



DRAFT

Finance and Audit Committee Meeting Minutes September 26, 2024

Webcast available 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 September 26th 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. Ian Choudri, Chief Executive Officer

Ms. Alice Rodriguez, Secretary

Ms. Paula Rivera, Chief Auditor

Ms. Natalie Daniel, Acting Chief Financial Officer

Mr. Daniel Horgan, Deputy Chief Operating Officer

Item #1 – May 16th Meeting Minutes

The May 16, 2024, Meeting Minutes were moved for approval by Committee Member Ernest Camacho and seconded by Committee Member James Ghielmetti. The meeting minutes were approved by all committee members present.

Item #2 – Audit Report by Chief Auditor

Question:

Member Camacho asked the audit that you're doing for these firms, are you looking at numbers as well as procedures?

Response:

Ms. Rivera responded in this case, it's not technically an audit, it's just a review. We don't do enough work to call it an audit to be able to give you that assurance, so we're only reviewing numbers, we're not looking at processes, we're not looking at their financial management system, or reviews and approvals. We're looking at what has been proposed. For the staff who are proposed, we look at the actual rate that's proposed and verify to payroll to be sure that's the rate that they're paid. We look at the indirect rate that's being proposed, and we look to see that they can support the total labor in their indirect rate statement; we compare it to the federal payroll tax returns. And then we are testing accounts, say meals and entertainment or things that could potentially have unallowable costs. But it's, honestly, a quick review. We're looking to perform the review within the three weeks that the agreement is being negotiated.

Question:

Chair Richards asked the rates that your testing, where are those rates coming from?

Response:

Ms. Rivera responded they were proposed by the individual firms.

Question:

Chair Richards asked how do we determine whether they are appropriate or supportive or what not? I mean, on what basis do we do that?

Response:

Ms. Rivera responded we're looking to see if they're following a consistent methodology. Most rates for architectural and engineering work are based on their direct labor, so the overhead is a function of their direct labor and their indirect costs. So we're looking to see that they've followed a consistent methodology in preparing it, and then that the general categories of costs are supported. So if we see that there's a large amount of, say, meals and entertainment, we would look at that specific account and look at all of the detail in that account and identify if it contains gifts or contributions or alcoholic beverages or those sort of things. So we're just looking to see that the categories of cost comply with the federal regulations in addition to how they've calculated the rates.

Item #3 – Financial Reports Executive Summary by Acting Chief Financial Officer

Acting Chief Financial Officer Natalie Daniel presented the Financial Reports Executive Summary to the F&A Committee Members.

Question:

Chair Richards asked can you identify who the subject matter experts are who are with you, Ms. Daniel?

Response:

Daniel Horgan may assist with some of the construction questions.

Question (Administrative Budget and Expenditures):

Member Ghielmetti asked do we have to fill 496 positions?

Response:

Ms. Daniel responded the goal is always to fill as many positions as you can, but there's not a requirement to fill positions.

Question:

Member Ghielmetti asked why is it a goal? We should be trying to save money.

Response:

Ms. Daniel responded, this is state operations, so these positions are the state staff that work on the project.

Question:

Member Ghielmetti asked but if we don't need them, we shouldn't hire them; right?

Response:

Ms. Daniel responded we actually do need them. We just did a budget change proposal to move consulting resources for operating staff to state resources for operating staff. So there is programmatic need for all these staff and they over a variety of offices.

Question:

Chair Richards asked the determination for the need is accomplished by whom?

Response:

Ms. Daniel responded each of the office directors validated that they needed the office resources. And most of these positions were actually based on past consulting hours that we had validated as part of our base workload.

Question:

Member Camacho asked those positions that are vacant, are those positions Full Time Equivalents (FTE's), are they budgeted as a forecast going forward as part of our budget?

Response:

Ms. Daniel responded yes, they are.

Question:

Member Camacho asked then if we don't fill those positions, we can pull those dollars out of that projected budget, correct?

Response:

Ms. Daniel responded that is true the totality of the positions makes up the majority of the \$111.9 million dollars.

Question:

Chair Richards asked each year when the new fiscal year is coming up we are notified that, in the budget, there's been an increase in the number of authorized, et cetera, et cetera. Is that increase based upon our request or is it based upon something coming out of another agency of the government?

Response:

Ms. Daniel responded yes, typically, the budget change proposals are at our request. There are times when the Administration will do drills that may impact our resources. Those tend to be reductions and those would be pursued at the Administration level.

Question (Capital Outlay Budget Summary):

Chair Richards asked on the current budget and those budgets in the past, I assume that's a process that's accomplished by meetings with all of the department heads, et cetera, and coming up with their budgets for the year? And so last year, it's my recollection is it was the first time we came pretty close to what the budget was, which was a little over 96 percent. And now we've jumped it up from \$1.850 billion to \$2.6 billion. From your perspective, is that a realistic budget for achievement this year?

Response:

Ms. Daniel responded that's correct. Yes, I believe it is. We also do additional projection midway through the year to make sure that we're still on track, and if we needed any refinements, we could come back.

Question (Total Project Expenditures):

Chair Richards asked administration is capped at what percent of the total?

Response:

Ms. Daniel responded there is a cap in the Proposition 1A Fund of five percent.

Question:

Chair Richards asked the value of those three new awards are about what? How much are the grants for?

Response:

Ms. Daniel responded the RAISE Fresno Depot project was for \$20 million. The CRISI Grade Separations were for \$202 million. And then the Fed State Partnership was for \$3.1 billion.

Question (Contingency Summary):

Member Ghielmetti asked on CP 4, we're almost done there. We have a remaining contingency balance of a little over \$22 million. Is that enough to settle the remaining items that we have there, especially with Tropicana?

Response:

Mr. Horgan responded we still have some issues, as you know, with Semitropic, as well, getting some cutovers. And then we've got the North Kern. We might need a little bit of additional contingency but not a lot. We're probably looking at possibly another \$10 million.

Question (Administrative Budget and Expenditures):

Member Ghielmetti asked I'm really concerned about the filled positions versus the vacant positions, whether or not they're authorized or not. But I'd like to ask, with many of the other tasks that the CEO is going to be doing, is ask him to freeze anymore hiring into those positions until he does a thorough review and gives us back a report justifying those positions, and to see whether or not we even need them at all. But if I could ask that for you from you, Ian, I'd appreciate that.

Response:

Mr. Choudri responded yes, I will look into it and get back to you.

Item #4 – Central Valley Update by Deputy Chief Operating Officer

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

Question (CP Construction progress):

Chair Richards asked when would you estimate completion of all of them, Mr. Horgan?

Response:

Mr. Horgan responded I would estimate completion of the bulk of the structures will be completed in Q1 of 2026. There will be some structures that will go into Q2 and Q3, and possibly one or two will go into Q4 of 2026.

Question (Utility Relocations):

Member Ghielmetti asked Mr. Horgan, are any of these relocations holding up the contractors on their work?

Response:

Mr. Horgan responded no, we are sort of working around some utility relocations and resequencing works wherever possible. But at this point in time, there is no utility that is holding up the critical path. So recently, as an example, we had a PG&E relocation on CP 1. We were about to do the relocation and PG&E came back the night before and said, oh, we've got a problem downstream at our distribution line and we need to add a higher capacity capacitor. So that was completely out of our control, so we do have issues like that occasionally.

Question (Right-of-Way):

Member Ghielmetti asked What's the status of those 25? Are there any hiccups in there?

Response:

Mr. Horgan responded quite a few of those, Jim, are in condemnation, so we're working through them gradually. So far, it's going in accordance with the plan as laid out by our Chief Advising Officer Dennis Kim. So there's no concerns at this point in time.

Public Comment

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

Having no further business, the meeting was adjourned at 9:20 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.