

CALIFORNIA HIGH-SPEED RAIL AUTHORITY

FINANCE AND AUDIT COMMITTEE MEETING

TRANSCRIPT OF PROCEEDINGS

DEPARTMENT OF FOOD AND AGRICULTURE AUDITORIUM

1220 N. STREET

SACRAMENTO, CA 95814

HYBRID VIA IN-PERSON AND REMOTE

THURSDAY, SEPTEMBER 26, 2024

8:30 A.M.

Reported by:

Martha Nelson

APPEARANCESBOARD MEMBERS

Tom Richards, Chair

James Ghielmetti

Ernesto Camacho

Henry Perea

STAFF

Ian Choudri, Chief Executive Officer

Alice Rodriguez, Secretary

Paula Rivera, Chief Auditor

Natalie Daniel, Acting Chief Financial Officer

Daniel Horgan, Deputy Chief Operating Officer

PUBLIC COMMENT

Roland Lebrun

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P R O C E E D I N G S

8:30 a.m.

THURSDAY, SEPTEMBER 26, 2024

CHAIR RICHARDS: Good morning, ladies and gentlemen, and welcome to the Finance and Audit Committee meeting for September for the California High-Speed Rail Authority Board of Directors. We welcome you.

And we'll start this morning by asking our secretary to call the roll.

MS. RODRIGUEZ: Director Camacho?

BOARD MEMBER CAMACHO: Here.

MS. RODRIGUEZ: Vice Chair Miller?

Director Ghielmetti?

BOARD MEMBER GHIELMETTI: Here.

MS. RODRIGUEZ: Chair Richards?

CHAIR RICHARDS: Here.

MS. RODRIGUEZ: Mr. Chairman, we have a quorum.

CHAIR RICHARDS: Thank you.

We'll move into our agenda for this morning and start with the minutes for the -- boy, this is way back -- May the 16th. So I know that the members have looked at the minutes. Are there any changes, additions or deletions, and if not, can we have a motion?

BOARD MEMBER CAMACHO: Move.

BOARD MEMBER PEREA: Second.

1 CHAIR RICHARDS: Okay. Motion and a second. All  
2 in favor?

3 ALL BOARD MEMBERS: Aye.

4 CHAIR RICHARDS: All right. Thank you.

5 Item number two this morning is the Audit Report  
6 from our Chief Auditor, Paula Rivera.

7 Good morning, Ms. Rivera.

8 MS. RIVERA: Good morning.

9 CHAIR RICHARDS: How are you?

10 MS. RIVERA: Good. I am Paula Rivera, Chief  
11 Auditor for the Authority, and I have two reports to  
12 present to you today. The first is a pre-award review, an  
13 agreement for an independent safety assessor. This was a  
14 pre-award that we performed we -- well, a pre-award we  
15 performed because it was a contract that will be awarded  
16 based on a Request for Qualifications. So when we have an  
17 RFQ, the Authority's practice to determine a fair and  
18 reasonable price is to perform a pre-award of the cost  
19 proposed. So we look at the direct labor that was proposed  
20 for the firms, as well as the indirect rates and the other  
21 direct costs, and we look to see that those are actual.

22 In this case, we did a risk assessment of the  
23 proposed sub-consultants and we evaluated 97 percent of the  
24 total contract value, which was \$9.4 million, mostly  
25 because all of the firms that were proposed are firms that

1 we didn't have experience with in doing pre-awards for  
2 doing audits.

3 We found a number of issues related to indirect  
4 costs, which is the most challenging part for firms who are  
5 unaccustomed to preparing indirect cost rates in compliance  
6 with the federal regulations, and who are unaccustomed to  
7 doing business with state entities. So were able to  
8 resolve most of the issues we identified during the pre-  
9 award.

10 There were a couple that didn't grasp the results  
11 that we presented to them were then the final for the memo.  
12 So we had a couple of firms that we worked with after we  
13 released this memo and have come up with an understanding  
14 of how they calculate their indirect rates.

15 And then there were a couple of firms who just  
16 didn't have their information ready. And so as soon as  
17 it's ready it will be provided to the contract manager,  
18 they'll provide it to us, and then we'll evaluate those  
19 rates.

20 BOARD MEMBER CAMACHO: Mr. Chair?

21 CHAIR RICHARDS: Yes. Go ahead.

22 BOARD MEMBER CAMACHO: The audit that you're  
23 doing for these firms, do they -- are you looking at  
24 numbers as well as procedures?

25 MS. RIVERA: In this case, it's not technically

1 and audit, it's just a review.

2 BOARD MEMBER CAMACHO: Oh, okay.

3 MS. RIVERA: We don't do enough work to call it  
4 an audit to be able to give you that assurance, so we're  
5 only reviewing numbers, we're not looking at processes,  
6 we're not looking at their financial management system,  
7 reviews and approvals. We're looking at what they've  
8 proposed. The people -- well, not the people, but the  
9 people who they've proposed, we look at their actual rate  
10 that's proposed and verified to payroll to be sure that  
11 that's the rate that they're being paid.

12 We look at the indirect rate that's being  
13 proposed, and we look to see that they can support the  
14 total labor in their indirect rate statement. We compare  
15 it to the federal payroll tax returns. And then we are  
16 testing accounts, say meals and entertainment of things  
17 that could potentially have unallowable costs.

18 But it's, honestly, it's a quick review. We're  
19 looking to perform the review within the three weeks that  
20 the agreement is being negotiated.

21 BOARD MEMBER CAMACHO: Thank you.

22 CHAIR RICHARDS: Any other questions?

23 And the rates that yours testing, are those --  
24 where are those rates coming from?

25 MS. RIVERA: They were proposed by the individual

1 firms.

2 CHAIR RICHARDS: And how do we determine whether  
3 they are appropriate or supportive of what not? I mean, on  
4 what basis do we do that?

5 MS. RIVERA: So we're looking to see if they're  
6 following a consistent methodology. Most rates for  
7 architectural and engineering work are based on their  
8 direct labor, so the overhead is a function of their direct  
9 labor and their indirect costs. So we're looking to see  
10 that they've followed a consistent methodology in preparing  
11 it, and then that the general categories of costs are  
12 supported.

13 So if we could see that there's a large of amount  
14 of, say, meals and entertainment, we would look at that  
15 specific account and look at all of the detail in that  
16 account and identify if they're gifts or contributions or  
17 alcoholic beverages or those sort of things. So we're just  
18 looking to see that the categories of cost comply with the  
19 federal regulations in addition to how they've calculated  
20 the rates.

21 CHAIR RICHARDS: Okay. Thank you, Paula. And  
22 next?

23 MS. RIVERA: The second item I have for you today  
24 is an audit we performed of the Small Business Program.  
25 The purpose of the audit was to determine the accuracy of



1 the Authority's small business utilization rates reported  
2 and the contractor's compliance to their contract, the  
3 Authority's small business participation goal, and state  
4 and federal requirements by evaluating contractors, small  
5 business activities, and efforts.

6 The scope of our audit was limited to contracts  
7 that had the small business utilization requirements, and  
8 their contract terms went through December of 2022, which  
9 is when we started the audit.

10 Our audit included examining policies,  
11 procedures, other criteria. We interviewed contractor  
12 personnel, consultant personnel, and then we were  
13 conducting tests of the information that the contractors  
14 maintained and the Authority utilization rates.

15 A little bit of background. We completed a  
16 review of the Small Business Program reporting in 2014 and  
17 found multiple issues, including inconsistent tracking of  
18 small business participation and utilization reporting.

19 A follow-up review was performed by our office in  
20 2018 that found errors in utilization reporting and  
21 inefficient data collection processes.

22 This audit was conducted in 2023-24 and it was of  
23 the Authority's Small Business Program. Our report details  
24 the Small Business Program's compliance and reporting  
25 elements and makes recommendations the Authority may

1 consider implementing to improve the Small Business  
2 Program.

3 In November 2023, the Small Business Program  
4 received approval from the Board to implement a new small  
5 business policy. And these revised goals are outside of  
6 our audit period and were not evaluated.

7 So our audit concluded that the Small Business  
8 Program's reported small business utilization rates have  
9 shown consistent improvement between 2018 and 2022.

10 In terms of contractor compliance, we found that  
11 the contractors generally complied to their contracts and  
12 utilized the small business subcontractors they initially  
13 proposed in their small business plan. However, contractor  
14 good faith efforts were not tracked and the documentation  
15 was no maintained consistently.

16 So we had no issues or findings, so we had a  
17 number of observations. So there were any things that we  
18 found that weren't being performed in accordance to  
19 procedures or rules or regulations or anything, but we did  
20 notice a few things that we thought could be improved on.

21 The first observation is that the small business  
22 utilization accuracy is improving. And they have  
23 implemented a system to be able to assist in that tracking.  
24 And we recommended that they work to verify that the rates  
25 that they are reporting can be supported with the data

1 provided by the contractors or consultants.

2           Our second observation, that work towards the  
3 small business goal is a continued effort, and we recommend  
4 that the Small Business Program require updates from prime  
5 contractors on how they plan to meet their small business  
6 goal.

7           The third observation is the tracking of good  
8 faith efforts is inconsistent. We recommend the Authority  
9 ensure contractors are fulfilling their good faith efforts  
10 by reviewing submittals and verifying the efforts.

11           Our report includes a list in the appendix of the  
12 active contracts at the time we were performing our audit,  
13 how far along the contract was, its completion percentage,  
14 and the small business percentage they had attained.

15           And then we have a graph that shows, in general,  
16 the further along a contract gets, the closer they come to  
17 compliance, which shows one of the challenges in monitoring  
18 the small business completion or percentage, completion  
19 towards their small business goal. Early on, we're in the  
20 middle of a contract, it's difficult to assess whether or  
21 not they're going to meet the goal. Towards the end, it's  
22 sometimes a challenge. If they haven't met their goal,  
23 there isn't enough time left in the contract. So that's  
24 one of the reasons we've recommended closer ongoing  
25 monitoring.

1           The results were presented to Authority executive  
2 management. And the Small Business Program provided a  
3 response, which we've attached in its entirety to this  
4 report.

5           Any questions?

6           CHAIR RICHARDS: Thank you, Paula.

7           Any questions for our Chief Auditor? Okay. I  
8 have none.

9           Thank you very much, Paula. Good to see you.

10          MS. RIVERA: Thank you.

11          CHAIR RICHARDS: Okay.

12          MS. RIVERA: Thank you.

13          CHAIR RICHARDS: So we'll move on now to item  
14 number three, which is our executive summaries. So our  
15 Acting Chief Financial Officer, Natalie Daniel.

16          Good morning, Natalie.

17          MS. DANIEL: Good morning, Mr. Chair and Board  
18 members. I'm Natalie Daniel and I'm the Acting Chief  
19 Financial Officer at the Authority. This morning, I'll be  
20 briefing you on the September executive summary which  
21 covers data through July 31st and is a summary of the  
22 Authority's financial activities. As we go through the  
23 slides, I'm happy to answer any questions you may have. We  
24 also have several subject matter experts in the audience to  
25 help with program-specific inquiries.

1           CHAIR RICHARDS: Can you identify who the subject  
2 matter experts are who are with you, Natalie?

3           MS. DANIEL: Daniel Horgan may assist with some  
4 of the construction questions.

5           CHAIR RICHARDS: Okay. Thank you.

6           MS. DANIEL: Um-hmm. We'll start on the next  
7 slide.

8           This slide has two reports. At the top, we have  
9 the Accounts Payable Report, which summarizes our monthly  
10 invoice processing. I'm happy to report that, first, we  
11 did not have any late payments in the month of July, which  
12 brings us to a new record of 90 months where we have not  
13 incurred any late payment penalties as a result of the  
14 Prompt Payment Act.

15           Secondly, moving to the second row of the chart,  
16 you can see we're tracking \$157.9 million in disputed  
17 invoices with contractors. This is about \$2.3 million  
18 lower than last month, which is primarily due to decreases  
19 in Dragados disputes. Dragados continues to make up the  
20 majority, about 99 percent, of our vendor disputes.

21           Continuing to the second part of the page, we  
22 have our Cash Management Report. This report summarizes  
23 the cash balances that we have in each of our three funds.

24           If you go to the column on the right side, you  
25 can see that, first, Prop 1A bond funds are coming in at

1 approximately \$336.1 million, which reflects a net decrease  
2 of about \$109 million.

3           Next, cap-and-trade funds are showing at about  
4 \$3.1 billion, which represents a decrease of \$29.2 million.  
5 This balance does not include our most recent May or August  
6 auction results, which will add approximately \$411.5  
7 million to the Authority.

8           The May posting will show next month when we  
9 report on the August data. And the August posting is  
10 currently being processed by the Department of Finance and  
11 the State Controller's Office. We anticipate that posting  
12 will occur in early October.

13           Lastly, we report that the rail property  
14 management funds remain at approximately \$12.3 million.

15           Next slide, please.

16           This is our Administrative Budget and  
17 Expenditures Report which shows spending for state  
18 operations costs. Our operating budget increased by almost  
19 \$14 million to \$111.9 million beginning in July. This was  
20 a result of the enactment of the new state budget for the  
21 '24-25 fiscal year.

22           In addition to the \$14 million, our new fiscal  
23 year budget reflects and increase of 67 new state  
24 positions. These changes are both related to an approved  
25 budget change proposal that transitioned consulting

1 resources to state positions.

2 In terms of expenditures, we spent about \$5.7  
3 million this month on operations expenses. This was \$4.6  
4 million less than last month. The June expenditures  
5 included year-end purchase, and also year-end approvals.  
6 Our total expenditure rate for the year is approximately  
7 5.1 percent, which is a bit below the 8.3 rate of fiscal  
8 year completion, but this is due primarily to salary  
9 savings.

10 If you look at the last row of the chart, you can  
11 see our vacancy rate has increased to 28 percent. But  
12 again, this is related to the addition of the 67 new  
13 positions. And without the positions the vacancy rate  
14 would be at 16.8 percent.

15 BOARD MEMBER GHIELMETTI: Mr. Chairman --

16 CHAIR RICHARDS: Yes?

17 BOARD MEMBER GHIELMETTI: -- can I ask a  
18 question? This has been bugging me for years. We have  
19 authorized, what 496 positions?

20 MS. DANIEL: Yes.

21 BOARD MEMBER GHIELMETTI: And we've filled 357.  
22 Do we have to fill 496 positions?

23 MS. DANIEL: The goal is always to fill as many  
24 positions as you can, but there's not a requirement to fill  
25 positions. So the --

1 BOARD MEMBER GHIELMETTI: Why isn't it a goal?  
2 We should be trying to save money. So, I mean, I don't  
3 know.

4 MS. DANIEL: Well, this is state operations, so  
5 these positions are the state staff that work on the  
6 project so they're --

7 BOARD MEMBER GHIELMETTI: But if we don't need  
8 them, we shouldn't hire them; right?

9 MS. DANIEL: We actually do need them. We just  
10 did a budget change proposal to move consulting resources  
11 for operating staff to state resources for operating staff.  
12 So there is programmatic need for all these staff and they  
13 over a variety of offices.

14 CHAIR RICHARDS: And the determination for the  
15 need is accomplished by whom or --

16 MS. DANIEL: Each of the office directors  
17 validated that they needed the office resources. And most  
18 of these positions were actually based on past consulting  
19 hours that we had validated as part of our base workload.

20 BOARD MEMBER CAMACHO: Those positions that are  
21 vacant, are those positions, are they -- the TEs (phonetic)  
22 associated with those positions, are they budgeted as a  
23 forecast going forward as part of our budget?

24 MS. DANIEL: Yes, they are.

25 BOARD MEMBER CAMACHO: So then if we don't fill



1 those positions, we're going to -- we can pull those  
2 dollars out of that projected budget; correct?

3 MS. DANIEL: That is true. The --

4 BOARD MEMBER CAMACHO: Okay.

5 MS. DANIEL: -- the totality of the positions  
6 makes up the majority of the --

7 BOARD MEMBER CAMACHO: Yeah.

8 MS. DANIEL: -- \$111.9 million.

9 CHAIR RICHARDS: Thank you. And, Natalie, each  
10 year when the new fiscal year is coming up we are notified  
11 that, in the budget, there's been an increase in the number  
12 of authorized, et cetera, et cetera.

13 MS. DANIEL: Yes.

14 CHAIR RICHARDS: Is that increase based upon our  
15 request or is it based upon something coming out of another  
16 agency of the government?

17 MS. DANIEL: Typically, the budget change  
18 proposals are at our request. There are times when the  
19 administration will do drills that may impact our  
20 resources. =Those tend to be reductions and those would be  
21 pursued at the administration level.

22 CHAIR RICHARDS: Okay. Thank you.

23 MS. DANIEL: Sure. Okay, so we're moving on to  
24 the capital outlay budget summary.

25 This shows our capital project expenditures for

1 the month. In the top row, you can see our fiscal year  
2 allocation for '24-25 is \$2.63 billion. This increase is  
3 primarily due to additional scope for final design, and  
4 right-of-way on the Merced and Bakersfield extensions and  
5 advancement of track and systems and trainset work.

6 Total capital expenditures for the month of July  
7 were \$119.6 million. If we break down expenditures by  
8 construction packages, we can see that CP expenditures  
9 totaled \$93.3 million. And if we look specifically at the  
10 design-build contracts, those total at approximately \$77.7  
11 million.

12 Moving to the bottom table, you can see that  
13 capital outlay expenditures were primarily focused in  
14 construction at \$98.3 million, but also included \$19.7  
15 million in project development and \$1.6 million in bookend  
16 expenditures.

17 Next slide, please.

18 CHAIR RICHARDS: Natalie, before you go, on the  
19 current budget and those budgets in the past, I assume  
20 that's a process that's accomplished by meetings with all  
21 of the department heads, et cetera, and coming up with  
22 their budgets for the year?

23 MS. DANIEL: That's correct.

24 CHAIR RICHARDS: And so last year, we, first,  
25 it's my recollection is it was the first time we came

1 pretty close to what the budget was, which was a little  
2 over 96 percent. And now we've jumped it up from \$1.850  
3 billion to \$2.6 billion. Is that, from your perspective,  
4 is that a realistic budget for achievement this year?

5 MS. DANIEL: Yes, I believe it is. We also do  
6 additional projection midway through the year to make sure  
7 that we're still on track, and if we needed any  
8 refinements, we could come back.

9 CHAIR RICHARDS: Okay.

10 MS. DANIEL: Okay, moving on to the Total Product  
11 Expenditures Report. I think we need to back up one slide.  
12 Thank you.

13 This top chart reflect our total accumulated  
14 project expenditures from July of 2006 through our current  
15 reporting period. These totals include both state  
16 operations and capital outlay expenditures and come in at  
17 about \$13.2 billion.  
18 The table then breaks out those expenditures by category.  
19 In the first row, you can see the majority of expenditures  
20 are in construction at about 77.9 percent. And in the  
21 second row, project development is coming in at 12 percent.  
22 The remaining 10.1 is a combination of local assistance and  
23 support functions and state operations.

24 CHAIR RICHARDS: And administration is capped at  
25 what percent of the total?

1 MS. DANIEL: There is a cap in the Proposition 1A  
2 Fund of five percent.

3 CHAIR RICHARDS: Thank you.

4 MS. DANIEL: Um-hmm. The bottom chart is our  
5 federal funds and state match liability chart, which  
6 provides a comprehensive look at each of our federal grants  
7 in terms of expenditures and state match. There's actually  
8 not a lot of change in this chart this month, but we do  
9 continue to post additional expenditures in the RAISE  
10 Merced Extension Grant.

11 Additionally, I'm happy to report that we have  
12 recently gotten formal grant agreements for the RAISE  
13 Fresno Depot, CRISI Grade Separation, and Fed State  
14 Partnership awards. These updates will show up in this  
15 chart starting next month.

16 Outside of this slide, we had some new  
17 application activity which I'll cover as part of the Flash  
18 Report.

19 Next slide, please.

20 CHAIR RICHARDS: Off the top of your head, the  
21 value of those three new awards are about what?

22 MS. DANIEL: So the grant agreements are fully  
23 obligating each of the grant awards. The three grant  
24 awards were for the Fresno Depot --

25 CHAIR RICHARDS: And what amount? What amount?

1 MS. DANIEL: -- \$20 million.

2 CHAIR RICHARDS: Natalie, I'm sorry, I mean to --  
3 what amounts? How much are the grants for?

4 MS. DANIEL: Yeah. The Fresno --

5 CHAIR RICHARDS: Okay.

6 MS. DANIEL: -- the Fresno Depot project was for  
7 \$20 million. The CRISI Grade Separations were for \$202  
8 million. And then the Fed State Partnership was for \$3.1  
9 billion.

10 CHAIR RICHARDS: Okay.

11 MS. DANIEL: Moving to the Contracts and  
12 Expenditures Report, this report outlines our contract and  
13 purchase order numbers in totals. You'll see that the  
14 number of contracts has increased slightly to 192 as of the  
15 end of July. And month over month, the value of active  
16 contracts was relatively stable at \$13.1 billion.

17 The second half of this page reflects small  
18 business utilization percentages by construction versus  
19 professional services contracts. In the far right, we can  
20 see that total construction small business rates are 22.8  
21 percent, professional services small business rates are at  
22 31.1 percent, and the overall cumulative total is 23.4  
23 percent, which is stable and ties to the chart above. As  
24 of June 30th, we had 852 small businesses working on the  
25 project.

1           Next slide, please.

2           This brings us to our last formal slide, which  
3 represents our contingency use reporting. The top chart  
4 details project contingency by segment, and also shows  
5 other contingency tracking. We did have activity in each  
6 of the CPs this month and one action in the other  
7 contingency category, but all individual actions were under  
8 \$25 million. Cumulatively, they totaled \$51.7 million for  
9 the CPs and \$52.2 million overall.

10           Again, moving to the bottom chart, there were no  
11 change orders to report over the \$25 million threshold this  
12 month, so there are no actions here.

13           Next slide, please.

14           BOARD MEMBER PEREA: A question. And maybe  
15 Daniel can answer this. On CP 4, we're almost done there.  
16 We have a remaining contingency balance of a little over  
17 \$22 million. Is that enough to settle the remaining items  
18 that we have there, especially with Tropicana?

19           MR. HORGAN: We still have some issues, as you  
20 know, with Semitropic, as well, getting some cutovers. And  
21 then we've got the North Kern. So that is, we are  
22 reviewing it. We might need a little bit of additional  
23 contingency but not a lot. We're probably looking at  
24 possibly another \$10 million.

25           BOARD MEMBER PEREA: Thank you.

1 MR. HORGAN: You're welcome.

2 MS. DANIEL: Okay. This last slide is our Flash  
3 Report, and this is a preliminary report of what we  
4 anticipate sharing with you at next month's meeting,  
5 covering the month of August. The top chart identifies  
6 capital outlay expenditures. At this time, we're  
7 projecting total CP expenditures to come in at \$113  
8 million, and as a subcomponent of that, total DB  
9 expenditures at \$97.8 million. If we include other work in  
10 our total capital expenditures, those are anticipated to  
11 come in at a total of \$137.3 million.

12 The bottom left chart is where we report field  
13 position updates. Currently, we are anticipating 352  
14 filled positions and a vacancy rate of 29 percent for  
15 August. Again, these include the 67 new positions that  
16 were added in July.

17 And lastly, on the bottom right, we show our new  
18 federal grant updates. We note that we were not a  
19 recipient in the last cycle of the GRIP or MEGA Grant  
20 awards.

21 However, on September 4th, we submitted a new  
22 application for the Wildlife Crossing Pilot Program for  
23 \$4.3 million. This grant would allow the Authority to  
24 implement a five-year 119-mile longitudinal monitoring  
25 study to assess wildlife crossing structures and their

1 effectiveness.

2           And on September 23rd, we submitted a new  
3 application for the Railroad Crossing Elimination Program  
4 for \$89.6 million. This grant is for the Le Grande Road  
5 overcrossing within the Merced extension, which will  
6 separate cars, trucks, bicycles and pedestrians from rail  
7 operations.

8           And that concludes the executive summary update.  
9 Thank you, Mr. Chairman.

10           CHAIR RICHARDS: Thank you.

11           Any questions for our --

12           BOARD MEMBER GHIELMETTI: Yes, I do.

13           CHAIR RICHARDS: Go ahead.

14           BOARD MEMBER GHIELMETTI: I'd like to go back to  
15 the preliminary numbers --

16           MS. DANIEL: Yes.

17           BOARD MEMBER GHIELMETTI: -- again on staffing.  
18 I'm really concerned about the filled positions versus the  
19 vacant positions, whether or not they're authorized or not.

20           But I'd like to ask, with many of the other tasks  
21 that the CEO is going to be doing, is ask him to freeze  
22 anymore hiring into those positions until he does a  
23 thorough review and gives us back a report justifying those  
24 positions, and to see whether or not we even need them at  
25 all.



1           But if I could ask that for you -- from you, Ian,  
2 I'd appreciate that.

3           MR. CHOUDRI: Yeah. No, I will look into it --

4           BOARD MEMBER GHIELMETTI: THANK YOU.

5           MR. CHOUDRI: -- and get back to you.

6           CHAIR RICHARDS: Any other questions?

7           Thank you, Ms. Daniel. Good job.

8           Onto our Central California update, Daniel  
9 Horgan.

10          Good morning, Mr. Horgan.

11          MR. HORGAN: Good morning, Chair Richards and F&A  
12 Committee members. This morning, I'm going to go through  
13 the Central Valley Status Report for the month of July.

14          Okay, next slide, please. Thank you.

15          In terms of construction, the contractors  
16 invoices totaled \$77.7 million. This was made up of CP 1,  
17 which was approximately \$34 million, CP 2-3, \$36 million,  
18 CP 4, \$7.5 million. We executed a total of 18 change  
19 orders in the month of July for a value of \$51.7 million.  
20 One of the biggest change orders here was for the removal  
21 of hazardous waste on the CP 1 contract. That was valued  
22 at \$13.5 million.

23          Risk contingency, we have a risk contingency  
24 balance as of the end of July of \$659 million.

25          In terms of construction labor, again, a very

1 strong month. We had 1,547 construction workers on site.  
2 And at the end of August, I have to record, as well, we had  
3 our greatest number of construction workers since the  
4 commencement of the project. In one week, we achieved  
5 1,675 construction workers. And that was basically from CP  
6 1 and CP 2-3. There were only about 30 people working on  
7 CP 4, so that was quite an achievement.

8 Next slide, please.

9 Okay, in terms of guideway, we've got -- we now  
10 have 82 miles of guideway in construction or complete. Of  
11 these, 34 are in construction, 48 miles are -- sorry, 48  
12 structures are completed. There are only 11 structures  
13 left to start. Three of those are on CP 1 and eight are on  
14 CP 2-3. So we anticipate starting at least two of these  
15 this year, and possibly even more.

16 CHAIR RICHARDS: And when would you estimate  
17 completion of all of them, Daniel?

18 MR. HORGAN: I would estimate completion of all  
19 the structures probably -- the bulk of the structures will  
20 be completed in Q1 of '26. There we will be some  
21 structures that will go into Q2 and Q3, and possibly one or  
22 two will go into Q4 of '26.

23 CHAIR RICHARDS: Okay.

24 MR. HORGAN: Okay, in terms of guideway, we've  
25 got 92 miles of guideway in construction out of a total of

1 119; 34 are underway, 58 are completed. We will be adding  
2 a few more miles of guideway this year.

3 Okay, in terms of utility relocations, we are  
4 making good progress. We now have almost 1,400 utilities  
5 relocated out of a total of 1,800. So we have another 214  
6 that are in the process of being relocated, and we 227 that  
7 have not started. In the month of July, we relocated nine  
8 more utilities.

9 So the question is, the ones that we haven't  
10 started, what do we need to do to get those started?

11 So there's a sequence of activities that must be  
12 completed to being utility relocation. These include  
13 environmental clearance, executed third-party agreements,  
14 design approval, construction walkthroughs, preconstruction  
15 acquisition of real property, and our land conveyances.

16 BOARD MEMBER GHIELMETTI: Daniel, are any of  
17 these relocations holding up the contractors on their work?

18 MR. HORGAN: As I speak, no. We are sort of  
19 working around some utility relocations and resequencing  
20 works wherever possible. But at this point in time, there  
21 is no utility that is holding up the critical  
22 (indiscernible).

23 BOARD MEMBER GHIELMETTI: Workarounds usually  
24 cause delays.

25 MR. HORGAN: Sometimes it's a (indiscernible), so

1 for --

2 BOARD MEMBER GHIELMETTI: And extra cost.

3 MR. HORGAN: That is also true, Jim. So  
4 recently, as an example, we had a PG&E relocation on CP 1.  
5 We were about to do the relocation and PG&E came back the  
6 night before and said, oh, we've got a problem downstream  
7 at our distribution line and we need to add a higher  
8 capacity capacitor.

9 So that was completely out of our control, so we  
10 do have issues like that occasionally.

11 Okay, let's see, in terms of real property, we're  
12 99 percent delivered. One parcel was delivered to the  
13 design-builders in the month of July.

14 Next slide, please.

15 Okay, in terms of environmental clearance, a ROD  
16 was signed for the Palmdale to Burbank. That was signed in  
17 August. So now we have fully cleared the environmental  
18 activities from San Francisco to Los Angeles. All that's  
19 outstanding is L.A. to Anaheim, which we are progressing.

20 Okay, in terms of development, we've got two  
21 extensions. We've got the Merced extension and the  
22 Bakersfield extension. Both of those are advancing towards  
23 a 30 percent design stage.

24 Next slide, please.

25 Okay, this slide shows the histogram of

1 contractors' expenditures. We had contractors'  
2 expenditures of approximately \$78 million in July.

3 Next slide, please.

4 Okay, this slide shows the drawdown of the risk  
5 contingency balance. We are projecting a risk contingency  
6 balance of \$557 million by the end of October.

7 Next slide, please.

8 Okay, this slide shows the trendline of  
9 construction labor. As you can see, for the past five to  
10 six months it's been quite good. Our anticipation for  
11 August is going to be good, September good, October good.  
12 Then we're going to get into sort of the winter months and  
13 the moratorium. November, December, January,  
14 traditionally, construction slows down a little bit due to  
15 the railroad moratorium, and normally we get some wet  
16 weather, but we might be lucky this year. Maybe it won't  
17 rain so much.

18 Next slide, please.

19 Okay, so this is the trendline of the structures  
20 and guideway progress. So the top blue line is, basically,  
21 that is out guideway, so 72 miles of guideway in  
22 construction are completed. We will open up at least 3  
23 more miles of guideway this year, so it will be 95 miles of  
24 guideway in construction are completed out of a total of  
25 119.

1           The orange line shows the structures, 82  
2 structures either complete or in construction. We will  
3 open up at least two more this year, possible three. And  
4 that means we will, next year, have less than ten  
5 structures to start.

6           The reason some structures haven't started is  
7 that if we have three road bridges in a line, the county or  
8 municipality will not allow us to close them all at one  
9 time, so we have to do them out of sequence. So, for  
10 example, in the City of Fresno, we're waiting to complete  
11 Tulare so that we can open the -- close the Fresno  
12 crossing.

13           Okay, next slide, please.

14           Okay, this slide shows the progress of utilities.  
15 We had a target of relocating 1,395 utilities by the end of  
16 the year as a total. We've already achieved that. We  
17 anticipate in the coming months that we will relocate  
18 another 60 to 70 utilities. So it's going to be a good  
19 year for utilities but we still have, next year, quite a  
20 few utilities to relocate. And all going well, we should  
21 complete all utility relocations by Q1-Q2 '26.

22           Next slide, please.

23           Okay, this is a very, very busy slide. All I  
24 will point out here is under total column, CP 1 to CP 4  
25 total, we just look at the electric. So in terms of

1 electric relocations, we have relocated 487 utilities out  
2 of a total of 661. That's 74 percent completed. Then I'll  
3 point you down to the telecoms. Telecoms, we have  
4 relocated 581 telecoms out of a total of 680. That is 85  
5 percent, so we are nearing completion with utilities.

6 Next slide, please.

7 Okay, right-of-way, 99 percent completed, 25  
8 parcels left. Obviously, the parcels that are outstanding  
9 are the more difficult ones. We are relocating these sort  
10 of one or two per month, and that will continue for  
11 probably the next 18 months. But we are -- but at the  
12 moment, as I speak, there is no land that is stopping  
13 construction around the critical path, so that is the good  
14 news.

15 BOARD MEMBER GHIELMETTI: What's the status of  
16 those 25?

17 MR. HORGAN: So quite a few of those, Jim, are in  
18 condemnation, so we're working through them gradually.

19 BOARD MEMBER GHIELMETTI: Are there any hiccups  
20 in there?

21 MR. HORGAN: So far, it's going in accordance  
22 with the plan as laid out by our Chief Advising Officer  
23 Dennis Kim. So there's no concerns at this point in time.

24 Next slide, please.

25 Okay, this slide shows the delivery of railroad

1 parcels. There was a total of 153 railroad parcels  
2 required. All have been delivered through the design-build  
3 contractors, bar 23. These are on target for delivery to  
4 enable construction. We've had very good cooperation from  
5 the two railroads, UPRR and BNSF, in terms of parcel  
6 delivery.

7 Next slide, please.

8 Okay, so this is our earned value for CP 1. As  
9 you can see, we've got a schedule performance indicator of  
10 0.96. The good news here is that the solid blue line in  
11 the middle of the graph is well above the dotted yellow  
12 line, so we are trending in a positive direction. As long  
13 as we keep this trend, we are on target to complete the  
14 work by November 2026.

15 Next slide, please.

16 Okay, this is the Flash Report. Construction  
17 workers for August, again consistent, good numbers. It was  
18 1,535. Another five parcels of right-of-way delivered to  
19 the design-build contractors, 19 change orders executed,  
20 and 17 more utilities relocated.

21 That concludes the presentation. I'm happy to  
22 take any questions.

23 CHAIR RICHARDS: Questions for Mr. Horgan? Okay.

24 Daniel, thank you.

25 MR. HORGAN: Great. Thank you.



1 CHAIR RICHARDS: Ladies and gentlemen in the  
2 audience, and those that are joining us over the airwaves,  
3 we will now have our public comment. And you can also  
4 address your comments on anything that's occurred at this  
5 meeting today.

6 So I'll ask the Secretary to please let you know  
7 how you can address this Committee.

8 MS. RODRIGUEZ: Thank you, Mr. Chairman.

9 Good morning, everyone. Before we begin public  
10 comment for the California High-Speed Rail's Finance and  
11 Audit Committee meeting, I would like to review some  
12 important information.

13 For members of the public who have joined us in-  
14 person and wish to provide public comment, you will be  
15 called on in the order we received your card. If you are  
16 joining the meeting via Zoom and wish to provide public  
17 comment, please use the raise-your-hand feature located at  
18 the bottom of the app. If you are dialing in by phone,  
19 pressing the number two will raise your hand and put you  
20 into the queue.

21 Speakers will be called on in the order their  
22 hands are raised. Once you are in the queue in your name  
23 is called, please click the prompt on your screen to allow  
24 your microphone to be unmuted. If you are joining by  
25 phone, we will call on you by your last four digits of your

1 phone number. At that point, you will hear a message that  
2 your phone is being unmuted.

3 Each speaker will be given two minutes to speak.  
4 I will remind you when you have 15 seconds remaining.

5 When it is your turn to speak, please slowly and  
6 clearly say your first and last name and, if applicable,  
7 please state the organization you are representing.

8 Mr. Chair, we have no in-person public comment.  
9 We will now move to Zoom participants.

10 Once again, if you are joining the meeting via  
11 Zoom and wish to provide public comment, please use the  
12 raise-your-hand feature located at the bottom of your  
13 screen.

14 Okay, Mr. Chairman, our first speaker is Roland.

15 CHAIR RICHARDS: Good morning, Mr. Lebrun.

16 MR. LEBRUN: Good morning, Chair Richards.

17 CHAIR RICHARDS: We can hear you.

18 MR. LEBRUN: Good morning, Board.

19 CHAIR RICHARDS: Yes, good morning, Mr. Lebrun.

20 MR. LEBRUN: I'm getting an echo and it's not  
21 coming from me. Okay, that's better. So this is Roland  
22 Lebrun in San Jose. And could you reset my clock, please?

23 MS. RODRIGUEZ: I just did.

24 MR. LEBRUN: Thank you. Thank you for the  
25 opportunity.

1           It actually is very useful to allow public  
2 comment at the end of the meeting rather than the onset,  
3 because I wanted to follow up on the letter I wrote you  
4 last night and impress on you the importance of the  
5 contingency drawdown curve. Because if you look at your  
6 total project expenditures so far right now, we show  
7 \$13.160 billion. And the amount you spent on contingency,  
8 which is as of October will be \$5.5 billion, you currently  
9 expending contingency at the rate of 41.8 percent. I've  
10 never heard of this of any MEGA project anywhere in the  
11 world.

12           And it's really concerning because what's  
13 happening is that all thee change orders are coming up  
14 under \$25 million, which means you get absolutely no  
15 oversight on how you could possibly expend \$5.5 billion on  
16 change orders. That is critical.

17           Respectfully requested that you refer the matter  
18 to the Inspector General immediately and hopefully have a  
19 report back to you as to what's going on here and by the  
20 next Board meeting.

21           Thank you.

22           CHAIR RICHARDS: Thank you, Mr. Lebrun.

23           MS. RODRIGUEZ: Mr. Chair, we have no other  
24 attendees that would like to provide public comment.

25           CHAIR RICHARDS: Okay. Thank you.

1           So any comments or questions from my Committee  
2 members? Okay, no.

3           Seeing none, ladies and gentlemen, that will  
4 conclude the business of this Committee today. Please join  
5 us, if you are able, at ten o'clock this morning for the --

6           (Off mic colloquy between Board members)

7           CHAIR RICHARDS: We moved it to 9:30 this month  
8 to see if we could test me, so anyway, we made it, so join  
9 us in ten minutes or so and we'll look forward to you at  
10 our Board meeting at 9:30 this morning.

11           This Committee is adjourned. Thank you.

12           (The California High-Speed Rail Authority  
13 Finance and Audit Committee adjourned at 9:13 a.m.)

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## 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 2nd day of October, 2024.



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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.



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MARTHA L. NELSON, CERT\*\*367

October 2, 2024