

**DRAFT**

**Finance and Audit Committee Meeting Minutes  
November 7, 2024**

**Webcast available at:**

[www.hsr.ca.gov](http://www.hsr.ca.gov)

The meeting of the California High-Speed Rail Authority (Authority) Finance and Audit Committee Meeting was called to order on November 7th 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

Ms. Nancy Miller, Vice 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

Mr. Jamey Matalka, Director of Risk Management and Project Controls

**Item #1 – September 26 Meeting Minutes**

The September 26, 2024, Meeting Minutes were moved for approval by Committee Chair Tom Richards and seconded by (indiscernible). The meeting minutes were approved by all committee members present.

**Item #2 – Audit Report by Chief Auditor**

*No questions were asked.*

**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 (Accounts Payable Aging and Disputes):**

Chair Richards asked can you just tell us then how does that impact the amounts still available in Prop 1A funds that were originally reported at the 1.58 billion?

**Response:**

Ms. Daniel responded yes; those dollars will be taken away from future bond sales. We have over a billion dollars still left in future bond sales for Prop 1A, this allows us to have the cash balances on hand to pay invoices.

Question (Cash Management Report):

Chair Richards asked is the smaller amount the result of the pricing in the market from what we've seen in previous quarters?

Response:

Ms. Daniel responded primarily, the smaller amount this time is due to the off-the-top calculations that Department of Finance has taken all in the auction of August. They historically have spread the off-the-tops over multiple auctions instead of doing it at the beginning of the year. But this year, they started a pattern, to start taking them from August auctions.

Question:

Chair Richards asked can you provide the members, not today, but I'm just wondering why the costs of the maintenance or whatever on the properties that we own was that number. If it was something that was -- I'm sure it must have been unusual, but I'd just like to see how it was spent.

Response:

Ms. Daniel responded we haven't really had a lot of changes in the expenditures. We've been getting lease revenue at around the same expenditure rate that we're spending to maintain parcels. That's why we've been hovering at the \$12.3 million figure for so long.

Question:

Chair Richards asked so I'm just wondering why this month it was, what, 100 and -- or it was the 331,000? So, I don't know if that amounts to a single month's expenditures, or it was something that was carried over for numbers of months, but it would be good to know. I'd just like to take a quick look at what those were.

Response:

Ms. Daniel responded we can provide additional data on that.

Question (Administrative Budget and Expenditures):

Chair Richards asked with regards to just the positions, Natalie so can you just explain for us and for the public perhaps, but as the number of positions that have been identified and available, how are those changes made monthly? Is it a part of the whole budget process and we're just allotted some number of changes, or are these additional positions that we've asked that get embedded in the budget for the year?

Response:

Ms. Daniel responded we have an authorized position amount at the beginning of each fiscal year, that number is the 496-positions figure that's in the first row.

Question:

Chair Richards asked where does that come from?

Response:

Ms. Daniel responded that comes from authority that's given to us through the state budget process, and it's incremental budgeting based on our prior baseline and any budget change proposals that we request that may augment our baseline. In this case, our baseline is 496 positions. Last year it was 429. We've received some augmentations in staff as a result of requests.

Question:

Chair Richards asked so it's not -- if I understand it, so we're not asking for it, it's just allocated to us?

Response:

Ms. Daniel responded it is currently allocated to us.

Question:

Chair Richards asked do we then determine whether we need the additional spaces?

Response:

Ms. Daniel responded we made a determination to ask for the additional authority because we felt that we needed those positions to do authorized workload. The recent changes for this July were related to our form-to-function proposal, where we shifted full-time equivalents that were working in the consulting contracts over to state operations staff. And the reasons for that were because state operations staff are generally more affordable than the consultant rates, we pay less for them, and then also state positions can cover the work. By government code, we're required to try to move positions that can cover state work to state positions.

Question:

Member Ghielmetti asked what's the methodology for establishing -- in my business, you know, I sit down with my executive crew as we move through projects, and we decide if we need to hire someone, or we don't need to hire someone.

Are we doing that here? In other words, is the executive staff sitting down at the beginning of the year, fiscal year, and determining the exact number of positions they need to be filled, et cetera? Or are we just doing it out of the budget office?

Response:

Ms. Daniel responded it's managed at the branch level, all of the branches work independently with HR to advertise positions that are most critical for them, and then they're filled as we're able to find candidates, and it's taken on a flow basis. This past month we had actually nine full recruitments, but four of them were internal promotions. We had nine separations, and that resulted in a net reduction of four vacancies.

Question:

Member Ghielmetti asked now, I understand all that. I guess I'm really referring to is there a methodology where we sit down and really figure out what we need rather than just trying to fill numbers?

I don't see that -- I've never seen that, so I don't know.

Response:

Ms. Daniel responded each of the branch offices provided information when we requested the budget change proposal stating the need for these positions based on historical workload that they had been using with consultants.

Question:

Chair Miller asked I remember when we approved the form to function, because we were thinking that it would save us money. I think we did that a couple of years ago. I don't remember. And I don't think -- I think, you know, back in September, I was in a meeting, and I asked all kinds of questions. And I think you asked our (indiscernible) to take a look at that, come back and talk a little bit about the need, and the positions (indiscernible) we have a state budget. We have a state budget where (indiscernible) 10 percent reduction in cost (indiscernible), but I also think we're concerned about getting to (indiscernible) what is the necessary staff to do that. And I know the form to function is important, because we're concerned that we're (indiscernible) losing our vacancy, but it maybe we don't need to fill all those positions immediately.

Do you understand what I'm saying, right? That's kind of (indiscernible) get to a place where we're using the consultants that we need, the state workers that we need, and if we have vacancies, are we (indiscernible) slowing you down, or are we spending too much? You know, we're just trying to get (indiscernible) these numbers don't really tell us.

Response:

Ms. Daniel responded I can try to provide some additional programmatic context. The authority that's authorized in the Budget Act gives us the ability and the resources to hire the State staff as were available. We don't have to hire them all immediately, and it, in fact, takes several months typically to hire each individual. This vacancy rate will be high for several months and will probably be chipped away over the course of this next fiscal year. That was the case the last time we did the form to function, too. We had very high spikes in the vacancy rates, and it took several months before we were able to make progress in terms of moving consultants off of the consultant contracts and onto the State staff.

Question:

Chair Miller asked I think the questions you're getting, and I saw it last meeting was just to make sure that we're filling positions that we need and really looking at that form to function.

Response:

Ms. Daniel responded Yes.

Question:

Member Camacho asked a follow-up question to that, and just looking in reverse of that, what happens when the workload slows down? Do we then slow down or release those people that we've hired?

Response:

Ms. Daniel responded right now, these positions have been based on long-term historical workload, and there is not any anticipation that these areas would be decreasing in workload based on the programmatic information that we received. These positions seemed appropriate to move to State staff since State staff would be able to do the work at a cheaper rate than the consultants, and we did anticipate these all to be ongoing long-term positions.

Response:

Mr. Matalka responded Yes. If I can help my colleague on this because I did help draft and put together the form the form to function BCP and have Department of Finance experience.

The methodology is pretty intense. So, we start out every year by asking for concepts from all of our areas in the organization. So, every executive has to come up with concepts of what they need to help deliver their work. Those concepts then turn into BCPs. BCPs become proposals that we actually submit to our agency, Department of Finance, and the G.O. eventually. So, it's vetted through multiple levels of review.

So, justification, workload analysis, is conducted almost through every level of the organization and the administration before it is put out to the legislature for consideration as part of the budget. Then the budget committees go through it, the legislative analyst's office go through it, so it's extremely vetted before it becomes part of the baseline of the Authority.

So currently we have about 500 positions as Natalie was mentioning. All of those over the years have been vetted through that process to get there. The form to function concept was, how can we deliver the work using our resources more efficiently? So, in places where we can use State staff, as Natalie was mentioning, they are more inexpensive. So, we converted them. And as we fill those spots, which is technically a little bit harder to do because the whole state as a whole has a decently high vacancy rate, we release the consultants, we let them go. So as work goes up and our work goes down, the consultants are what we're using to help to fill the gap of the ebbs and flows of our organization.

So that's the methodology. So, the baseline here was years in the making to get to this number, just to provide that context.

Response:

Chair Richards responded I think that what you're hearing here is, first of all, we're looking at how do we do the job that we're doing with being extremely sensitive to what we're spending. And with regards to that, with regards to forms to function, we're aware that the goal through form to function is to reduce the number of consultants. What we want to also be certain of is that the people that are being hired have the same level or better, an increased level of experience in the areas of which we are involved in, in this project.

Response:

Mr. Matalka responded Yes. And all of our hires on the state side go through minimum qualification requirements. So, they're vetted through a process that makes sure that happens.

Response:

Chair Richards responded I'm sure that our new CEO is either already talking with you about all of this, or not, but I think that it's something that is clearly going to be on his agenda as he's just shook his head yes.

Question (Capital Outlay Budget Summary):

Chair Richards asked before you go to that, Natalie, would you look into -- or just also send us a quick memo on CP4. I know this is for the month of August, but would you check and see, is that retention that was released, the \$7 million or whatever? Because I don't know that there's any work going on in CP4, Daniel, in August.

Response:

Mr. Horgan responded there's some residual work going on, they're still doing cutovers and tie-ins with Semitropic. We're still doing some residual work with the irrigation districts, especially Semitropic.

Question:

Chair Richards asked could you address that in your part of this, and just tell us what's going on with Semitropic?

Response:

Mr. Horgan responded of course.

Question (Federal Funds and State Match Liability):

Chair Richards asked so would it be fair to say then so we're showing in total cash resources, we've got about 3.6, but of that 3.6, about 1.3 is offset by the liability of state match requirements?

Response:

Ms. Daniel responded Right. We have the state matches primarily paid out from cap and trade.

Question:

Chair Richards asked so that leaves us really about 2.3, as opposed to in terms of what's unencumbered of the 3.6, which is taking the 1.3 away, looking forward on state match obligations.

Response:

Ms. Daniel responded the state match is what we're matching the 4.2 with.

Question (Contingency Summary):

Chair Richards asked one other question before I ask the other members if they have anything else. On the contingency summary, are we missing a -- it may be me, but are we missing a schedule where it shows how much contingency we have left?

Response:

Ms. Daniel responded the Authority updated the reporting displays this month. However, we will continue to report contingency usage that's in line with the program baseline as it has historically been, and we'll continue to highlight any single-use contingencies of \$25 million or greater to ensure this transparency.

Question:

Chair Richards asked but isn't there normally another schedule that shows how much contingency we've got left in DBs, and overall contingency, and allocated and unallocated contingency?

Yeah, it's a different form, but it's not in here this month.

Response:

Mr. Choudri responded so we're updating that form, and in the next meeting, you will see more details on that. And the presentation will be slightly different than the way we were presenting it before. It's not available this time.

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

Question:

Member Ghielmetti asked Is this going to be a repeat of what we're going to hear in the main meeting.

Response:

Chair Richards responded yes, he's going to substantially shorten his presentation for here, so we're not going to hear the same things twice. Let's use your judgment as to what you think you need to say to us here today, including the comment on Semitropic.

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

Question:

Member Camacho asked at the beginning of your presentation, you talked about the number of people we're employing. This is 1,500 or 1,400, whatever that number is. That's not the goal necessarily. The goal is to build to have some construction activity that corresponds with that number. So, we're building staff again without a corresponding activity in construction. So, I don't quite understand that.

Response:

Mr. Horgan responded our construction activity is consistent with the labor numbers. It does fluctuate, the labor numbers, depending on what type of work you're doing. For example, if we're building structures, we have less labor. If we're moving a lot of dirt, we could have a significant amount of labor.

Question:

Member Camacho asked so if you need less labor, but we continue to grow in terms of employees we're hiring. So, if there's less labor demand over here for the work that's going to be done, why do we continue to hire them?

Response:

Mr. Horgan responded the decision to hire construction workers is with the contractors, and they hire them when they need them. If you project from five years ago to now, when you look at construction labor and contractors' expenditure, it is consistent. Normally, as the contractor ramps up construction labor, it's an indicator of progress. It is not exactly 100 percent like for like, but it is an indication of progress. And it's a metric that we've been monitoring.

Question:

Member Camacho asked I just don't want you to lose sight of the goal is for construction. That's what we need to happen.

Response:

Mr. Horgan responded absolutely, Director Camacho. We are here to deliver construction. That's what we like, and that's what we want to do.

**Public Comment**

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

Having no further business, the meeting was adjourned at 9:11 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.