



DRAFT

FINANCE AND AUDIT COMMITTEE MEETING MINUTES

May 16, 2024

Webcast at:

www.hsr.ca.gov

The meeting of the California High-Speed Rail Authority (Authority) Finance and Audit Committee Meeting was called to order on May 16th at 8:30 A.M. at 1220 N Street, Sacramento, CA and by Zoom. The Meeting Minutes were prepared in the order items were presented during the meeting.

Committee Members Present:

Mr. Tom Richards, Committee Chair

Mr. Ernie Camacho, Committee Member

Mr. James Ghielmetti, Committee Member

Staff Present:

Mr. Brian Annis, Chief Financial Officer

Mr. Brian Kelly, Chief Executive Officer

Ms. Alicia Fowler, Chief Counsel

Mr. Daniel Horgan, Deputy Chief Operating Officer

Ms. Chaise Moore, Board Secretary

Public Comment

An opportunity for public comment was made at the outset of the meeting. No public comment was given.

Item #1 – April 11th Meeting Minutes

The April 11th, 2024, Meeting Minutes were moved for approval by Committee Member James Ghielmetti and seconded by Committee Member Ernest Camacho. The meeting minutes were approved by all committee members present.

Item #2 – Executive Summary by Chief Financial Officer

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

Question:

Chair Richards asked what do you have to tell us about the auction yesterday?

Response:

Mr. Annis responded there was a Cap-and-Trade auction scheduled for yesterday. The Air Resources Board noticed yesterday morning that due to technical difficulties that particular auction would be postponed and at that time they did not indicate a new date, but we can monitor that daily and see when that appears.

Question (Cash Management Report):

Chair Richards asked are the Proposition 1A Bond Sales a result of something we requested?

Response:

Mr. Annis responded yes, every six months the Department of Finance does what they call a Bond Survey. We submit our request for new bond proceeds and we work iteratively with Finance because they want to minimize the sale of bonds so that they are not paying interest earlier than they have to on issuances. We work with them and that is submitted to the Treasurer's Office for the sale.

Question:

Member Ghielmetti asked where do we show the grant we got from the Federal government, the \$3.1 billion? Where does that show here?

Response:

Mr. Annis responded we do not show the Federal cash on the Cash Management Report because that is a reimbursed mechanism. Generally, it is Cap-and-Trade, sometimes Prop 1A. We spend the State dollars first to pay the contractor, then we submit the invoice to the Federal government and they reimburse us after the fact. We do not really carry a Federal cash balance.

Question:

Member Ghielmetti asked what is the reason for that?

Response:

Mr. Annis responded this is their requirement. They do not supply the cash up front. They prefer to review the invoices and approve the invoices and at that time provide the grant funds.

Question:

Member Ghielmetti asked we do show the Federal grant on page five, right?

Response:

Mr. Annis responded yes, we show the amounts that are in the grant and the amount that has been expended to date.

Question:

Mr. Kelly asked the \$800 million [Bond Issuance] you referenced, is that when the legislature awarded \$4.2 billion a couple of budget cycles ago? They separated it into a \$2 billion and a \$2.2 billion if I recollect right. There was a \$2.2 billion or \$2 billion that was set aside pending some things we had to report to the legislature. Is the \$800 million that has been issued out of that second tranche?

Response:

Mr. Annis responded yes, most of it is. We issue bonds for multiple purposes. One is for Central Valley Construction which is related to the \$4.2 billion so most of that \$800 million is that. We also issue bonds for a portion of our state staff, we also issue bonds for the Bookend Projects. I think that \$800 million is a mix of those, but primarily the Central Valley Construction.

Question:

Mr. Kelly asked out of the totality of Proposition 1A dollars for this project, are we down to something like \$1.4 billion to be issued?

Response:

Mr. Annis responded it is a little higher than that. I think the math on Central Valley Construction would be roughly \$1.4 billion and then we have the Bookend money left, I think at least \$500 million for the LA Union Station and other projects as well, and a little bit for State operations.

Question (Capital Outlay Budget Summary):

Chair Richards asked for the costs to the Design-Build contracts, would Change Orders or settlement costs be incorporated into that number?

Response:

Mr. Annis responded some, yes. Where we are paying it up front is for work already performed, so if there is a Change Order on a future construction project we would not pay in advance. That would go into our future year budget plans for dollars.

Comment:

Member Ghielmetti commented on some of these the percentages are quite low, given we are 75% through the budget year. For example, the Bookend Projects are only 13% spent.

Response:

Mr. Kelly responded remember that a big chunk of the Bookend is \$423 million to LA Union Station and that work has not started yet, so there is none of that that has been spent, as an example.

Question:

Member Ghielmetti asked if it has not been started, is it ever going to start? Do we get the money back [if it does not]?

Response:

Mr. Kelly responded our Bookend Projects include the CalTrain Electrification Project, the grade separation in Northern California, a major grade separation in Southern California, and the LA Union Station. The grade separation project in LA is into construction now, so they are now spending. They have not been spending but now it is in construction and it is starting to move. The grade separation project in Northern California is completed so that is closed out. The Electrification Project in Northern California is advancing and we are now spending some of that, maybe half or two-thirds though that. Then the big one that is pending is the LA Union Station.

Question:

Member Camacho commented most of that money that went to LA has not been spent. There was a presentation made to us last October and they were going to present to us a modification or a plan to go forward. Have they not provided us that plan yet?

Response:

Mr. Kelly responded we entered what we call a Project Management Financing Agreement (PMFA) with them. They then informed us that they have budget and schedule issues. Under the PMFA we executed with LA Metro, they are required to submit to us a remediation plan, and that remediation plan is still pending. Our team is working with them, Mr. Armistead and Ms. DiCamillo in Southern California work with them on that, and we are expecting it this summer. It is a June or July timeline. They were looking at things like descoping some issues in the project and other elements. That will come back to this Board later this summer.

Question (Contracts and Expenditures Report):

Chair Richards asked is there a place or column that could be put here that would identify the total amount that we spent from the outset?

Response:

Mr. Annis responded yes, that is in the detailed report. I zoomed in so this would be legible in a PowerPoint. In our Contracts and Expenditures Report, it is a 12-page document, we have a contract amount column, an actual expenditures to date column, and a remaining balance column.

Question:

Chair Richards asked could we put that up in the summary here?

Response:

Mr. Annis responded yes.

Question (Contingency Summary):

Member Ghielmetti asked on that arbitration case that we were not successful on, will that come out of the contingency?

Response:

Mr. Annis responded yes.

Question:

Member Ghielmetti asked when will we report that?

Response:

Mr. Annis responded the amount of the payment is being negotiated right now. It has not gone through governance or internal approval yet. After the arbitration decision that went to further work to negotiate the amount of the payment.

Question:

Member Ghielmetti asked what is the approximate number?

Response:

Mr. Kelly responded it is on the order of \$130 million.

Question:

Member Ghielmetti asked so that will come out of the \$940 million?

Response:

Mr. Kelly responded yes.

Item #3 – Central Valley Update by Deputy Chief Operating Officer

Chair Richards announced that the Central Valley Update will be presented during the Board Meeting.

Having no further business, the meeting was adjourned at 9:05 A.M.

The Authority additionally posts on its website a link to a recording of the F&A meeting, which detail the discussion, questions, and answers from the meeting.