed Rail staff basically negotiate, you
15 know, I guess the value of the change order. And I guess
16 what I'm trying to say is that I'm very concerned that we
17 have an outstanding liability out there in terms of these
18 change orders that runs in the close to \$10 billion, if not
19 more, and that scares me.

20 MR. KELLY: Well let me say this, first of all,
21 as I said earlier, many of the change orders, particularly
22 the larger ones, are tied to scope changes since the
23 contract was let. And so when scope is significantly
24 changed and you have to make physical changes to the
25 project, then we have to negotiate that. The right-of-way

1 issue, having been behind on right-of-way for so long, did
2 cause some contractor delay, and we've had to pay for that
3 too.

4 BOARD MEMBER ESCUTIA: Right.

5 MR. KELLY: But we have a very clear change order
6 process that, again, that we've talked about with this
7 Board before, and I'm happy to re-bring back to the Board,
8 but essentially it involves bringing in -- it goes through,
9 first, a merit determination that involves our commercial
10 team, as well as our folks who are working on the ground.
11 And then depending on the cost of the change order, it goes
12 through a higher escalation of approval within the
13 Authority. And change orders at a certain level do come to
14 me.

15 As I indicated before, we had a couple of large
16 commercial settlement issues on all of the CPs, which we've
17 talked with the Board about, that are in the category of
18 \$100 million issues. And as I said at the outset of this,
19 we've settled almost all of those now. We're down to one
20 left in arbitration on CP 2-3, and we've just settled the
21 last one on CP 1.

22 So yeah, that history and that picture is not
23 pretty, and it's not the way you want to run any kind of a
24 Mega project. But the good news is the way we are
25 approaching the Merced and Bakersfield extensions, getting

1 the right-of-way done first, getting the design dragged out
2 further so that we can complete that right-of-way work,
3 complete the utility relocations before you get into
4 construction, you eliminate or greatly reduce the need for
5 massive scope changes later or any delay tied to not having
6 the right-of-way complete. So the way we're approaching
7 the extensions, I think, will result in less of the
8 problematic history that we've seen.

9 BOARD MEMBER ESCUTIA: No, I understand that the
10 picture is not pretty. I just would hope that you would
11 understand that the Board -- listen, you know, we're very
12 busy people. At times we don't concentrate, you know? I
13 would love to get a primer on change orders again --

14 MR. KELLY: Yes.

15 BOARD MEMBER ESCUTIA: -- to refresh my memory on
16 this --

17 MR. KELLY: Yeah.

18 BOARD MEMBER ESCUTIA: -- because eventually I'm
19 assuming that I have to vote on this to approve the payment
20 of a change order or not; right?

21 MR. KELLY: Some.

22 BOARD MEMBER ESCUTIA: Do we have to vote on
23 this?

24 MR. KELLY: Some. Some.

25 BOARD MEMBER ESCUTIA: Some?

1 MR. KELLY: Not all of them.

2 BOARD MEMBER ESCUTIA: Not all of them?

3 MR. KELLY: Right.

4 BOARD MEMBER ESCUTIA: So which ones do I have to
5 approve?

6 MR. KELLY: When we adopt --

7 BOARD MEMBER ESCUTIA: Is it --

8 MR. KELLY: When we adopt --

9 BOARD MEMBER ESCUTIA: -- (indiscernible)?

10 MR. KELLY: Well, under the delegation of
11 authority, again, and we can go through this at a future
12 hearing if you want, but when we -- at the delegation of
13 authority that was given to the management team, that we,
14 you know, depending on the level of change order, we can
15 settle several of those. And then the larger ones that go
16 beyond the authorized budget that the Board sets for us, we
17 do have to come to the Board and get approval of those.

18 BOARD MEMBER ESCUTIA: And what's the authorized
19 budget?

20 MR. KELLY: It depends on the CP. They're all
21 different based on where we are. The number off the top of
22 my head, I got a look at, but you set a budget for us to
23 complete the work for Central Valley.

24 BOARD MEMBER ESCUTIA: Right.

25 MR. KELLY: And as the change orders -- unless we

1 execute a change order that exceeds that, we definitely
2 have -- we have delegated Authority to approve those.

3 So I will say that with our cost estimates going
4 forward, we will be coming back soon to extend that
5 authorized budget. But then we have a level of change
6 order approval that starts at, you know, \$1 million gets
7 one level of review, \$10 million gets a level of review,
8 \$25 million gets a level of review that comes up through
9 the management. When we exceed the authorized budget for
10 any change order, we come back to the Board for that
11 approval. And as you know, I report all change orders to
12 the Board each month that exceed \$25 million.

13 BOARD MEMBER ESCUTIA: Alright. Yeah, I remember
14 that figure, \$25 million. Okay. Thank you so much, Brian.

15 MR. KELLY: Thank you.

16 CHAIR RICHARDS: Any other questions at this
17 point for our CEO?

18 BOARD MEMBER PEREA: I have a couple.

19 CHAIR RICHARDS: Yes, Director Perea.

20 BOARD MEMBER WILLIAMS: I have a question too.

21 CHAIR RICHARDS: Okay.

22 BOARD MEMBER PEREA: Yeah, I just wanted to --
23 just so I'm clear, there's a lot of information that we've
24 received. And thank you, Brian and staff, for all the hard
25 work you've done in putting this together.

1 You know, so we have an approved Business Plan
2 that this Board forwarded on a year or so back, and this is
3 a CEO Report. So you're not obviously asking us for our
4 approval or blessing of what you're going to be submitting
5 to the state legislature and governor?

6 MR. KELLY: No. The nature of the Project Update
7 Report is to, particularly this one, because as I said
8 earlier, there's new statutory requirements --

9 BOARD MEMBER PEREA: Correct.

10 MR. KELLY: -- what's in it. But the nature of
11 this is just to provide an update to the legislature on the
12 status of the program.

13 BOARD MEMBER PEREA: Alright. So our previously
14 approved Business Plan stands as an official document?

15 MR. KELLY: It does stand, but this is the update
16 to that.

17 BOARD MEMBER PEREA: Alright.

18 MR. KELLY: We will be back, just so you know, we
19 will be back with a 2024 Business Plan, as well, because we
20 do those every even year.

21 BOARD MEMBER PEREA: Okay.

22 And Member Escutia, if I could just answer one of
23 your questions, I met with our Fresno director last week
24 just to get an update on some information, and the answer
25 to your question, the CP 1 was less than \$1 billion, and

1 today we stand at about \$3 billion in expenditure for CP 1,
2 so. You know, costs have gone up.

3 MR. KELLY: Yeah.

4 BOARD MEMBER PEREA: But what I did -- Brian,
5 there's so many, I guess, areas I'd like to touch, but I'll
6 just touch one. And Mr. Chairman, maybe this is more for
7 you. Just the one thing that I asked staff to take a look
8 at, because there's so many pieces to getting to when is
9 the train going to run?

10 MR. KELLY: Yeah.

11 BOARD MEMBER PEREA: And I know now we're saying
12 by the end of the decade, and in my mind, you work back
13 from on a critical path to say, well, what are all the
14 things that need to happen sequentially to make sure that
15 we get there? And the one area I pulled out was on third-
16 party issues.

17 MR. KELLY: Yes.

18 BOARD MEMBER PEREA: And the staff did a great
19 job in putting together information and sending me that
20 data. And I asked them to forward this document to the
21 rest of the Board members, too, because it's something we
22 should all be interested in, and I hope everybody got it.

23 But what I wanted to emphasize, Mr. Chairman, is,
24 I mean, when you look at the -- just looking at the numbers
25 for PG&E, just as an example, we have a total of 306

1 utility issues on CP 1, 133 have been completed, 29 are in
2 progress, and 144 have not yet been started. And so now I
3 tie that back to our new date of completing CP 1, which
4 will be in 2026. I don't know if it's beginning of '26 or
5 the end of '26, but let's just say we're, you know, two-
6 and-a-half, three years away from that.

7 So in my mind, knowing, at least for the last
8 three or four years that I've been on this Board, the major
9 issues we have been having with AT&T, PG&E, the railroads,
10 the telecommunications folks, I'm just trying to wrap
11 around in my mind what has changed, especially in working
12 with PG&E and the railroads, that would make us think that
13 they are going to be more amenable to helping us meet our
14 timelines? Number one.

15 And number two, I know that we have a tentative
16 agreement with the builder on the schedule, on this
17 schedule, and that's being negotiated not, but assuming we
18 don't meet these timelines -- and of course we're going to
19 be talking about change orders, it's going to increase the
20 cost for not just CP 1, but I'm sure we would have a
21 similar discussion on the other CPs. So what I'm asking,
22 Mr. Chairman, I think as one Board member, I've always felt
23 that we've been in a position to react but not react
24 proactively because we get information where these things
25 happen and it's too late for us to do anything other than

1 to change the dates and to pay the change orders.

2 So what I'm asking is maybe this format, the very
3 simple format that was sent to me, if maybe that could be
4 included as a page in your report, F&A Report, so that we
5 can see as a Board, okay, I know now that there are 144 not
6 started with PG&E as an example, I'd like to be able to
7 take a look at this in three months and say, is that still
8 144? And if it is, then I think we should be engaging a
9 lot sooner as a Board to say how do we pivot to do
10 something different than what we're doing now.

11 CHAIR RICHARDS: I would say that the answer is
12 yes. I haven't seen what you've got but that detail would
13 be helpful for Finance and Audit Committee.

14 BOARD MEMBER PEREA: And Brian, I think this
15 morning and you did have some thoughts on that.

16 MR. KELLY: Yeah, I mean, a couple of things.
17 One, we do report at all -- at every Finance and Audit
18 Committee each month where we are in the utility
19 relocations for each CP. We do not break them down, like
20 you have on that chart, by utility. But as you can see on
21 that chart, with respect to AT&T, we're well advanced.

22 BOARD MEMBER PEREA: Yeah.

23 MR. KELLY: At PG&E, we've got work to do. The
24 Irrigation Utility Districts were further advanced. And
25 telecoms, we're doing okay. And the UP, we need approvals

1 and some additional help with.

2 What we've done as a management matter is, look,
3 there's no question, we've got to move these third party
4 agreements quicker --

5 BOARD MEMBER PEREA: Yeah.

6 MR. KELLY: -- so we can move these utilities and
7 get into full construction. So I've just put in charge a
8 new executive in charge of the third-party agreement tasks.
9 And we are now elevating things quicker within the
10 management team. We've just reached an agreement with AT&T
11 on some issues. You're going to see, when I report on
12 other things in the CEO report, we're trying to settle a
13 couple of utility agreements with Water Districts to make
14 sure CP 4 can get done.

15 And so we have a keener focus on that and we're
16 talking now with agency and the administration about a
17 broader focus to bring in some additional help to work
18 through the third-party issues because they have broader
19 relationships, if you will, with some of those utilities.
20 And so that's something that we're in discussions with now.
21 But we do have a new executive in charge of the third-party
22 agreement, and we're working through those issues.

23 I would just say, too, while it's been slow,
24 we've advanced quite a bit compared to where we were on
25 these.

1 BOARD MEMBER PEREA: Yeah, I understand.

2 MR. KELLY: We do report them every month to the
3 F&A. And if you want it by utility, we can provide it that
4 way.

5 BOARD MEMBER PEREA: Yeah, that'd be great
6 because I think it would really help this Board --

7 MR. KELLY: Yeah.

8 BOARD MEMBER PEREA: -- get a real good view --

9 MR. KELLY: Yeah.

10 BOARD MEMBER PEREA: -- of what's happening --

11 MR. KELLY: Yeah.

12 BOARD MEMBER PEREA: -- at that level. Thank you
13 now. Thank you, Brian.

14 CHAIR RICHARDS: Thank you, Director Perea.

15 Any other questions or comments for the CEO at
16 this point? Seeing none.

17 Oh, I'm sorry, yeah, I think Director Williams?

18 BOARD MEMBER WILLIAMS: Thank you, Mr. Chairman.

19 So, Mr. Kelly, Brian, thank you so much for
20 taking so much time in your CEO Report to update us on the
21 Project Update Report. I think it's helpful not only for
22 this Board but for the public to understand, you know, some
23 of the challenges that we have been facing.

24 I really do appreciate how you laid out, you
25 know, back -- you know, I, too, wanted to go back to slide

1 number six, as Director Escutia did, you know, where those
2 cost drivers are.

3 And also, before I go into that, just appreciate
4 being reminded of the historic nature of what we're trying
5 to accomplish here and how that compares to what has been
6 done not only internationally but in the rest of the
7 country that, frankly, doesn't compare to what we're trying
8 to do. And so it's very helpful to have you recite that
9 and to give us those comparisons to other projects in the
10 U.S., other projects internationally, and frankly other
11 modes of transportation that are also challenged and
12 costly.

13 But back to slide number six, and I think, again,
14 appreciate, good lawyers ask good questions, and Director
15 Escutia certainly asked some really good questions about
16 those costs. I was curious, and maybe I'll just leave it
17 at the comment because I think the questions have been
18 asked and answered.

19 But I think that what's really driving and what's
20 behind it for me is having a better understanding of which
21 of those costs we control as a Board and as an entity and
22 as the, you know, folks responsible for this project and
23 which ones we don't. Some of them are formulaic, as you
24 pointed out with the, you know, the P65 calculation. Some
25 of them we don't control in terms of inflation and supply

1 chain issues. To some degree even the, you know, the scope
2 changes make sense.

3 But I think it would be helpful for us going
4 forward, and what you heard I think from Director Escutia
5 and Director Perea, is like us really focusing and drilling
6 down on what we do control and how we can, you know, how we
7 must, frankly, do everything in our power to minimize those
8 costs. And whether it's getting ahead of those, what
9 results in change orders, making sure we're doing the work
10 and pushing our partners to expedite what we can expedite
11 and, you know, having a -- playing to the degree that we
12 can and where we can a stronger hand in making that happen.

13 So I just, I don't really expect a response, I
14 think a lot of my questions were asked and answered, but I
15 just wanted to pull back a few thousand feet and just
16 emphasize that point. And thank you and your team for all
17 you're doing and just know that you have this Board, not
18 only our expectation but our willingness to help push where
19 we need to push to make sure that we are doing what we can
20 to control those costs where we can.

21 MR. KELLY: Thank you.

22 CHAIR RICHARDS: Thank you, Director Williams.

23 MR. KELLY: One comment I would just make in
24 terms of reducing the probability that we would see this
25 going forward is to make sure that as we go forward, we

1 execute in sequence that is right for projects like this.
2 We can't -- again, you know, we're playing a lot of catch
3 up and that is the problem fundamentally is that we're
4 finishing right away after the contract is let, you know,
5 we're finishing utility relocations after the contract is
6 let for construction. We pay for that delay. And the good
7 news is we don't have to repeat that going forward and
8 we're not going to.

9 And so the key fundamental thing for me going
10 forward is, and this has to do -- everything has to do with
11 what we are doing on the Merced and Bakersfield extensions.
12 That is the place where we could show getting the sequence
13 right, we call it the stage gate process or stage delivery
14 process, but that's where we want to see this going
15 forward. We've heard a lot from industry about the size of
16 contracts going forward. We probably need to have smaller
17 contracts going forward that are more manageable and more
18 efficient and execute it only when they're ready to get
19 into construction.

20 And so that's going to be a key to a better
21 future on this program. We have to just finish cleaning up
22 the past. And that is, and I want to say to the whole
23 Board, I welcome, I welcome the use of the Board and Board
24 members to help us with these third-party issues, because
25 once we gain -- once the contractor has access to the

1 sites, we can advance the construction pace, but we've got
2 to get them access to the sites by getting these pre-
3 construction things done. And so that -- I welcome this
4 dialogue. I welcome this opportunity.

5 Thank you.

6 BOARD MEMBER SCHENK: Mr. Chairman?

7 CHAIR RICHARDS: Oh, yes. Yes, Director Schenck,
8 thank you.

9 BOARD MEMBER SCHENK: Yeah. Thank you.

10 Well, so many of the eloquent comments of my
11 colleagues reflected what I want to say, questions that I
12 wanted to ask, so I'm just going to try to figure out how
13 to do this.

14 As Brian has pointed out, lots of mistakes in the
15 past. And I guess as the resident historian, I will say
16 that many of them were the fault of those of us involved
17 because, you know, a unique project, historic project,
18 never been done in the United States before. We were
19 learning as we went along and, frankly, it was done on
20 stage, so we had the dress rehearsal and the first
21 performance all at the same time with the bright lights and
22 the critics in the audience. Much of it predates Brian and
23 this team, some of it, you know, he's inherited, some new.

24 It seems like the story has been things changing.
25 You know, this has been -- if there's one thing we can say,

1 it's change, whether change orders, new issues, new people.
2 And almost like a restaurant check, when there's a mistake,
3 it's never in the customer's favor. So the changes and
4 mistakes have never really been in our favor, but we're
5 looking ahead.

6 And to me, nothing will be as important and show
7 success as finishing the 119 miles. I think that
8 everything else is important to plan for but, you know, we
9 have limited resources, we have limited staff, we have
10 limits, money limits, every kind of limit. I just want to
11 make the comment that I, for one, want to do that laser-
12 like focus on the 119 miles. Let's show California, let's
13 show the American people we can get this done, and the rest
14 will come. If we are successful in doing the 119 miles, I
15 really believe that maybe in my lifetime the rest will
16 come.

17 So I just want to echo what Martha, Anthony,
18 Henry have said, Brian, really appreciate this update. I
19 think that the sooner we can get this kind of information,
20 the better for all of us to get on the same page to help
21 you and your entire team help get this 119 miles completed.

22 CHAIR RICHARDS: Thank you, Director Schenck.
23 Anybody else? Alright.

24 I'm not going to belabor the comments because
25 they've all hit them, but quite clearly what we can do as a

1 Board and have to do, and in fact we'll be -- we have to
2 set the policy, and the policy is to determine what we do
3 and when, and we do things when we're ready to do them.

4 So we know what happened before. We had an
5 unrealistic requirement to spend a lot of money from the
6 federal government that happened to be by September of
7 2017, which is the reason, as Director Schenck alluded to,
8 why we got out of sequence, because we had to start
9 construction in order to meet that deadline or all the
10 money would have been sent back to Washington, so we did
11 all those things.

12 In addition to the thing that hasn't been
13 mentioned, we also had to survive a number of lawsuits, all
14 of which we did, but it cost time and it cost money and
15 delay. So that's what happened.

16 So what we do in the future is to implement those
17 things that you've talked about, Brian, and those things
18 are we don't do anything out of sequence. But what we also
19 cannot do is we can't advance a project without a
20 definition of where the revenue is coming from.

21 And Lou Thompson, who has chaired the Peer Review
22 Group as long as I've been on the Board, has said this at
23 literally every public hearing I can recall having been at
24 or listened to him or read in the newspaper as he defines
25 the major issue with the California High-Speed Rail

1 Project, and that is a commitment to provide the revenue in
2 order to complete it. And that, along with a commitment
3 not to move out of step with what we are prepared to do to
4 move forward on, makes it so the contingency requirement
5 can be substantially reduced because there are so fewer
6 unknowns.

7 So I am very, very pleased with what you've done
8 today, Brian, in terms of the detail. And I know this is
9 just a briefing, so this isn't at all, but I think it
10 captures exactly where we are, not so much how we got
11 there, but I think through this discussion we know how we
12 got here. But we need to engage not just our federal
13 partners, but also our California partners also, the
14 legislature. We need to sit down formally or informally,
15 but we've got to have a common commitment, and that is that
16 there's got to be a pathway that we can all rely upon that
17 you can be charged with responsibility moving the project
18 forward because the funding is committed. And I heard --

19 BOARD MEMBER ESCUTIA: Mr. Chairman?

20 CHAIR RICHARDS: -- we heard a bit of that a few
21 days ago in Fresno from the Administrator of the FRA and
22 from the undersecretary -- or Assistant Secretary of the
23 Department of Transportation. They all get it.

24 So I think we are at a time in which the parties,
25 I think, recognize we all got to come together. And if

1 they're going to charge us with the responsibility, we have
2 got to work with them so that we've got the financing to do
3 it.

4 MR. KELLY: Mr. Chairman, can I --

5 BOARD MEMBER ESCUTIA: Mr. Chairman? Mr.
6 Chairman?

7 CHAIR RICHARDS: Yes, Director Escutia?

8 BOARD MEMBER ESCUTIA: Yes. I appreciate that,
9 that, you know, obviously I think that I'm very
10 conservative in terms of finances. I will not move unless
11 I see, really, a realistic path to drawing down the money.
12 So therefore that's why I do agree that we really ought to
13 pay strong, strong attention to what Commissioner Schenck
14 indicated, and that is that we really should focus, you
15 know, on building the 119 miles on our commitment to ARRA,
16 you know? And hopefully, you know, success breeds success.

17 MR. KELLY: Yeah.

18 BOARD MEMBER ESCUTIA: You know, that will bring
19 down additional funds.

20 But speaking about federal funds, it is very
21 difficult to compete, you know, against other projects
22 across the country. And, you know, short of having Brian
23 or you every day on Capitol Hill, I don't know how we do
24 this. And so therefore I am just wondering, has the time
25 come for us to perhaps consider hiring a lobbyist to make

1 sure that we have boots on the ground on this issue
2 consistently in Capitol Hill, consistently with the Federal
3 Transportation Authority and Railroad Authority and all the
4 people, so that we know that we mean business in terms of
5 drawing down the federal -- the next trench of federal
6 funds?

7 MR. KELLY: If I --

8 CHAIR RICHARDS: Sure. Were you going to talk
9 about that?

10 MR. KELLY: Yeah, well --

11 CHAIR RICHARDS: Go ahead.

12 MR. KELLY: -- just for edification, we do
13 have --

14 CHAIR RICHARDS: Yeah, we do.

15 MR. KELLY: -- we do have federal representation
16 in --

17 BOARD MEMBER ESCUTIA: Oh.

18 MR. KELLY: -- Washington.

19 CHAIR RICHARDS: We have two very good people,
20 Martha. And I mean, I've had an opportunity to watch and I
21 see the connection that they have with the people who are
22 sitting across the table. Now, I'm very comfortable with
23 the representation that we've got right now, and it is
24 there.

25 BOARD MEMBER ESCUTIA: Okay, I was not aware of

1 that. Okay.

2 CHAIR RICHARDS: No, but I mean, I think it's
3 something we should never overlook either, but I think that
4 we've got the right people there trying to make the case
5 for us. I think it's part of what we're -- and we're
6 working very closely with them right now.

7 BOARD MEMBER ESCUTIA: And also remember, Mr.
8 Chairman, Lynn Schenk is a former Congresswoman. You know,
9 I'm sure she has access to some of those offices. I would
10 say 50 percent of the California delegation are former
11 assembly members or state senators that I served with.

12 CHAIR RICHARDS: Yeah.

13 BOARD MEMBER ESCUTIA: So we have access to those
14 type of offices. And you know, we have to start
15 considering, you know, using our resources, our connections
16 to push this project forward.

17 CHAIR RICHARDS: Yeah. And I also think that's a
18 good idea. And I know that Director Schenk and I have
19 talked about this. And you've now involved yourself in it,
20 so I won't be out of line with just two people, so we'll
21 have that conversation. Okay.

22 BOARD MEMBER SCHENK: Thanks, Martha.

23 BOARD MEMBER ESCUTIA: You're welcome. Thanks
24 Lynn.

25 CHAIR RICHARDS: You both have another assignment

1 coming forward.

2 BOARD MEMBER SCHENK: Oh, Lord. Okay.

3 MR. KELLY: Mr. Chairman, I just would say that,
4 one, you know, the laser-like focus on the 119 is
5 absolutely the right --

6 CHAIR RICHARDS: It's exactly the right term.

7 MR. KELLY: It's what we owe the federal
8 government. They've given us \$3.5 billion to deliver
9 that --

10 CHAIR RICHARDS: Yes.

11 MR. KELLY: -- and so we have to get that
12 delivered. That is the beginning point, but we've also got
13 to be real clear, 119 miles is what we're asked to build
14 first. It is not a good operational run.

15 CHAIR RICHARDS: That's right.

16 MR. KELLY: It is a good test run.

17 CHAIR RICHARDS: Yeah.

18 BOARD MEMBER ESCUTIA: Right.

19 MR. KELLY: The operational run must connect the
20 cities.

21 CHAIR RICHARDS: Right.

22 MR. KELLY: It must connect the cities of the
23 Valley. And it's true that we cannot achieve that without
24 federal help.

25 The good news is that federal partnership will be

1 established in 2023 because the application is now, the
2 award is this year. I will take everybody up on their
3 relationships to make that happen because we're going to
4 need to. So we will put the grant application together,
5 and once it's out, I'll call on everybody to help us get
6 that because we're going to need it to have a good
7 operational run. So I do appreciate those coming.

8 And then one last thing, and then --

9 CHAIR RICHARDS: Sure.

10 MR. KELLY: -- I'll be quiet, is this, you know,
11 I want to be clear on something. I've talked about the
12 past because the past gives us a picture of what the future
13 needs to be, and I'm dedicated to that future. But I also
14 want to say, look, I've been here a while, and we need to
15 do better. I need to do better. This team needs to do
16 better in terms of delivering this utility work. Get it
17 done. Get it out of the way so we can get to access for
18 the contractors on construction. That is the path to
19 advancing construction. I own that now. I own that.

20 So I've made some changes with my management
21 team. We are focused on those third-party agreements, and
22 our objective is to get to construction sooner, and that's
23 what we will do.

24 CHAIR RICHARDS: Excellent.

25 MR. KELLY: Thank you.

1 CHAIR RICHARDS: Alright, we can now move on with
2 the balance of your report.

3 MR. KELLY: God, I've got to keep talking?
4 Alright.

5 This is now moving into the more traditional part
6 of the CEO Report, which is just an update on program
7 activities.

8 The first one is that we did get approval,
9 speaking of third parties, from -- recent approval for a
10 design for advancement on the intrusion protection barrier.
11 This is significant. This is about \$40 million of work
12 that has been awaiting design approval and agreements with
13 UP. Those are done and this work will commence in the next
14 ten days on CP 1. And so we're very pleased that we've
15 advanced that part of CP 1. And again, we'll see that work
16 move now that that design approval has been completed.

17 The next one is on CP 4. We talked about this at
18 the F&A Committee today. CP 4's schedule is awaiting the
19 conclusion of two utility agreements so that we can pick up
20 the pace on work in Kern County. This has to do with work
21 we have on land owned by and affecting equipment by a
22 Semitropic Irrigation District and the North Kern Water
23 District. Those agreements need to conclude, and we are
24 working to conclude those this month.

25 We also have what's called prescriptive

1 agreements, which are land right agreements between BNSF
2 and the North Kern Water District that we are negotiating
3 now, and those need to conclude. So while we advance some
4 of the work on the physical structure, there's a
5 requirement to tie in this canal work that we're building
6 on Semitropic. This agreement needs to be done so we can
7 do the tie-in work. And this work is also something that
8 we've got to complete to get the CP 4 schedule done.

9 We got pushed back a little bit by heavy rains in
10 December and January, but we're still looking at a CP 4
11 substantial completion date at the end of Q2 or perhaps the
12 very beginning of Q3, June or July of this year. And so
13 again, CP 4 will reach substantial completion in the very
14 near future.

15 We have some contract extensions because we've
16 extended the work for the contracts. The work for the CP
17 work to conclude on CP 1 and CP 2-3, our construction
18 management teams, their work needs to extend, so we've
19 extended each of these contracts by two years. It's Wong-
20 Harris on CP 1. That two-year extension is \$66 million.
21 And again, that's part of the construction management team
22 work that we're completing. When we push out that
23 schedule, we've got to -- we maintain the PCMs here for
24 continuity of management. And so that's, with the schedule
25 pushed out a couple of years, we push out the contract as

1 well. So that's on CP 1. There's a similar one on CP 4.

2 We just executed, this was also reported this
3 morning at the F&A Committee, but we executed a change
4 order for, again, those scope changes I talked about,
5 agreements between the City of Fresno and UP on several
6 bridges in downtown Fresno, agreements made between 2015
7 and 2018. All of that design work is now done. That
8 change order is executed and this work can now move forward
9 with the execution of this change order. It was a \$74
10 million change order. But again, to get all of the scope
11 changes that were in from agreements in prior years into
12 the contract, and this has been executed since we last met.

13 Next is similar to what I said earlier about the
14 Wong-Harris contract. We extend the work for CP 2-3, and
15 we extend the contract for the construction management team
16 we work with down there to get halfway through 2024. We'll
17 continue to evaluate their work in the meantime before we
18 make any decision on an additional extension.

19 I wanted to inform the Board, we haven't met
20 since November, and we didn't have a meeting in December or
21 January, and there has been some important personnel
22 changes that I want to talk about because there's additions
23 to the team that are going to help us advance the work and
24 get the construction done. And I'm very pleased to talk
25 about the appointment of Bill Casey, who is coming in as

1 our new Chief Operating Officer. Bill has worked for years
2 and years at Caltrans and overseeing complex construction
3 projects. He was a guy that I got to know when he was part
4 of a team that turned around the construction on the Bay
5 Bridge, which had struggled for years. Bill was a guy who
6 became part of the answer to that problem, and we're
7 looking forward to welcoming him in later this month as our
8 Chief Operating Officer. Bill is essentially the head of
9 construction for the Authority, and that position has been
10 vacant for some time but I've been appointed earlier this
11 month, and we're happy to welcome Bill to the Authority.

12 Another appointment is a gentleman that you heard
13 from earlier today, who I got to say takes a stunning
14 picture, Bruce Armistead is cool as could be.

15 BOARD MEMBER ESCUTIA: Yeah, he looks pretty
16 good.

17 MR. KELLY: Yeah. Bruce, I'm very pleased to
18 announce, is our new, confirmed, sworn in, and appointed
19 Chief of Rail Operations, and you all heard from him today.
20 I'm so pleased to have Bruce in that position. He's been
21 with us for some time as the Deputy Chief of that position,
22 but he's well-earned this title, and I'm looking forward to
23 working with Bruce in the days ahead.

24 CHAIR RICHARDS: Congratulations, Bruce. Well-
25 deserved. I'm happy for you.

1 MR. ARMISTEAD: Thank you.

2 MR. KELLY: And I'm struggling to -- there we go.

3 And assisting Bruce will be his Deputy, Dominique
4 Rulens, who has 38 years of experience in design and
5 construction of railways, and particularly high-speed
6 railways internationally. He is now coming from the
7 contractor side to be our employee, our Chief Deputy for
8 the Rail and Operations Division. He's been seven years
9 with the Authority, again, a lot of international high-
10 speed rail experience. He has a great French accent, and I
11 look forward to him testifying before you guys sometime in
12 the near future.

13 So these are important additions.

14 Before I move to the celebration that we just had
15 yesterday, I do want to talk about some departures because
16 I also want the Board to be aware of some changes that
17 occurred since we last met.

18 As we're bringing in Bill and Dominique and
19 Bruce, we are also -- we have a change at our Director of
20 Environmental Services. I know the Board is very familiar
21 with Serge Stanich. At the end of January, Serge took a
22 position in the private sector. And so his Deputy, Scott
23 Rothenberg, will step into that position as an interim
24 matter for us right now.

25 I can't say enough to this Board about the

1 tremendous work that Mr. Stanich did for the Authority.
2 I've been very proudly talking about all the environmental
3 documents that we cleared, and Serge was our lead on
4 getting that work done. He got a wonderful opportunity,
5 and I certainly wish him the best of luck in that. And his
6 well-trained deputy is going to help us get through the
7 last two environmental documents that we have in front of
8 us, but Serge left at the end of January.

9 And then the other departure -- or two more that
10 I want to talk about, our Director of Engineering Services,
11 Brian Sutliff, also left for a private sector opportunity
12 in the beginning of February. And I'm happy to announce,
13 sad to see Brian go but happy to announce that I'll be
14 bringing in a long-time, impressive state engineer to fill
15 that position, at least as an acting matter for us for some
16 period of time, and that's Dr. Brian Maroney, who used to
17 be the lead state engineer for all bridges and seismic
18 upgrades of bridges throughout the state of California.
19 And I'm looking forward to welcoming him to this
20 organization.

21 So those are some changes that I also want you to
22 be aware of.

23 And then the last one might be an individual the
24 Board has not had a lot of interaction with, but Christine
25 De Young is somebody who served as the assistant to our

1 prior Chief Operating Officer, has assisted our Deputy
2 Chief Operating Officer in a lot of capacity in, you know,
3 communications between the Valley and Sacramento, making
4 sure we're advancing things, filling positions down there
5 that we need filled. She's taken on a job at CSU
6 Bakersfield and has relocated for that.

7 But Christine De Young did tremendous work for
8 the Authority. She left us at the beginning of this --
9 earlier part of this month, and she has very large shoes to
10 fill. And so we're going to work hard to get that position
11 filled as well. But I can't thank her enough for the work
12 that she's done for us.

13 And then with or without the graphics, just to
14 conclude, I just want to say that it was -- the other thing
15 was our celebration earlier this week, which others have
16 referenced in testimony, but it was a very good day for us
17 to celebrate the 10,000-jobs milestone in the Central
18 Valley. The FRA Administrator came out from Washington,
19 DC, as did the Deputy Assistant Transportation Secretary
20 Charles Small. And we were very pleased with some of the
21 things they said publicly about their position on this
22 project, including both saying you stand shoulder to
23 shoulder with California High-Speed Rail, with the
24 governor, with the California Department of Transportation
25 to see this project get delivered. And Charles Small, the

1 Assistant Secretary at USDOT, talked about their commitment
2 to partnering with the state to figure out what the capital
3 stack of funding will be and to make sure that we work
4 together to move this project forward.

5 So again, really good shared partnership
6 opportunity for us. Mr. Chairman, you were terrific as the
7 emcee of the event, and it was a great day. I look forward
8 to more of those going forward. So thank you, Mr.
9 Chairman.

10 That wraps up my report.

11 CHAIR RICHARDS: Brian, thank you for the report.
12 It's just been terrific.

13 We'll move to the final item, which is just a
14 quick update on the Finance and Audit Committee meeting
15 this morning. I'll try to do this in two minutes.

16 The numbers that I'm going to provide to you
17 today are for the month of December '22. On December 31st,
18 the Authority had \$1.8 billion in the bank. That does not
19 include the proceeds from the November Cap and Trade
20 auction, which would add another \$190 million to it. So
21 roughly \$2 billion were in the revenue stream, including
22 most of which is already in the bank at the end of the
23 year.

24 We also had a Cap and Trade auction yesterday.
25 We don't have any numbers on that yet. We will have

1 something to say to you next month regarding that.

2 We also, when we have access to commercial paper
3 in advance of when there's a Proposition 1A Bond sale,
4 commercial paper was sold just recently, which generates
5 about \$200 million for the Authority against the \$4.2
6 billion in Proposition 1A.

7 The administrative budget, we report on that, and
8 the major reason we do that is because of the restriction
9 on the amount of money that can be spent from
10 administration for this project, statutorily imposed in
11 Proposition 1A. The Authority has spent \$32 million in
12 administration, which is about 34.2 percent of the annual
13 or the budgeted year, which ends in the end of June of this
14 year. Capital outlay, we spent in the month of December,
15 \$73.3 million, of which \$48.5 million were for our design-
16 build contractors, CP 1, 2-3, and 4.

17 We have a total contingency remaining as of the
18 end of the year of \$1.273 billion. Of that, the amount
19 that is allocated at this point to the construction
20 packages is \$357.6 million.

21 In the Central Valley Report, the number of
22 people at our construction sites in the month of December
23 was 964 workers on average per day. That was a decrease of
24 257 from the previous month, primarily the result of the
25 time of the year, the holidays, but also very much impacted

1 by the weather.

2 Utility relocation status, we have 23 relocations
3 that were completed in the month of December. I'll not go
4 through those numbers. We heard a little bit about utility
5 relocations earlier.

6 On the CP construction progress, and that's
7 structures in CPs 1 through 4, we have 93 structures; 69
8 structures have been substantially completed or underway.

9 Guideway, there's 119 miles, as you've heard; 88
10 of those 119 miles are underway or substantially complete.

11 And we had an amazing month of right-of-way
12 delivery. There were 41 parcels in the month of December
13 delivered to the design-builder, our builders. And as was
14 mentioned earlier, we had 28 -- or 2,300 parcels that we
15 are procuring for CPs 1 through 4, of which 2,208 have been
16 delivered. That's 96 percent, as Brian said earlier.

17 So with that, ladies and gentlemen, thank you
18 very much for staying with us and we appreciate your
19 attendance. And those of you out listening and watching,
20 thank you. We will be back again on March the 16th for
21 Finance and Audit, which will be at 8:30 in the morning,
22 and the Board meeting will be at 11 o'clock.

23 So with that, again, thank you all.

24 And welcome, Emily, and we're very, very happy to
25 have you here.

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The meeting is now adjourned.
(The California High-Speed Rail Authority Board
meeting adjourned at 1:22 p.m.)

CERTIFICATE OF REPORTER

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 9th day of March, 20223



MARTHA L. NELSON, CERT**367

CERTIFICATE OF TRANSCRIBER

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.

I certify that the foregoing is a correct transcript, to the best of my ability, from the electronic sound recording of the proceedings in the above-entitled matter.



MARTHA L. NELSON, CERT**367

March 9, 2023