

CALIFORNIA HIGH-SPEED RAIL AUTHORITY

FINANCE AND AUDIT COMMITTEE MEETING TRANSCRIPT OF PROCEEDINGS

HELD OCTOBER 9, 2025

AT 8:30 A.M

LOCATION:

California Department of Food and Agriculture

1220 N Street,

Sacramento, CA 95814

and virtual via Zoom

Electronic Reporter: N/A

Transcribed by: Nithish Kumar

Datagain

APPEARANCES

Board Members

Tom Richards, Chair

Ernest Camacho, Board Member

Authority Staff

Ian Choudri, CEO

Jamey Matalka, CFO

Edward Fenn, Chief of Construction

Paula Rivera, Chief Auditor

External Presenters

None.

Public Commenters

None.

1 to provide public comment, you will be called up in the order we
2 received your card. If you are joining the meeting via Zoom and wish to
3 provide public comment, please use the raise your hand feature
4 located at the bottom of the app. Speakers will be called on in the order
5 their hands are raised. Once we are -- you are in the queue and your
6 name is called, please click the prompt on your screen and allow your
7 microphone to be unmuted. If we have any callers joining by phone, I
8 will give instructions on how you can make public comment following
9 the Zoom participants.

10 All speakers will be given two minutes to speak. I will remind you
11 when you have 15 seconds remaining. When it is your turn, please
12 slowly and clearly say your first and last name, and if applicable,
13 please say the organization you are representing.

14 And we have --.

15 CHAIR TOM RICHARDS: Are we home alone?

16 SECRETARY ALICE RODRIGUEZ: We are. There's no one with a
17 raised hand, so.

18 CHAIR TOM RICHARDS: Okay. All right. Then, thank you.

19 Moving to the today's agenda items. First, do we have a motion
20 for approval for the Committee Meeting Minutes for August 28th?

21 BOARD MEMBER ERNEST CAMACHO: Moved.

22 CHAIR TOM RICHARDS: Okay, we have a motion and I'll second
23 it.

24 Call the roll, please.

25 SECRETARY ALICE RODRIGUEZ: Chair Richards?

1 CHAIR TOM RICHARDS: Yes.

2 SECRETARY ALICE RODRIGUEZ: Director Comacho?

3 BOARD MEMBER ERNEST CAMACHO: Yes.

4 SECRETARY ALICE RODRIGUEZ: The motion carries.

5 CHAIR TOM RICHARDS: Thank you.

6 And we'll start out vibrantly with Jamey, our CFO. Good morning,
7 Jamey.

8 MR. JAMEY MATALKA: Good morning, Chairman Richards. Good
9 morning, Director Comacho.

10 BOARD MEMBER ERNEST CAMACHO: Good morning.

11 MR. JAMEY MATALKA: My name is Jamey Matalka. I'm the CFO
12 for the Authority. And today I'll be covering the October 2025 Financial
13 Reports Executive Summary with data through July 2025.

14 Okay. Can we start on slide two, please?

15 We continue our timely payment of invoices with no late payments
16 to report for the period. As for the dispute summary, we improved
17 slightly from the last reporting period, primarily due to resolution of a
18 CP1 invoice dispute.

19 At the bottom half of the slide, our cash management report
20 reflects our total cash position of just under \$4.3 billion, comprised of
21 \$312 million for Proposition 1A Funds, \$3.9 billion in Cap-and-Trade
22 Funds, and \$13.2 million in our Property Management Fund. The total
23 fund balance does not include the most recent auction results from the
24 August 2025 auction. And once the Department of Finance issues the
25 Executive Order, the fund balance will increase by another \$99.4

1 million.

2 The results of this last auction were lower, but that was not
3 unexpected, as there was uncertainty regarding the future of the
4 program during the last legislative session. However, subsequently,
5 after the first auction of the year, generally, the next two auctions have
6 shown higher and better results. And with the Legislature and Governor
7 setting the Program's future for the next 20 years, we do expect that to
8 occur this year as well.

9 In addition, at the bottom of the slide, we have added additional
10 details regarding the activities of the Rail Property Fund, as requested
11 by the Committee in our last meeting. So, now we can see the
12 forecasted revenues for the year at \$2.7 million, and where those are
13 coming from, and by which source. And then also the planned
14 expenditures for the year by activity.

15 Not seeing any questions. Let's go to slide three.

16 CHAIR TOM RICHARDS: Thanks for making those additions,
17 Jamey.

18 MR. JAMEY MATAKA: Absolutely. Okay.

19 Slide three highlights the Support Budget and Expenditures
20 Report, reflecting a total budget for the Fiscal Year 25-26 of \$117.5
21 million, which we have spent \$6.3 million through the first reporting
22 period of the year. And total authorized positions of 514, of which 387
23 are filled, resulting in a vacancy rate of 24.7.

24 There was quite a few events that occurred to get us to this
25 budgetary level. So, starting with the prior year budget of \$110.9

1 million, reflected on the far-left column at the top, there were two
2 offsetting actions. One, an increase for updated salary and benefits;
3 and two, part of the statewide efficiencies reduction, resulting in a
4 revised budget of \$108.9 million, as reflected in the middle column.
5 From there, a new budget was enacted, which authorized a support
6 budget of \$117.5 million for the current fiscal year. That's reflected on
7 the far right column.

8 There were two offsetting actions for this new budget as well. The
9 increase from our requested BCPs were approved and a reduction for
10 certain benefit costs for State employees. There is still one part of the
11 statewide efficiency effort that has not yet been executed, and when it
12 happens, our support budget will be reduced by an additional \$2.1
13 million, and we have planned for that reduction.

14 Also, we have started to break out the support budget to provide
15 more details on the breakout between administrative activities and
16 capital outlay support activities. And you can see those in the green
17 highlighted non-add columns there just under the budget.

18 Finally, when taken into account our newly authorized positions,
19 the vacancy rate was expected to increase, but over time will decrease
20 as we begin to fill those new positions.

21 CHAIR TOM RICHARDS: Jamey, I appreciate these changes
22 you've made, and I'd noted them and how you subtly put them in
23 green, but they certainly help with the explanation of some of the
24 comments that you've had in previous reports.

25 MR. JAMEY MATAKA: Yes, thank you.

1 Okay, next slide. All right.

2 Slide four highlights our Capital Outlay Budget Report, reflecting a
3 total budget for the current year of \$2.7 billion, which we have spent
4 \$137 million through the first reporting period.

5 This budget is focused on delivering critical scope items to
6 continue to advance the construction activities in the Valley, completing
7 our last remaining environmental clearance for our project segment,
8 moving into the track laying phase by funding the rail yard completion,
9 budgeting for a track and systems construction contractor, advancing
10 track design, and procuring rail materials, as well as advancing the
11 early work activities in the Merced and Bakersfield extensions.

12 The breakout table at the bottom half of the page does provide a
13 little bit more detail on categories for month and year totals.

14 Okay. Let's go to slide five.

15 On slide five, our Total Project and Expenditures Report Summary
16 provides information on both expenditures by funding source and total
17 funding by source, providing updates on the baseline, cumulative
18 funding, and expenditures. The top half of the slide reflects a total
19 authorized baseline of \$37.6 billion, and a cumulative expenditure to
20 date of \$14.7 billion, of which the state is funding 82.6% of the total
21 expenditures to date. The bottom half of the slide reflects our total
22 funding, which I am happy to report we have updated to reflect our
23 Cap-and-Invest funding through 2045, now that both SB 840 and AB
24 1207 have been signed into law. That brings our total project funding
25 identified up to \$44.3 billion.

1 CHAIR TOM RICHARDS: So, another way of looking at the
2 California investment of 82.5%, that's really in the private sector akin to
3 investment by the corporation or the company or the developer who's
4 leading a project. So, when we talk about what California is doing and
5 how it's been paid for, that's -- those are funds which are the same
6 thing as if you invested in a project.

7 MR. JAMEY MATALKA: Yeah, owner-based. Absolutely.

8 CHAIR TOM RICHARDS: Okay. It's pretty impressive.

9 MR. JAMEY MATALKA: And I think it highlights the fact that we
10 are in a position to go after private sector involvement --

11 CHAIR TOM RICHARDS: Right.

12 MR. JAMEY MATALKA: -- and private sector participation.

13 CHAIR TOM RICHARDS: Right.

14 MR. JAMEY MATALKA: And we're showing to the world, here's
15 what we have at the table to continue this project.

16 CHAIR TOM RICHARDS: Exactly.

17 MR. JAMEY MATALKA: And, obviously, that's not where it's going
18 to stop. I know our CEO is still championing, trying to get the rest to
19 continue on our Phase 1 goals.

20 CHAIR TOM RICHARDS: Yeah.

21 MR. JAMEY MATALKA: Okay.

22 Slide six provides a Status of the Federal Funds and State Match
23 Liability. There are no material actions to report on this month.
24 However, I will have a quick update in our look-ahead slide at the end
25 of the presentation.

1 Okay. Let's go to slide seven.

2 Slide seven provides a summary of our Contract and
3 Expenditures Report, which shows we have a total of 181 active
4 contracts, with a value of \$12.6 billion.

5 In addition, we have added a new metric to the report to provide
6 insight on the remaining contract commitments. You can see that there
7 in the green highlighted row, kind of in the middle, which show a total of
8 just over \$3 billion. Our top remaining contracts -- top five, that is, is our
9 CP1 design builder, our CP2 design builder, the LA Metro support
10 contract for the LAUS Phase 1 project, and our program delivery
11 support contract.

12 At the bottom half of the slide, we provide an update on progress
13 against the KPIs for our small business goals. The pre-November '23
14 goals were met and exceeded for both the disadvantaged business
15 enterprise and disabled veteran business enterprises. For our small
16 business utilization goal, we registered a 7% growth in that metric from
17 last year, 23.2% to 24.8%.

18 On the right side of the bottom half, the post-November '23 goals
19 table has been updated to include a TBD placeholder, and we will
20 update with figures once invoices are submitted under the new criteria
21 for construction contracts.

22 We do show professional services -- oh, go back or go forward.
23 Thank you. We are reflecting the goals for professional services
24 because we have let contracts under that new goal, and we are just
25 under our goals as of right now, except for the DVBE category where

1 we are exceeding.

2 Finally, small business activity working on the project increased to
3 941 entities, an increase of five additional small businesses since we
4 last reported. Of the small businesses working on the project, 329 are
5 DBEs and 118 are certified DVBES - one additional business in each
6 category since we last reported.

7 Okay. Let's go to slide eight.

8 Slide eight provides a summary of our contingency usage, which
9 reflects nine executed change orders during the reporting period for
10 approximately \$108.5 million. Eight of those changes were under the
11 \$25 million threshold, and one was over, which is displayed at the
12 bottom of the slide and was for \$79.9 million in Construction Package 1
13 to compensate the contractor for additional work above the base
14 contract scope to install storm drain piping, cross culverts, and ditches
15 along the 32-mile long project.

16 The two largest items within the eight executed change orders
17 under the threshold include \$21 million for compensating the contractor
18 for additional scope requirements for the West Olive Avenue
19 overcrossing, and a \$6.5 million augmentation to the San Joaquin
20 Valley Railroad Agreement to continue their resource support for areas
21 where we impact their operations in both Construction Package 1 and
22 2-3.

23 Okay, next slide.

24 The final slide is the look-ahead slide. We report preliminary
25 numbers for the next reporting period in three areas - our capital, our

1 administration, and federal grants.

2 We will see a slight dip in capital expenditures and are expecting
3 to close the period at \$120 million.

4 As for positions and vacancies, there is not expected changes in
5 the total authorized positions, but there will be a net increase of three
6 filled positions, bringing our total up to 390, decreasing our vacancy
7 rate to barely over 24%.

8 Then our federal grants, in October we are submitting applications
9 for two grants. The first grant is the Energize Grant for \$1.5 million in
10 funding for Fresno Depot electric vehicles charging and hydrogen
11 fueling infrastructure to support zero-emission transit buses. And the
12 second grant is the Innovative Financing and Asset Concession Grant
13 Program, where we'll be seeking \$2 million to advance public-private
14 partnerships for capitalizing on the Authority's existing property assets
15 and future infrastructure. Lastly, we are removing the pending grant
16 application entry as the USDOT has issued a new notice of funding
17 opportunity, nullifying that pending application.

18 So, this ends my presentation for today. Happy to answer any
19 questions.

20 CHAIR TOM RICHARDS: Do you have any questions, Ernie?

21 BOARD MEMBER ERNEST CAMACHO: No, none at all. It's a
22 very, very, very good presentation, Jamey. Thank you.

23 MR. JAMEY MATAKA: Thank you.

24 CHAIR TOM RICHARDS: All right. Thank you, Jamey.

25 Mr. Fenn?

1 MR. EDWARD FENN: Good morning, Mr. Chair Richards.

2 CHAIR TOM RICHARDS: Good morning, Ed.

3 MR. EDWARD FENN: Board Member Camacho.

4 BOARD MEMBER ERNEST CAMACHO: Good morning.

5 MR. EDWARD FENN: My name is Edward Fenn. I'm here to
6 present the Central Valley Status Report as the Chief of Construction.

7 Running through the Executive Summary, our construction
8 packages for -- this is all period ending July 2025, consistent with
9 Jamey's presentation.

10 Our expenditures were \$87.4 million for the month, primarily on
11 CP 1 of \$66.2 million. Our change orders, again, Jamie had addressed
12 that. We had \$7 million, for a total of \$101 million.

13 Our risk contingency rate now is at 4.4%.

14 For construction labor, craft on site is relatively steady, 1,350.

15 And then construction progress, this month we reported one
16 structure complete, that being Tulare, for the month of July. So, we
17 have 32 structures underway right now, and we have five that are not
18 started. For guideway, we have completed -- we're basically 61%
19 complete with guideway for 72 miles total. 28 is underway and 19 is not
20 started yet. Some of this guideway, we need the structures complete
21 prior to doing the guideway.

22 If we go to the next slide, please.

23 CHAIR TOM RICHARDS: Ed, as you're going through this, do you
24 know what changes there were that caused you to do the revised
25 report?

1 MR. EDWARD FENN: Yes. We --

2 CHAIR TOM RICHARDS: Okay. When --

3 MR. EDWARD FENN: -- we had a --.

4 CHAIR TOM RICHARDS: -- when you get to those, would you
5 just let us know? Because, I mean, I haven't read the revised one here,
6 but I've got my other comments on the one that was the original. So,
7 when you get to those, if you could just tell us, so that we don't have to
8 go through this revised one.

9 MR. EDWARD FENN: Sure, understood.

10 Okay. For the month of July, utility relocation status, we have
11 1,604 relocated, 93 right now are in progress. Then we have 129 that's
12 not started. We completed 19 in the month of July.

13 For right-of-way, we're close to the finish line there, as you can
14 see. We have 99.2% of the parcels. So, we have 13 remaining railroad
15 parcels. But as mentioned at the last meeting, none of this is impacting
16 our guideway construction, nor will, but we still need to finalize those
17 right-of-ways.

18 CHAIR TOM RICHARDS: All right. Are any of the 18 right-of-way
19 parcels affecting construction at this point?

20 MR. EDWARD FENN: I'm sorry, could you repeat that?

21 CHAIR TOM RICHARDS: There's 18 parcels still necessary for
22 the right-of-way?

23 MR. EDWARD FENN: That's right.

24 CHAIR TOM RICHARDS: Yeah. Are there -- are any of those 18
25 impacting our ability and are in construction today?

1 MR. EDWARD FENN: No. No, they are not --

2 CHAIR TOM RICHARDS: Okay.

3 MR. EDWARD FENN: -- at this point.

4 CHAIR TOM RICHARDS: Are they about to?

5 MR. EDWARD FENN: No. They will never.

6 CHAIR TOM RICHARDS: Okay.

7 MR. EDWARD FENN: They are ancillary parcels --

8 CHAIR TOM RICHARDS: Oh, okay.

9 MR. EDWARD FENN: -- easements for utilities, drainage. So,
10 they're -- at this point, they're not a concern to us.

11 CHAIR TOM RICHARDS: Okay, thank you.

12 MR. EDWARD FENN: But good question.

13 Yeah, just on the last site, we had the rail head as well. Now that
14 work is substantially complete --

15 CHAIR TOM RICHARDS: Right.

16 MR. EDWARD FENN: -- for the rail head itself. Follow up work will
17 be the fencing and containment of the site as a whole. And also, we're
18 working to develop plans for a storage building and office facility that's
19 in design right now.

20 CHAIR TOM RICHARDS: Okay. Do we --

21 BOARD MEMBER ERNEST CAMACHO: Is the ballast work
22 complete?

23 CHAIR TOM RICHARDS: -- have any pictures available of what it
24 looks like now?

25 MR. EDWARD FENN: I don't have a great one, actually.

1 CHAIR TOM RICHARDS: Okay.

2 MR. EDWARD FENN: The one that's in this report is a bit dated.

3 CHAIR TOM RICHARDS: Yeah. Yeah. Maybe we could have it for
4 the next month.

5 MR. EDWARD FENN: We can do that.

6 CHAIR TOM RICHARDS: All right. Thank you.

7 MR. EDWARD FENN: Okay.

8 So, I'll cover for planning and engineering, to a certain extent, just
9 high level -- high level summary. Palmdale to Burnbank, NOD and ROD
10 has been completed for LA to Anaheim. We're still on track for the EIR
11 and EIS for Q4 '25.

12 So, planning -- excuse me, Merced extension, 30% is a revised
13 design for the Y segment. It was approved in July 18th, 2025. So, we're
14 continuing to push forward with that design. LGA are continuing to
15 optimize alignment, working with the City of Shafter to finalize that
16 alignment in that area.

17 Now, we have the Central Valley stations. Schematic designs are
18 in place and going through currently an optimization based upon our
19 new DCM, and kind of right-sizing those stations for the initial operating
20 segment.

21 Okay. Next slide, please.

22 BOARD MEMBER ERNEST CAMACHO: Can I stop you for a
23 second?

24 MR. EDWARD FENN: Yes.

25 BOARD MEMBER ERNEST CAMACHO: Can you go back to

1 slide three on the railhead? The project continues to proceed on
2 schedule with the initial surfacing and ballast for all track forecast to be
3 completed by October 3rd. So, are you saying that it is not complete?

4 MR. EDWARD FENN: No, that is -- that is complete. So, the track
5 is ballasted and surfaced at this point.

6 BOARD MEMBER ERNEST CAMACHO: What do you mean by
7 the surfacing and ballast?

8 MR. EDWARD FENN: Yeah. So, that's basically the rock
9 underneath the --.

10 BOARD MEMBER ERNEST CAMACHO: Yeah. No, I know what
11 ballast is, but are you saying that they've already put the ballast in
12 place?

13 MR. EDWARD FENN: Yes, sir. Yes.

14 BOARD MEMBER ERNEST CAMACHO: And then the track will
15 be laid on top of that.

16 MR. EDWARD FENN: Yes. So, the track's all in place and the
17 ballast is all in place. I mean, it's ready to receive rail cars, if I'm correct
18 there. That's correct. Yes. So, in that sense we --.

19 BOARD MEMBER ERNEST CAMACHO: But I thought -- I
20 thought that would be the responsibility of the track -- of whoever has
21 the track, the -- that'll be laying the track, as opposed to doing the --.

22 MR. IAN CHOUDRI: I think this is about the -- within the depot,
23 within the yard.

24 BOARD MEMBER ERNEST CAMACHO: Ah, okay.

25 MR. IAN CHOUDRI: Yeah. This is just to bring the freight trains

1 into the yard.

2 BOARD MEMBER ERNEST CAMACHO: Okay. I got it.

3 MR. IAN CHOUDRI: Not the main line, yeah.

4 BOARD MEMBER ERNEST CAMACHO: But not the main line?

5 Okay. Okay I got it. Thank you.

6 MR. EDWARD FENN: Yeah, and I apologize for that confusion. I
7 wasn't too clear there.

8 BOARD MEMBER ERNEST CAMACHO: No, that's okay.

9 MR. EDWARD FENN: Yeah. Okay.

10 If we can see the next - yeah, right here. Familiar slides.

11 Here's our expenditures, month of July at \$87.4 million, providing
12 a forecast for August as well at \$80.5 million.

13 The next slide is our craft count, showing relatively consistent. As
14 mentioned before, the fluctuations primarily are subcontractors that
15 come in and out of the CPs to construct work. Prime contractor craft
16 remains consistent there.

17 And if we go to the next slide, here is where you'll see one of the
18 corrections is -- the updated will show 55 structures complete versus
19 the 54 that's showing here. It was at the end of July, when Tulare Street
20 was recorded as complete. So, it didn't make it into this initial report,
21 but we subsequently corrected this slide and the resulting report.

22 CHAIR TOM RICHARDS: Okay.

23 MR. EDWARD FENN: So, we can go to the next slide.

24 So, this this slide represents the guideway out of the total 119 of
25 our IOS. We have 70 that is complete -- excuse me, 72. We've gained

1 two miles since the last time we met. For September, we plan on
2 installing another five miles of guideway, which brings to 79 at the end
3 of September, or 66% complete. And as mentioned before, some of
4 these sections of guideway cannot be complete until the structure is
5 complete. So, that'll kind of follow on as we see it kind of cascade
6 through the completion of the schedule through 2026.

7 So, if we go to the next slide.

8 So, this shows the progress through 2025. Similar information, but
9 in a different graphic here. The top shows the progress on the
10 structure. Being that -- again, there's that correction of 54 to 55 for July.
11 And then it shows the progression through the end of the year, getting
12 to 65 structures complete. At that point, all structures will be under
13 construction. And then we have 27 left to complete in 2026.

14 For guideway, you can kind of see it'll kind of follow with
15 structures to a certain extent, as we mentioned. We have 72, and then
16 we kind of incrementally get to 92 by the end of the year. Still a very
17 small percentage that will have to -- that will not be open to us until
18 2026.

19 If we go to the next slide, it gives us a depiction of 2026. At the
20 here is the structures. As we push through the year of 2026, going
21 towards the end of 2026, we do have a couple of our critical structures
22 that will not be complete until late 2026 - that being Houston Ave,
23 Herndon, and Fresno - Fresno Trench. And then the bottom shows the
24 guideway, just kind of following along to get us to the 119. It's really
25 about getting the structures complete.

1 And if we go to the next slide, this shows a summary of our utility
2 relocations out of the total of 1826 that we had. Currently, we're at 1604
3 complete, which is 88%. By September, we'll be to the 91%
4 completion. Some of these utilities are critical for relocation to our work.
5 A lot of them we've done workarounds to continue work. It's not
6 stopping our work, but we're monitoring it closely with a handful of
7 these utilities that we need to get moved, and we have -- we're
8 micromanaging that process at this point.

9 We go to the next slide.

10 This is just a different way to look at the utilities here, utility
11 summary by type. If you look at this, the majority of them to -- excuse
12 me, the majority of them in utilities that we need to relocate are electric,
13 PG&E. Some of these are transmission, some of these are distribution,
14 primarily overhead, one underground. A lot of progress but still work to
15 do on the utilities.

16 We go to the next slide. Let's see.

17 This is a summary of the right-of-way that we talked about. I think
18 you had mentioned the 18 that are currently outstanding, six on CP23
19 and 12 on CP1. Again, it's not impacting our guideway or structures at
20 this point, but we all look forward to having this 100% so we no longer
21 have to talk about right-of-way.

22 If we go to the next slide, it'll show just the railroad portion of this
23 as well. Again, right-of-way for the railroad, not for California High-
24 Speed Rail Authority, buttoning up the last seven by the end of
25 September here.

1 And the next slide will show us the -- our earned value right now
2 on CP 1. We have a schedule performance index of 0.94. So, we're a
3 little bit off the mark, but close, and opportunities to pull this into that
4 100% or 100 performance index that we're striving to.

5 And so, the next slide will give -- and Committee Member
6 Camacho, the next slide may help a little bit, if we could.

7 This is the railhead that our CEO was clarifying for us. So, this is
8 basically off of the BNSF main line, a switch off the main line into our
9 yard. So, this is the railhead for the delivery and storage of the owner-
10 supplied materials that will be being received next year, as well as any
11 equipment for construction. So, this is the -- our initial staging area for
12 the project -- for the rail construction of the project.

13 And unfortunately, we don't have -- these photos are not that up
14 to date. The bottom one there, you can see how they put the ballast on
15 top of the track first. And then the top one is where they lift the track
16 through the ballast, and they do what they call the surfacing that makes
17 it look nice and pretty like we see railroad construction. So, next month,
18 we'll provide some finalized photos of that. And then hopefully, by the
19 time we meet the next time, we'll have our --

20 CHAIR TOM RICHARDS: Okay.

21 MR. EDWARD FENN: -- our press release --

22 CHAIR TOM RICHARDS: Yeah.

23 MR. EDWARD FENN: -- and event down there.

24 And that concludes the presentation.

25 CHAIR TOM RICHARDS: Thank you, Mr. Finn. Any questions

1 from you, Ernie?

2 BOARD MEMBER ERNEST CAMACHO: Yes, I do. Just one
3 second. Let me get the pages I want to question.

4 But one is, going back to slide number 10. We're talking about a
5 completion of the structures and guideway by Q4, December 26 on
6 both of those. So, realizing that we have also the holidays, at the same
7 time, which construction generally slows down by that. Have we
8 anticipated the holidays come into play? As well as the fact that if it's at
9 the end of December, Ian, we have published and stated that we would
10 be done by -- that portion would be done by the end of '26 or into '26.
11 When will we be alerted that we certainly have a problem and we may
12 not make that date, and what do we do about that? What is our
13 contingency plan?

14 MR. IAN CHOUDRI: I will let Ed talk more in detail, but I think
15 what we are doing -- and Ed, you can explain more on the schedule.

16 And our day-to-day monitoring of the progress is just to ensure
17 that there are no surprises. So, right away, elements are removed as
18 obstacles.

19 The reason of the 2026 -- end of '26 completion target, we set it
20 so that when we start laying tracks, we don't have any civil works in the
21 way that will continue, unless it's a civil work outside of the track works.
22 So, nothing in the rail construction when we are laying rail. But
23 anything else that -- like, for instance, if they're doing some work to do
24 protection walls, they may continue into '27 because that's not critical
25 for us. What we are trying to do is clear the pathway in the 119 mile.

1 When we start laying tracks we don't stop, in any of these CPs.

2 Ed, you can talk about how we are monitoring that.

3 MR. EDWARD FENN: Yes. Yeah, no. If I could add to that as well.

4 So, our approach right now, especially -- so, the initial focus for
5 me, anyway, being here three months, was to focus on the CP23,
6 which is our track construction comes from CP4 in the south, and it
7 goes north. What we're instituting with the contractor there is a
8 guideway turnover approach, which is consistent with what Ian's saying
9 there, is we have the guideway to build track. There may be ancillary
10 work such as fencing, ditches, drainage, even utility relocations, above,
11 but if it's not precluding us from building track, we have a -- we're going
12 forward with a guideway turnover approach there, and working to date -
13 - excuse me, the JV at this point to identify those areas, part of our
14 settlement with them. So, it is daily monitoring. So, moving from south
15 to north, moving into north with CP1, there's a lot of work there. There's
16 heavily sequenced work within the city of Fresno that we're monitoring
17 closely. A lot of the challenges with that is there are third parties
18 involved with that, both the City of Fresno and the UP. So, we're
19 strengthening those relationships with them and ensuring that we're
20 meeting dates for that.

21 So, we continuously look at schedule, and next week we're
22 having a -- kind of a summit down at CP1 to go through a couple of the
23 longest paths to see how to optimize phasing and construction.

24 But it will be -- we will be busy through the end of next year.

25 BOARD MEMBER ERNEST CAMACHO: Well, the reason for my

1 concern about that date is if I go back to slide number 15, which has
2 the earned value, the delta between where we currently are, and where
3 we should be, is quite a spread, obviously. And the trajectory doesn't
4 look like it's closing. It seems to be somewhat constant, which keeps
5 the spread the same. And I'm just hoping that we'll close that spread
6 soon, or begin to close it, so that the trajectory would actually look at
7 meeting into '26.

8 MR. EDWARD FENN: Yeah, no, I understand completely.

9 One thing that we will see soon is that we started on Shaw Ave,
10 which was a shoofly that we needed to coordinate with the UPRR back
11 in September, and so that opened. So, a lot of their dollar value is in
12 structures, and they're frankly ahead of schedule just on that specific
13 substructure for Shaw Avenue. Church Avenue, as well, we just had a
14 utility relocation that allowed that work to open up.

15 I understand what you're saying. I think we're going to see a bit of
16 a more positive trend going forward. We need to, right? But it's -- again,
17 the dollars are in the structure. So, when the structures are able to be
18 constructed, that should help this trend.

19 BOARD MEMBER ERNEST CAMACHO: The -- when we begin
20 laying track, are we going to look at starting at the CP4 area and
21 moving north? I mean, the optics of laying track is -- it certainly helps
22 with the idea that we are in fact moving and it's -- the progress is
23 certainly very, very visible. So, will we be doing -- is that where we're
24 going to start with the track systems -- track and systems?

25 MR. EDWARD FENN: Yeah, that's exactly right.

1 So, the railhead that we saw in the last slide of the presentation is
2 basically the starting point for that track to move north. Concurrently
3 with that, as well, is just at the south limits of CP1 is where our HMF
4 will be located. So, currently, right now, we're developing the plans for a
5 second railhead there as well. So, while they're building track north
6 from CP4, the TSCC contractor will be constructing that railhead at the
7 northern segment, which will allow us to run concurrent headings for
8 track construction, both from our Wasco yard, and then from the HMF/
9 railhead facility just at the south of CP1. So, initially, from CP1, they'll
10 move south and meet the track construction that's starting from the
11 south, somewhere in the middle. So, that's right now the plan. And then
12 once we close that gap, then we'll be able to move north through the
13 remainder of CP1.

14 BOARD MEMBER ERNEST CAMACHO: Thank you.

15 Ian, I just want to compliment you and your team for the
16 presentation this morning. It's very refreshing to have this type of
17 review.

18 Both Jamey and Ed, you've done a great job. Thank you.

19 MR. EDWARD FENN: Thank you.

20 MR. IAN CHOUDRI: Thank you.

21 CHAIR TOM RICHARDS: Thank you, Ernie.

22 Thank you, Mr. Fenn.

23 I didn't see Paula Rivera here earlier. Is she here? There you are.

24 I didn't forget you. I just didn't see you. Paula Rivera, our Head of our
25 internal Audit Office. Good morning, Paula.

1 MS. PAULA RIVERA: Good morning. Thank you.

2 CHAIR TOM RICHARDS: This is item number two, by the way,
3 gentlemen -- or people.

4 BOARD MEMBER ERNEST CAMACHO: Good morning, Paula.

5 MS. PAULA RIVERA: Good morning.

6 So, I have three items today. Two reports, and then a preview of
7 the agenda item I have for the full Board.

8 So, the first is an incurred cost or contract compliance audit that
9 we performed, a contract the Authority has with HNTB for design
10 services for the Locally Generated Alternative, which is the also known
11 as the Bakersfield Extension.

12 The audit period was September 1st, 2022, through October 30th,
13 2024, and the reimbursed services were \$39,682,999. And we audited
14 \$39,671,539 of that. So, we primarily audited the majority of the
15 contract. We audited the prime and 23 sub-consultants, a And we
16 identified overbilled and over-reimbursed costs in the amount of
17 \$776,000. The scope of the audit was limited to examining accounting
18 and internal control systems and supporting documentation for costs
19 billed to the Authority and reimbursed by the Authority. The audit
20 objective was to determine whether HNTB and its sub-consultants
21 complied with the requirements of the agreement.

22 So, as I mentioned, we concluded that there were overbilled and
23 over-reimbursed costs. HNTB was given an opportunity to provide a
24 response, and they generally agreed with the issues. We had three
25 sub-issues where the sub-consultants needed more time. So, we've

1 allowed them 90 days after the issuance of the final report. And HNTB
2 has held off agreement until that information is received, and we are
3 able to do our analysis.

4 CHAIR TOM RICHARDS: Back to us on that when that's
5 completed and let us know what happened?

6 MS. PAULA RIVERA: Yes.

7 CHAIR TOM RICHARDS: Thank you.

8 MS. PAULA RIVERA: And the things that we found were fairly
9 typical to the types of things we've seen in our prior incurred cost
10 reports, overbilled indirect rates, unsupported direct labor rates. We
11 had one sub that had a high number of other direct costs that were
12 billed, and they needed additional time to be able to support those
13 other direct costs. But in the time between when we exited with them
14 and now, they've been submitting documentation and invoices, and
15 they were able to provide the linkage that we couldn't see when we
16 were in the field. So, that issue is likely to be resolved in the next few
17 days or weeks.

18 Did you have any questions about that first audit?

19 CHAIR TOM RICHARDS: I don't think so. You can move on.
20 Thanks, Paula.

21 MS. PAULA RIVERA: Okay.

22 The next report I have is a pre-award, and these are performed
23 when we have a request for qualifications procurement, and the
24 contract is awarded to the most qualified team without consideration of
25 cost. So, in order to comply with the Brooks Act in determining a fair

1 and reasonable price, the Audit Office performs a review of the cost
2 proposal, and we compare the cost proposed to actual cost supporting
3 documentation.

4 This was a contract for right-of-way engineering and surveying
5 services for the Merced to Bakersfield section. The contract will be
6 awarded to Westwood Professional Services. We found primarily
7 cosmetic issues with the cost proposal. Some things didn't add up, and
8 we found a single rate that was different. There was an indirect cost
9 rate, which was from a prior year. But other than that, we found it was a
10 very clean cost proposal.

11 Any questions about the pre-award?

12 CHAIR TOM RICHARDS: Ernie.

13 BOARD MEMBER ERNEST CAMACHO: (No audible response.)

14 MS. PAULA RIVERA: Okay.

15 CHAIR TOM RICHARDS: Okay.

16 MS. PAULA RIVERA: The next item I have is a preview of the full
17 Board agenda item. So, starting in 2017 --.

18 CHAIR TOM RICHARDS: How long do you think this will take,
19 Paula?

20 MS. PAULA RIVERA: Not long.

21 CHAIR TOM RICHARDS: Okay.

22 MS. PAULA RIVERA: The majority of the slides are for -- to
23 generally share with the Board what an external peer review is, but you
24 and Ernie are aware, we've been through this a number of times. So, I
25 can skip those slides.

1 CHAIR TOM RICHARDS: Okay.

2 MS. PAULA RIVERA: So, starting in 2017, we've had an external
3 peer review or an external quality assessment every three years. The
4 external quality assessment evaluates our compliance with the
5 elements of the audit standards for our office as a whole, and for
6 individual audit assignments.

7 Do we have the presentation? Let me just roll through this.

8 So, we follow two sets of audit standards. Generally Accepted
9 Governmental Auditing Standards, which is what we use when we audit
10 federal funds, and Global Internal Audit Standards, which is what we
11 use when we're doing internal audits. Both of these standards were
12 revised in the last 12 months. One is called Red Book, one is called
13 Yellow Book. So, we call ourselves an orange office, the combination of
14 the two. So, when we're complying with the standards we comply with
15 the ones that are most restrictive. So, the things that changed about
16 both sets of standards were the external quality assessments and the
17 internal quality assessments, and a little bit about Audit Committee
18 reporting, that we discussed back in January, with the updates to our
19 Audit Charter.

20 We can skip to slide 10.

21 So, what I'm bringing to the full Board today is, historically, the
22 audit standards only allowed a single type of external peer review. That
23 was changed. So, we can have -- the option is you can continue with
24 an external peer review, or you can do an internal self-assessment and
25 have that validated. We believe the external peer review is more

1 valuable because it's others who are coming in to look at our processes
2 and look at our work and give us some feedback. The other option is
3 every three years, which is what the Yellow Book or the governmental
4 auditing standards require, or five years, which is what the internal
5 audit standards requirement.

6 We would suggest that we follow the more restrictive and have an
7 external review every three years. Previously, there was no need for
8 the Board to approve the plan because there were no options, but now
9 that there is an option, I'm going to bring the proposal of an external
10 peer review, and every three years, to the Board for approval.

11 CHAIR TOM RICHARDS: I think it's fair to say that this
12 Committee is going to recommend that also.

13 MS. PAULA RIVERA: Okay. Are there any questions?

14 CHAIR TOM RICHARDS: I don't have any.
15 Do you, Ernie?

16 BOARD MEMBER ERNEST CAMACHO: (No audible response.)

17 CHAIR TOM RICHARDS: I think we're good, Paula.

18 MS. PAULA RIVERA: Okay. Thank you.

19 CHAIR TOM RICHARDS: All right. Thank you very much. Okay,
20 we'll see you in a few minutes.

21 Ladies and gentlemen, that does complete the agenda items for
22 the Finance and Audit Committee meeting. So, before we adjourn,
23 please join us at 9.30 this morning for the October Board Meeting for
24 the Authority.

25 Thank you very much. The meeting is adjourned.

1

(Meeting concludes at approximately 9:20 a.m.)

CERTIFICATE OF TRANSCRIBER

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In witness whereof, I have hereunto subscribed my name this 16th day of October, 2025.

A handwritten signature in black ink, appearing to read "Nithish Kumar", with a horizontal line drawn underneath the name.