



DRAFT

FINANCE AND AUDIT COMMITTEE MEETING MINUTES

October 15, 2020

Webcast 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 October 15th at 8:30 A.M. via webinar due to Governor Newsom's State of Emergency declaration regarding the COVID-19 outbreak and in accordance with Executive Order N-25-20 and the Guidance for Gatherings issued by the California Department of Public Health. The Meeting Minutes were prepared in the order items were presented during the meeting.

Committee Members Present:

Mr. Tom Richards, Committee Chair
Mr. Ernest Camacho, Committee Member
Ms. Nancy Miller, Committee Member

Staff Present:

Mr. Brian Kelly, Chief Executive Officer
Mr. Brian Annis, Chief Financial Officer
Mr. Joseph Hedges, Chief Operating Officer

Public Comment

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

Item #1 – September Meeting Minutes

The September 9, 2020 Meeting Minutes were moved for approval by F&A Committee Member Nancy Miller and seconded by Committee Member Ernie Camacho and approved unanimously.

Item #2 – F&A Committee Chairman's Remarks, Initiatives, and Updates

Committee Chair Richards announced that beginning next month, Board Member Jim Ghielmetti will be joining the F&A Committee.

Item #3 – Financial Reports Executive Summary

Chief Financial Officer Brian Annis presented the Financial Report Executive Summary to the F&A Committee Members.

Question:

Chair Richards asked if we know the balance of Cap and Trade credits that have not been sold.

Response:

Mr. Annis initially responded that he would get back to the Committee with the information and later sited that the Authority currently has 32 million unsold auction credits.

Question:

Chair Richards asked if there are any restrictions to the utilization of Rail Management Property funds for any areas of the High-Speed Rail operation?

Response:

Mr. Annis replied that the statutory provisions are broad. We have tended to focus the funding on maintaining existing property resources. For example, some of the properties that are leased, we may have a plumbing repair, roof repairs, or other tenant related expenses to keep the facilities operable.

Question:

Chair Richards asked what is being done to ensure the Authority is staying on plan with regards to the progress of the project and spending the budget as contemplated?

Response:

Mr. Annis replied that tracking of expenditures is one of the metrics that we use to track progress and there are several others in the Central Valley Status Report. We watch spending against forecast, as well as month-over-month and year-over-year changes. We are seeing significant increases, especially in the Design-Build spend per month over the past year and 24 months. The first two months are below forecast, but we will do a mid-year forecast adjustment in January if it appears that we are not going to catch up in the fiscal year for fluctuating expenditures to date.

Question:

Chair Richards asked if we will we see a reforecast of budget in January or February?

Response:

Mr. Annis replied that is correct.

Question:

Member Camacho asked if we have the percentage of construction completed for each CP?

Response:

Chair Richards and Member Miller replied that the percentage of construction completed will be included in the report from Chief Operating Officer Joe Hedges.

Question:

Member Miller asked for an explanation of the contingency categories "Interim Use/Project Reserve" and "Other". Are they required reserves?

Response:

Mr. Annis replied the "Interim Use" reserve totals \$161M and was partially used for the radio spectrum that was previously purchased. It is a required reserve that is used to make sure we achieve utility with our Central Valley investments. The reserve is on hold until we have an approved use plan from the federal

government. The “Other” contingency category includes \$420M that is an over-arching contingency and is unallocated to any individual construction packages.

Question:

Member Miller asked if the Preliminary report for the next reporting month was helpful to the other Committee members?

Response:

Committee Member Camacho and Chair Richards replied yes. They added that the report is helpful for identifying month-to-month expenditure trends and comparing expenditure rates to what is needed to achieve the ARRA spend by December 31, 2022.

Question:

Chair Richards asked if we are going to have any ability to achieve the Small Business Utilization (SBU) rate of 30%? Is there anything else we could be doing to move the utilization up?

Response:

Mr. Annis advised that the Central Valley Status Report has new reporting on SBU numbers (slide 15). Chair Richards agreed to wait to hear reporting from the Central Valley presentation.

Item #4 – Central Valley Update

Chief Operating Officer Joe Hedges presented the Central Valley Status Report to the F&A Committee Members.

Question:

Member Miller asked if the CP1-4 Design-Build Planned vs. Actual Expenditures slide includes \$500M for track and systems.

Response:

Mr. Hedges replied yes, it does include the track and systems.

Question:

Chair Richards asked Mr. Hedges to clarify if it includes track and systems or just track.

Response:

Mr. Hedges replied it includes the definition of “plain track”, which are the elements to achieve ARRA.

Question:

Member Miller commented that she thought we had increased our small business participation over the last few years.

Response:

Mr. Hedges replied we have. As we increased the amount we are spending, you see the percentage rise.

Having no further business, the meeting was adjourned at 9:35 AM.

The Authority additionally posts on its website transcripts from F&A meetings, which detail the discussion, questions, and answers from the meeting.

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