

DRAFT

Finance and Audit Committee Meeting Minutes July 10, 2025

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 July 10 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

Mr. Tom Fellenz, Acting Chief Counsel

Mr. Jamey Matalka, Chief Financial Officer

Dr. Gary Walker, PDS Executive Program Director

Public Comment

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

Item #1 – May 1 Meeting Minutes

The May 1, 2024, Meeting Minutes were moved for approval by Committee Member Ghielmetti and seconded by Committee Member Camacho. The meeting minutes were approved by all committee members present.

Item #2 – Audit Report by Chief Auditor

Question:

Chair Richards asked did we have these resources before, Paula, and we've lost them or this is all new?

Response:

Mrs. Rivera responded we've never had those resources. It's an area when we did our risk assessment, there were requests that we take a look at this process, and in order to do that we need to gain some expertise.

Question:

Member Camacho asked talking about the time delay we had, we're in the processes as I understand it, of auditing

or at least negotiating time delays on CP 1, 2-3 and maybe 4. Are you not involved at all with those?

Response:

Mrs. Rivera responded not in the current process.

Question:

Member Camacho asked Those are substantial changes, cardinal changes from my perspective, just because of the amount, and maybe this should be directed maybe to Ian. At what point do those come to the board?

Response:

Chair Richards responded I think in terms of those changes Ernie, they have to come to the board before the final agreement between ourselves and the contractors.

Question:

Chair Richards asked on previous reviews what sort of comments did we ever get? Did we ever get these sort of comments before?

Response:

Mrs. Rivera responded yes, we often find areas where we have done the work, but our documentation doesn't meet the standards that we've set for ourselves, but the incidents have never been pervasive and they've never affected the results of our audit. We need to be better at the end of our audits in ensuring that we have documented all the work performed. We'll have an external peer review in the spring which will be an outside look by auditors from other state agencies, similar to past peer reviews every three years. They'll contact you in this case, this time they'll contact Mr. Choudri and it's a very broad look at all of the work that we will have done over the last three years.

Question:

Vice Chair Miller asked is that part of our audit manual that we require an audit of our auditors or is that a legal requirement?

Response:

Mrs. Rivera responded it's a legal requirement. I don't remember the government code off the top of my head, but the government code requires that internal departments who have an audit office follow audit standards. And the audit standards require the external peer review.

Question:

Member Camacho asked I have a follow up question on the change orders. Now, when they come to the board, is that for approval or is that just for advice?

Response:

Mr. Choudri responds the change orders are actually in different types of categories. Some are for approval, some are for information. It really depends on what is the type of contract that we are talking about and what's the value.

Question:

Member Camacho asked well, the kind of contract that we're talking about are the CP 1, 2-3 which is a design build contract. So, are we just being notified after the fact, after you've negotiated something? So, we have...the board may just approve them after you've negotiated. So at what point is there a change?

Response:

Mr. Choudri responds there are some change orders for design build contracts that is exceeding certain value, always comes to the board for approval. Others that we are working, almost like work in progress, where we are negotiating, they submit their proposal, we go through an internal process to establish what is the real value and the scope of work that they are asking to change for. We do negotiate then we bring it to the for approval if the dollar value is within the limits that requires board approval. If the dollar value is exceeding the amount that requires the board approval, we always do bring to the board.

Question:

Member Camacho asked what is your understanding of the limit?

Response:

Mr. Fellenz responded it's \$100 million.

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

Chief Financial Officer Jamey Matalka presented the Financial Reports Executive Summary to the F&A Committee Members.

Question (Accounts Payable):

Chair Richards asked what was that again? The number.

Response:

Mr. Matalka responded Yes, on the last item. We provide support to Ben and his team, our High-Speed Rail Office of Inspector General for administrative things that they might need for HR, administrative facilities, things like that. And so if we do provide services or have staff time, we get reimbursed up to \$113,000 from that office, because it is a separate budget.

Question:

Chair Richards asked and have there been those sorts of things that we've been reimbursed for?

Response:

Mr. Matalka responded I don't actually have exactly how much. This is a new item that will go into the budget starting July 1st. So, not yet, although we will be helping if they do need it.

Question (Cash Management):

Member Ghielmetti asked Mr. Matalka how does that, is that a normal Cap & Trade auction?... It seemed, it seemed low.

Response:

Mr. Matalka responded that's a low Cap & Trade auction. Our base assumption is about \$250 million per auction. It brings up a good point Director Ghielmetti as to why, you know our CEO is out there trying to establish a floor for our funding sources. When you take into consideration this auction and the last three it looks like we'll be at about \$730 million, versus our planning assumption which is a billion dollars.

Question:

Member Ghielmetti asked Is there a trend there? Is this going to continue?

Response:

Mr. Matalka responded well, we do believe that with the negotiations that have bolstered the Cap & Trade program in this last cycle, that we will see an uptick in allowance purchases. We did notice in last week's market that the prices of allowances went up about 10%. So we won't know until the market rebounds and the legislation is solidified between the administration and the legislature on what's going to happen with that program over the long term.

Question:

Member Ghielmetti asked are the refineries buying most of these Cap & Trade?

Response:

Mr. Matalka responded they are one of the largest.

Question:

Member Ghielmetti asked so we're going to have two refineries leave the state, you know in the next few years, Bolero and Phillips. Is that going to have a major effect on Cap & Trade money for us?

Response:

Mr. Matalka responded well, the projections are that, it would definitely have an impact if they are to leave the state. Although, I did see some communications from our administration that they're looking into ways to maintain them here or maintain some functioning of our refineries in state. So, it's just a wait and see. In addition, as prices do increase for the allowances, the value of what comes into the account increases. So, we won't know until we actually see an auction result.

Question:

Chair Richards asked what's the reversal on your notes, on the bottom, what's the reversal of \$156,000? I know it's not a lot on interest earned. What did we claim? Did we get the interest earned and then it's been it goes elsewhere? Is that what that meant?

Response:

Mr. Matalka responded yeah, so we don't actually get to receive, so the interest is earned, but it actually goes back out to pay down for the cost of issuance on the bond. So unfortunately, we don't get to keep that money, unfortunately, the way it's set up.

Question:

Chair Richards asked and the expenditure corrections, what was that one? or the reversal?

Response:

Mr. Matalka responded yeah, things like that do occur from now and then where we might have paid with Proposition 1A funds or Cap & Trade funds and then we reverse the fund source depending on what we're trying to achieve with maintaining our fund balances.

Question:

Chair Richards asked so then in terms of expenses it's a net zero....

Response:

Mr. Matalka responded yeah, compared as an overall.

Question (Federal Funds):

Vice Chair Miller asked Mr. Matalka just quickly on given the current relationship with the federal government are these grants included in the, well I don't want to call them clawback, but compliance review.

Response:

Mr. Matalka responded yes there are two of them. It would be the FY10 grant the \$928.6 million, the second line. And then the FSP grant, the federal state partnership which is about three billion.

Question:

Vice Chair Miller asked and we expect to receive the others, the other monies?

Response:

Mr. Matalka responded as far as today is concerned we are progressing the project, submitting our packages for reimbursement and as you can see we actually got some back as we submit them.

Question:

Vice Chair Miller asked you're monitoring that right?

Response:

Mr. Matalka responded every day. There will be an update, I think in the full board, in our CEO report on our response to compliance review.

Question (Contingency Summary):

Chair Richards asked so in other words that's a change in scope.

Response:

Mr. Matalka responded yes. Absolutely.

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

PDS Executive Program Director Dr. Gary Walker presented the Central Valley Status Report Executive Summary to the F&A Committee Members.

Question:

Chair Richards asked so that's the overview on that work is being done by BNSF. Is that correct? Is all the work then on the rail head being done by BNSF or BNSF is doing it all?

Response:

Mr. Walker responded Yes, overseeing.

Question:

Member Ghielmetti asked do I take it then we're laying rail on CP4?

Response:

Mr. Walker responded not yet. No. CP4 is projected to commence around about April of 26 to start laying rail on the main line from CP4.

Question:

Member Ghielmetti asked you give us a lot of detailed information here, but the biggest thing I'm concerned about is keeping schedule on these things and there's no real summary here that tells me where we are on schedule and where we are on budget, but there's a lot of information, thank you. I'd like to see some sort of a form where we can quickly look and see whether we're on schedule for the various construction projects we're doing.

Response:

Mr. Walker responded yes. We are working as a team to put that together and it will come out with the PUR (Project Update Report) report which will be later on this month. But I can actually advise that some key dates which was an action from the previous minutes that we took. There was track and OCS is scheduled to commence in April of 26 and also the light maintenance facility the same month and we are commencing stations in April 27. There'll be a much greater breakdown in the report from next period.

Having no further business, the meeting was adjourned at 9:21 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