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CALIFORNIA HIGH-SPEED RAIL AUTHORITY  
MONTHLY MEETING

TRANSCRIPT OF PROCEEDINGS

Secretary of State Auditorium  
1500 11th Street  
Sacramento, California 95814

Tuesday, January 14, 2014  
9:01 a.m.

BRITTANY FLORES  
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A P P E A R A N C E S

BOARD MEMBERS

Mr. Dan Richard, Chairman

Mr. Jim Hartnett, Vice-Chair

Mr. Tom Richards, Vice-Chair

Mr. Patrick Henning

Ms. Katherine Perez-Estolano

Mr. Michael Rossi

Ms. Lynn Schenk

Mr. Thomas Umberg

STAFF

Ms. Janice Neibel, Board Secretary

ALSO PRESENT

Mr. Jeff Morales, CEO

Mr. Thomas Fellenz, Esq., Legal Counsel

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SACRAMENTO, CALIFORNIA, January 14, 2014

9:01 a.m.

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CHAIRMAN RICHARD: The meeting of the California High Speed Rail Authority Board will come to order. We will adjourn into closed session.

(Closed session.)

CHAIRMAN RICHARD: Okay. Good morning, everybody. This meeting of the California High-Speed Rail Authority will come to order. We returned from closed session. We have nothing to report from the closed session, and we will start by asking the secretary to please call the roll.

Where is the secretary?

MS. NEIBEL: Vice-Chair Richards.

CHAIRMAN RICHARD: Oh, there she is. Go ahead.

MS. NEIBEL: Vice-Chair Hartnett.

MR. HARTNETT: Here.

MS. NEIBEL: Mr. Umberg.

MR. UMBERG: Here.

1 MS. NEIBEL: Mr. Rossi.

2 MR. ROSSI: Here.

3 MS. NEIBEL: Ms. Schenk.

4 MS. SCHENK: Here.

5 MS. NEIBEL: Ms. Perez-Estolano.

6 MS. PEREZ-ESTOLANO: Here.

7 MS. NEIBEL: Mr. Henning.

8 MR. HENNING: Here.

9 MS. NEIBEL: Chairman Richard.

10 CHAIRMAN RICHARD: Here.

11 I'll ask Vice-Chair Richards to lead us in the  
12 Pledge of Allegiance.

13

14 (Pledge of Allegiance recited.)

15

16 CHAIRMAN RICHARD: Before we go to the  
17 public comment period, I would just like to remark on  
18 one thing, and that is that Governor Brown, in his  
19 wisdom, yesterday reappointed Tom Richards to this body,  
20 and I think I can speak for all my colleagues in saying  
21 that we're delighted that Tom is going to continue with  
22 us. He is a stalwart of this community. He represents  
23 the Central Valley, which is, of course, the first place  
24 that we are commencing construction of high-speed rail.  
25 He spends innumerable hours meeting with people and

1 trying to gather information and provide information on  
2 the project, and he's just an all-around terrific human  
3 being that I have just been privileged to get to know.  
4 So I'd like to congratulate Tom and welcome him back.

5 With that, we'll turn to public comment now and  
6 we'll start -- this is going to be a challenge because  
7 in low light, those of us of advanced age have a little  
8 bit of difficulty, but we're very pleased to be joined  
9 again by the State Secretary of Transportation, Brian  
10 Kelly.

11 And so, Secretary Kelly, Thank you for coming  
12 before us today, and we'd like to recognize you first.

13 MR. KELLY: Thank you, Mr. Chairman. Thank  
14 you very much, and Board members, for the opportunity  
15 to, to be here today. I just wanted to come over and  
16 spend a few moments talking about the importance and the  
17 implications of the Governor's budget proposal that came  
18 out earlier in the week -- or January 10th at the end of  
19 last week -- and what it means for us in the  
20 transportation community and, of course, for high-speed  
21 rail in particular. The Governor's budget is really the  
22 reflection of very difficult decisions that have been  
23 made over the course of the last five years that finally  
24 bring a fiscal stability to the State of California.  
25 Very difficult decisions including cuts in years of some

1 disinvestment in California have gotten us to a place  
2 where our fiscal picture is stabilized. The voters of  
3 California imparted the solution, of course, with the  
4 passage of Prop 30, that helped bring additional revenue  
5 in the CalPERS, and as a result, that, with the growing  
6 economy, has us in place where we can finally reinvest  
7 in California and its future. And one segment of the  
8 budget this year that is a great beneficiary of that is  
9 transportation. I wanted to just come over and spend a  
10 few minutes talking about what's in the Governor's  
11 budget proposal that matters so much to us.

12 On balance, the budget provides new investment of  
13 \$1.7 million in the fiscal year above our normal, sort  
14 of, revenue sources for transportation purposes, and I  
15 want to talk a little bit about what that includes.  
16 First, it enable us to repay loans that the general fund  
17 made from transportation accounts in the past as we were  
18 struggling to balance the general fund in past years, we  
19 borrowed money from transportation loans in this year,  
20 alone, that is not otherwise due until 2021. The  
21 Governor, in his attack on what he calls "the wall of  
22 debt," he's enabling us to bring forward that loan  
23 repayment, and that means \$351 million we'll be able to  
24 put into projects around the State of California  
25 including important rehabilitation and maintenance

1 projects in the highway system, a system that is  
2 fifty-plus years old and exceeding its useful life. We  
3 have to core focus on preservation going forward, and  
4 this budget puts a good down payment on our ability to  
5 invest in the preservation of our highway system.  
6 There's a hundred million dollars out of that loan  
7 repayment that we're going to investment in, improving  
8 the operations of the highway system by investing in,  
9 what we call, "intelligent transportation systems,"  
10 things like cameras and detectors and monitors and  
11 changeable message signs that help up -- and ramp  
12 metering lights -- that help us operate the systems to  
13 greater efficiency. We need to make sure that equipment  
14 is in good working order, and this investment will  
15 enable us to replace old equipment and ensure that our  
16 congested area, particularly the urban areas, are  
17 operating much more efficiently. We'll be bringing  
18 forward major rehabilitation projects in the state  
19 highway system that, again, are not scheduled to be  
20 addressed until some years out, and this year, we'll  
21 spend a hundred and ten, three fifty-one on moving  
22 forward toward the rehabilitation projects and the  
23 highway system. That's a very, very welcome new  
24 investment here in our sector.

25 There's also the final appropriation of

1 Proposition 1-B bonds. By way of reminder for folks,  
2 Proposition 1-B was the major transportation bond passed  
3 by the voters in 2006. Many of those programs have  
4 moved forward and developed, and much of the investment  
5 has been mainly streets. This year, we're doing the  
6 final investment of what's called the PTMICA funds.  
7 Those are funds that are available to public transit  
8 operators up and down the State of California for  
9 important capitol improvements to the systems. You will  
10 see in places like LAMTA and the Bay Area BART many of  
11 these dollars going for major rehabilitation efforts,  
12 including new rail cars, new bus cars, new light rail  
13 cars, things like that. It's a \$793 million  
14 appropriation this year, and it's the final  
15 appropriation of those bond funds, and we're happy to be  
16 in a place where we can put those dollars to the streets  
17 this year. A hundred and sixty million for inner city  
18 rail services, improving the Amtrak services that  
19 operate three corridor systems up and down our state and  
20 the bond bill also resulted because we have -- Caltrans  
21 and CTC have done a nice job of administering the  
22 program. There have been, and there continue to be this  
23 fiscal year, administrative savings from some of those  
24 accounts that will enable us to reinvest about a hundred  
25 and 13 million in some of the other 1-B categories. So

1 it's a very useful investment for us putting the 1-B  
2 dollars to the streets.

3           And then finally and importantly, I know for this  
4 board, and really I think for the future of California,  
5 recognizing that we do not now provide, through the  
6 State, any real alternative for travel between northern  
7 and southern California that does not involve an  
8 automobile. The Governor has recommitted, or doubled  
9 down if you will, on his commitment to build the  
10 high-speed rail project and to make investments in  
11 connected systems at the regional and local level both  
12 in the north and the south. And he's doing that by  
13 really mirroring the approach that was taken in 1-A,  
14 which provided \$9 billion for direct investment into  
15 developing the high-speed rail project and \$950 million  
16 to invest in connector services or investments to ensure  
17 that we have a seamless transition in high speed and  
18 local commuter regional urban rail. This year, the  
19 Governor's proceeding to use cap and trade funds, a  
20 total of 300 million toward rail modernization, and rail  
21 modernization means that we continue what we did in 1-A.  
22 250 million of that would be for core development,  
23 continuation of the development of this important  
24 project, and 50 million just in the fiscal year we start  
25 the committee to make its way to the streets for

1 connected investment for our regional local partners.  
2 Again, that's been a core element of the approach taken  
3 in 1-A. It dovetails nicely into the approach you all  
4 have taken in developing this project through a blended  
5 approach and blended service, which requires investments  
6 both at the State level and the local regional level  
7 much like the Caltrain electrification project.

8           And so, you know, the Governor's really said it  
9 best in his press conference where he unveiled his, his  
10 budget about the importance of this project in providing  
11 alternatives between viable mobility alternatives for  
12 travel between the northern and southern part of the  
13 state to the vehicle. He noted -- and it's a rare  
14 governor I think who could note this and get it right --  
15 but that last year, there was 331.8 billion vehicle  
16 miles on California's roads, and we need to provide  
17 alternatives if we're going to achieve our safety, our  
18 mobility, and our sustainability objectives. This is  
19 the beginning of what we hope will be a continued  
20 long-term investment in this project for these funds. I  
21 think it's important to note that the cap and trade  
22 program is a broad program that attacks greenhouse gas  
23 emissions through multiple investments. In the fiscal  
24 year, it's an \$850 million program. Only 29 percent of  
25 that is being dedicated to this particular project and

1 rail modernization but that's an important structure  
2 going -- you know, to set the tone for how we use cap  
3 and trade money going forward and I hope -- I hope we  
4 see a long-term -- I expect we'll see a long-term  
5 commitment toward developing this project.

6 I would say, just as I conclude, Mr. Chairman,  
7 that really now putting together the narrative for what  
8 this means, what a long-term investment of these dollars  
9 means, coupled with bond dollars for the development of  
10 this project is really the domain of this Board, the  
11 purview of this Board, and I look forward to working  
12 with you very closely on that in the days ahead, and I  
13 would just say, from a broader transportation  
14 perspective, as I referenced earlier, I don't think  
15 there's much more we can do, much on the horizon that's  
16 as important or as transformational as this project is  
17 in moving forward for California. So with that, I'll  
18 conclude my remarks unless there's any questions. Thank  
19 you.

20 CHAIRMAN RICHARD: Thank you, Mr. Secretary.  
21 I just want to say that we really appreciate your  
22 leadership on this, your work with the Governor on this  
23 budget and this proposal, and your leadership on  
24 transportation issues for the State in general, and we  
25 very much appreciate and are grateful for your support

1 for high-speed rail as transforming the project in  
2 California's future.

3 Before I ask my colleagues if they have any  
4 questions for Secretary Kelly, I would like to recognize  
5 your most recent hire --

6 MR. KELLY: Yes, thank you.

7 CHAIRMAN RICHARD: -- because I think it  
8 sends a real signal about the direction of this  
9 administration's transportation priorities, but would  
10 you like to introduce Mr. Edison?

11 CHAIRMAN RICHARD: Yes. Thank you,  
12 Mr. Chairman. I appreciate the opportunity.

13 As I said, you know, this project, the  
14 development of high-speed rail, the promise of what it  
15 can bring to help mobility in California is of vital  
16 importance to us, vital importance to this  
17 administration, and at the new agency, which was just  
18 established in July of last year, we want to bring in  
19 the best expertise to ensure we get this right and be  
20 sure we integrate this project with existing rail  
21 services. So I'm very pleased to introduce you all to  
22 Chad Edison, who is sitting just below me here. Chad  
23 comes to us from the Federal Railroad Administration.  
24 He spent the last few years in Washington, D.C. working  
25 on many of the issues from a national perspective that

1 we'll be working on here in terms of incorporating our  
2 investments and targeting our investments in way that  
3 helps us build an efficient and smart passenger rail  
4 sytem in California. So I'm very pleased to introduce  
5 Chad, and I think in the days to come, weeks to come,  
6 you'll all get to know him very well. So Chad, welcome,  
7 thank you, Mr. Chairman.

8 CHAIRMAN RICHARD: And welcome, Chad. And  
9 we actually did work with Mr. Edison in the development  
10 of our 2012 business plan, and our colleagues at the  
11 Federal Railroad Administration were helping us think  
12 through some of those issues, and Chad was great on  
13 that, and so he's a terrific addition to your team. We  
14 look forward to it.

15 Colleagues, any question for Secretary Kelly?

16 I want to thank you for taking time from your  
17 very busy day to come over and be with us, and it's a  
18 pleasure to be working closely with you and the  
19 Department.

20 MR. KELLY: Thank you, Mr. Chairman.

21 CHAIRMAN RICHARD: Thank you.

22 Our next public speaker will be Robert Jones  
23 followed by Michael Liikala.

24 Good morning, sir.

25 MR. JONES: Good morning, Board. My name is

1 Robert Jones. I have been before you a few times. I'm  
2 coming before you this morning -- first, I need to step  
3 back and congratulate Mr. Tom Richards for his  
4 reappointment to the Board. We think that's a very good  
5 thing for high-speed rail --

6 CHAIRMAN RICHARD: Excuse me, Mr. Jones.  
7 I'm sorry. Could you just try to speak directly into  
8 the mic. It looks like we have a few challenges on  
9 audiovisual side. Thank you, sir.

10 MR. JONES: As I was saying, Mr. Richards'  
11 reappointment to the Board is beneficial to California  
12 high-speed rail as well as the State of California, and  
13 we congratulate you.

14 Marvin Dean, who is an associate of mine,  
15 couldn't be here this morning. It's my understanding  
16 that the Governor is down in Bakersfield, and Mr. Dean  
17 is trying to find face time with him this morning.

18 I would like to report back on the small business  
19 and DBE reporting. I believe that the message has  
20 gotten out to the prime contractors. I was down in  
21 Bakersfield last Friday, and we had four prime  
22 contractors that took time out of their day to talk  
23 about their programs with the small business and high  
24 rail. So I think the message is getting out, and I'd  
25 also like to thank Diane Gomez. She was down there as

1 well at this informational event.

2 As far as the reporting is concerned, I did have  
3 an opportunity to meet with Mr. Padilla a few weeks ago,  
4 and we reviewed the reporting for both January and  
5 December, December 1st. And I think it's important that  
6 the Board understands the numbers that are within this  
7 report. And I am happy to say that there's 27.5 percent  
8 reported small business utilization -- not  
9 utilization -- but commitment contracts for payments.  
10 Of that 27.5 percent that was reported in December 1st,  
11 which was from, I believe, March to September. As far  
12 as African-American community, and as you remember, I  
13 came before you in October, and at that particular time,  
14 I did not know of an African-American firm that had  
15 acting as a contractor. Well, according to this report,  
16 there's \$35 million in commitment over the last six  
17 months for African-American firms, and I think that what  
18 is really important that most of this money is  
19 commitment and what our next step to make sure it  
20 becomes contract and ultimately payment. And with that,  
21 I will --

22 CHAIRMAN RICHARD: Thank you. Appreciate  
23 that.

24 Next is Michael Liikala followed by Paul Guerrero  
25 and Diana LaCome.

1 MR. LIIKALA: Thank you, Mr. Chairman. I'm  
2 Michael Liikala, president of Solutions International.  
3 We represent some of the leading US and international  
4 firms in the infrastructure and energy sectors.

5 I wanted to comment today on last week's  
6 announcement of new revenue for the high-speed rail  
7 project, and while the 250 million announced in the  
8 Governor's budget is not a big part of the overall  
9 project cost, it could signal a real change in the  
10 completion of the project. So let me explain why.

11 Many of my clients and others in the industry  
12 have been concerned as have many in the public about the  
13 long-term funding outlook for the high-speed rail  
14 project. While some of us in the industry have had an  
15 interest in helping finance or even invest in this  
16 important project, it was difficult to see a way to do  
17 this without some long-term public financial commitment.  
18 Last week's announcement of State funding may  
19 significantly change the outlook. While the project  
20 still remains a daunting financial challenge, private  
21 firms may now see a way to participate particularly in  
22 the busy LA corridor. We have long felt that this busy  
23 urban corridor could benefit from private investment  
24 even during the construction stage. What was lacking  
25 was an ongoing or multiyear commitment of funding from

1 the public side that could be used to help leverage and  
2 finance a multiyear project as large as this one.

3           While it is still unclear whether the funding  
4 will be multiyear, I can give you some idea of what the  
5 private sector might do if it were. A multiyear  
6 commitment of funding would allow private firms to begin  
7 looking at building these projects now. It would also  
8 be able to consider financing the construction of one or  
9 more of the corridors and thus be able to start  
10 construction much sooner. In addition, depending on the  
11 corridor, they may consider adding their own equity into  
12 the financing and agree on being repaid over the long  
13 term.

14           In short, this new source of funding for  
15 high-speed rail could, if it is a multiyear commitment,  
16 significantly change the private sector's views of the  
17 project and their willingness to finance and invest and  
18 do it much sooner than originally thought. To me, that  
19 would present a real important opportunity for the  
20 Authority to take a new look at how and when they move  
21 forward on the next phase of the project and the role  
22 you expect from the private sector. Thank you,  
23 Mr. Chairman.

24           CHAIRMAN RICHARD: Mr. Liikala, thank you.  
25 That's welcome and interesting news, so we appreciate

1 that.

2 Paul Guerrero followed by Diana LaCome.

3 MR. GUERRERO: I'll just grab this.

4 CHAIRMAN RICHARD: That's great.

5 MR. GUERRERO: I want to mention in addition  
6 to congratulating Mr. Richards, I wanted to mention in  
7 the January issue of Comstock Magazine, which is  
8 published in Sacramento, there was a lengthy, I think  
9 four or five page, article on your Chair, Jeff Morales.  
10 It was quite complimentary, and it indicated that the  
11 high-speed rail is damn lucky to have gotten him with  
12 all of his qualifications. I was really surprised when  
13 I read it. And if anybody -- no, I was --

14 CHAIRMAN RICHARD: I don't think you meant  
15 to juxtapose those two sentences.

16 MR. GUERRERO: No, no. I didn't mean it  
17 that way. I was surprised that he was -- that anybody  
18 was that well qualified. I mean, I was just really  
19 surprised. Especially at his age, you know, he's very  
20 young. I'm almost saying you're smarter than me.

21 The other thing I wanted to call to -- to talk  
22 about was at the last meeting, that handout that you  
23 have there, that red chart, was put out, and I would  
24 suggest that in addition to having "right of way  
25 contract one," "right of way contract two," and that,

1 that we have "right of way contract one, Jones  
2 Construction," so we know who got that, whether it was  
3 small business or a large business. And then in  
4 addition to that, on the website if you could post when  
5 payments are made, because we're hearing from a lot of  
6 small businesses that they're not getting paid, and that  
7 means that you may be paying the prime, but he's not  
8 paying the sub. And that prime, when he gets paid, he's  
9 supposed to pay his sub within ten days of the date he  
10 receives payment, and that's the State Bond Payment Act  
11 10 through 62.5 of the contract code. In addition, if  
12 he doesn't get paid, if that prime doesn't get paid, he  
13 still is supposed to pay the sub regardless of whether  
14 he gets paid or not. He can't contract that away. So  
15 one of the things, it would be really great if the sub  
16 knew when that prime got paid, and they'll know that if  
17 you put it on your website. That's a small thing to do,  
18 and that's it. That's all I have to say this time.

19 So congratulations, Jeff. Congratulations,  
20 Director Richards.

21 CHAIRMAN RICHARD: Thank you, Mr. Guerrero.

22 Diana LaCome followed by our last speaker, Robert  
23 Allen.

24 MS. LACOME: Good morning, Chairman Richard,  
25 members of the Board. I'm not going to comment on, on

1 our CEO. It seems that we get our foot deeper into our  
2 mouth every time we open, but I'm Diana LaCome,  
3 president of APAC, and today, I have two comments to  
4 make. One is on the reports. The reports to the public  
5 should have a lot more detail than what they have. Paul  
6 mentioned some of the areas that should be covered.  
7 What I have done is I have given your secretary two  
8 packets of reports that are presented by Caltrans  
9 District 4, and the breakdown that they have there is  
10 really what would be excellent for the high-speed rail.  
11 I'm sure Director Sartipi would be happy to share those  
12 with you. He's in the Oakland office.

13 Our second comment is I was very happy to see the  
14 Authority small business newsletter. So I commend you  
15 on that for getting that off the ground, but I'd like to  
16 make some recommendations for future issues. One is  
17 that this news letter be provided monthly. The  
18 newsletter should list the Authority's business council  
19 members and small business staff. Three is that it  
20 should list all the small businesses that have or have  
21 had a contract with the Authority, the amount of the  
22 contract, payments to date, and then in future issues,  
23 perhaps, highlight one or two small businesses that are  
24 actually working with you. I think that would be  
25 excellent, because it will motivate a lot of small

1 businesses as well as getting information out in terms  
2 of the commitment that you have made to small businesses  
3 on the 30 percent. So thank you very much.

4 CHAIRMAN RICHARD: Thank you Ms. LaCome.

5 And finally Robert Allen.

6 MR. ALLEN: This is slightly changed from  
7 November, and I realized that the high-speed rail is  
8 more oriented towards the south land than toward the Bay  
9 Area now and my concerns with the Bay Area, but some of  
10 them apply to the south.

11 And it goes basically: I've been working on the  
12 railroad, retirement thirty years. High-speed rail can  
13 be successful, but not as yours appears. Blended rail  
14 is not the answer. Its perils rule it out. Better  
15 go -- better go to Oakland on Amtrak's East Bay route.  
16 From the south to San Jose, later the Mulford way to Bay  
17 Rail Hub that's under BART. San Francisco Bay, BART  
18 across the Bay, there, is where you start.

19 Basically, I have four points that blended rail  
20 is not safe, and the high-speed rail is based on the  
21 safe, reliable high-speed rail transit. That's what the  
22 bond issue is for, and blended rail is not safe. It is  
23 not reliable. That the first phase of this could very  
24 well be from the south land up to San Jose with cross  
25 platform transfers to Caltrain and to the Capitol

1 Corridor. No need to run high-speed rail all the way  
2 up, modified Caltrain for that.

3 Another is that there's -- on the back of the  
4 thing I gave you, there's a map, sketch map, Google map  
5 where it shows where a trans bay hub station would be,  
6 which would be suitable for BART, and BART trains run  
7 every four minutes across the Bay. It takes between six  
8 and ten minutes to reach all four of the downtown San  
9 Francisco stations. It's a tremendous -- it's really  
10 close. It's a lot closer than San Francisco rail hub at  
11 this point would be much closer to the San Francisco  
12 Airport, which is about almost half an hour away and  
13 it's -- I urge you to work with getting -- work with  
14 BART on getting a trans bay hub and that you go to  
15 upgrade the Mulford route, Union Pacific from San Jose  
16 through Santa Clara and up to Oakland.

17 CHAIRMAN RICHARD: Thank you, Mr. Allen, and  
18 keep working on that, that presentation approach. It's  
19 unique, so we appreciate that. Thank you very much.

20 That completes our public comments. However, I  
21 want to bring one matter up here. I have noticed that I  
22 have just received an email, and all the other Board  
23 members have received an email, from a representative of  
24 CAARD purporting to make comments on an agenda item.  
25 It's sent to my personal email. It's sent to the

1 personal emails of the members of this Board. I think  
2 that's entirely inappropriate. I'm not going to read  
3 this email, because I don't think that's the proper way  
4 to put comments in front of this Board. We have been  
5 very, very open to public comments to afford members of  
6 the public ample opportunity to come before this Board  
7 and comment to us or to send letters that can be  
8 docketed and made part of the public record.

9 I have to comment that I think it's rather ironic  
10 that an organization that persists in raising questions  
11 about our transparency would choose a means of  
12 communication that is not transparent to the rest of the  
13 public. If they, or any other member of the public, has  
14 issues that they want to bring before this Board, they  
15 need to be brought before this Board in the proper way.  
16 And I'm going to ask our general counsel to take a look  
17 at this and communicate with that organization and ask  
18 them to please stop sending emails to members directly  
19 in the middle of a Board meeting. They have a perfect  
20 opportunity, and they have afforded themselves in the  
21 past, to come before this Board in public and make  
22 whatever statements they wish to make, but with private  
23 emails to Board members in the middle of a Board meeting  
24 is simply not the proper means of communication.

25 So I just wanted to make that point, and I'm

1 going to delete this email. It's not going to be part  
2 of the public record, and they have the opportunity, if  
3 they choose to, to communicate with us in a more  
4 appropriate way.

5 With that, I'm going to turn to our Board minutes  
6 and ask for a motion on the approval of the Board  
7 minutes.

8 It's been moved and seconded.

9 Will the secretary please call the roll.

10 MS. NEIBEL: Vice-Chair Richards.

11 MR. RICHARDS: Yes.

12 MS. NEIBEL: Vice-Chair Hartnett.

13 MR. HARTNETT: Yes.

14 MS. NEIBEL: Mr. Umberg.

15 MR. UMBERG: Yes.

16 MS. NEIBEL: Mr. Rossi.

17 MR. ROSSI: Yes.

18 MS. NEIBEL: Ms. Schenk.

19 MS. SCHENK: Yes.

20 MS. NEIBEL: Ms. Perez-Estolano.

21 MS. PEREZ-ESTOLANO: Yes

22 MS. NEIBEL: Mr. Henning.

23 MR. HENNING: Not voting.

24 MS. NEIBEL: Chairman Richard.

25 CHAIRMAN RICHARD: Yes.

1           Before we turn to our next item, Mr. Fellenz, I  
2 just -- one other thing that -- I wanted to turn to our  
3 CEO and ask for him to discuss for a moment before we  
4 get to the rest of our regular agenda, we heard from  
5 Secretary Kelly this morning about the Governor's budget  
6 proposal with respect to cap and trade revenues and  
7 their appropriate use for the construction of the  
8 high-speed rail system, and I'd like to turn to our CEO,  
9 Mr. Morales, and ask him to add any additional comments  
10 that he has on that, and also, I know there was some  
11 commentary yesterday from the legislative analyst office  
12 about the appropriateness of those funds, and I think it  
13 informs the public to date if, Jeff, you could just take  
14 a few minutes and walk us through this.

15           MR. MORALES: Sure. Thank you,  
16 Mr. Chairman.

17           As Secretary Kelly noted, the Governor has  
18 proposed cap and trade funding for high-speed rail in  
19 the current budget with an ongoing commitment. It's  
20 important to note that this really is the implementation  
21 of a strategy that has been laid out for half a decade  
22 going back onto the passage of AB 32 with the Air  
23 Resources Board.

24           The proposal for the use of cap and trade funds  
25 goes back to the passage of AB 32 and the Air Resources

1 Board's first scoping plan, which was released in  
2 December of 2008, which specified that high-speed rail  
3 was a priority investment for cap and trade to help the  
4 State not only reach the short-term goals but maintain  
5 the greenhouse gas reduction goals over the long run.

6 I think it's best for ARB, for Secretary Kelly,  
7 the Department of Finance to speak to kind of the big  
8 picture questions of eligibility, which have been  
9 raised. I would say they have made it very clear that  
10 they do not agree with an LAO position there, but what I  
11 want to focus on are two other questions, which were  
12 raised by the LAO, which I think needs to be corrected,  
13 some factual errors essentially. Based on two premises,  
14 one, that there will be a net, net emission of  
15 greenhouse gas during our construction program and,  
16 secondly, that we would not see debts accruing during --  
17 before 2020. And that's -- we need to correct both of  
18 those.

19 One, we have adopted -- this Board has pushed us  
20 to adopt -- a proposal and policy of being net zero  
21 emissions throughout the construction of this project,  
22 and we have put in place the steps to do that, which  
23 includes some very aggressive steps requiring our  
24 contractors, for instance, to use the very latest  
25 equipment, the EPA tier four equipment. We're going to

1 have aggressive mitigation programs, which range  
2 everything from planting several thousand trees in the  
3 Central Valley to address greenhouse gas to replacing  
4 diesel pumps on water pumps in the Central Valley area  
5 as part of our overall mitigation program. So we will  
6 be net zero emissions during construction, which is a  
7 very significant step.

8           Secondly, and I think we have got -- might be  
9 able to get it on the screen here -- in terms of  
10 reductions, in the short term reduction, I just wanted  
11 to talk about those quickly again, because these are  
12 things that will happen by 2020, which is the focal  
13 point for many people with the cap and trade program.

14           First, we need to note that the Caltrain  
15 electrification program is going forward as part of the  
16 high-speed rail program. That will be up and running by  
17 2019, and that will produce an estimated 18,000 tons of  
18 reduction of CO2 a year once it's up and running, very  
19 important. We are also investing, as part of this  
20 program, in other major improvements in transit programs  
21 around the state through the conductivity funds as well  
22 as the bookend funding. In our contract with our design  
23 builder, we have required them to recycle all concrete  
24 and steel, very aggressive approach, which have diverted  
25 those waste from landfills as a significant savings.

1 Again, we're requiring them to use the latest  
2 technologies on fuels. We'll be implementing a number  
3 of different measures up and down the Valley, all of  
4 which will help us not only be net zero but, in fact,  
5 will produce reductions by 2020 in this.

6 On the next -- over the long run, it's also  
7 important to note that the purpose of AB 32, again, is  
8 not just to get to a target in 2020 but to get there and  
9 stay there. And ARB has long noticed and AB 32, in  
10 fact, spoke to that issue saying that it is very  
11 important to ensure that we maintain reductions and  
12 continue to reduce in the face of a growing population  
13 beyond 2020 out to at least 2050. ARB has consistently  
14 supported high-speed rail as a tool for doing that and  
15 working in conjunction with local transit and, as it has  
16 said, acting as a catalyst for transit oriented  
17 development and more sustainable development throughout  
18 the State.

19 So I just want to make sure we're clear on the  
20 record that the broad, big picture issue about  
21 high-speed rail is something that has been addressed  
22 very clearly in statute and by the Air Resources Board  
23 and then the specific questions of the near-term  
24 benefits we can also provide very clear answers and show  
25 those benefits. So we're very pleased with the

1 Governor's proposal and recognize that we are part of a  
2 balanced program going forward and look forward to not  
3 only building our system but contributing to the  
4 reduction of greenhouse gases in California.

5 CHAIRMAN RICHARD: Thank you very much,  
6 Mr. Morales. Appreciate your clarifications on that.

7 Members of the Board, do you have any questions  
8 for our CEO on those points?

9 I just want to commend you on your leadership,  
10 you and your staff, on the way that you're building this  
11 project. Thank you.

12 We'll turn back to the regular order.

13 Mr. Fellenz, Item 3.

14 MR. FELLEENZ: Yes. Mr. Chairman and Board  
15 members, Item 3 is a request for the Board to approve  
16 delegations of authority to the Chief Executive Officer.  
17 Over the years, there's been a number of resolutions  
18 passed by this Board delegating authority to the CEO,  
19 and the attempt here is to consolidate in one place  
20 those authority but also to address some recent  
21 legislation that took effect on January 1st, 2014, and  
22 that legislation is in the area of real property  
23 utilities. And so I included some, for your  
24 consideration, some delegations that relate to those  
25 particular legislative acts. If you turn to the -- to

1 the delegation of authority document itself, I just want  
2 to point out some of the changes. As I mentioned, this  
3 is a consolidation, but some of the changes that I have  
4 included here, one is that the CEO can, at his or her  
5 discretion, delegate some of these authorities to staff,  
6 and in the past, as it was just mentioned, these  
7 delegations can go to staff, but I have included,  
8 "appropriate, qualified authority staff" so that there's  
9 a clear direction from the Board that the CEO has the  
10 responsibility to think through and measure the  
11 delegations from him or her down are appropriate.

12 In addition, in the fiscal area, I provided more  
13 clarification on the role of the Board in the fiscal  
14 matters, which is that the CEO or Chief Executive  
15 Officer -- or Chief Financial Officer -- will present  
16 the budget to the Board for review, input, and  
17 acceptance and that will be as frequently as the CEO  
18 determines that to be needed. Usually, that's once a  
19 year there's a budget that goes to the Department of  
20 Finance from the High-Speed Rail Authority.

21 Also, if you look to the legal portion, to create  
22 what I believe to be more consistently in the types of  
23 delegations that you have given to the CEO in the past,  
24 I increased the amount of litigation settlement  
25 authority to \$5 million to the CEO, and that matches the

1 similar \$5 million amount in the procurement in  
2 agreement area.

3 And then finally, if you look at the real  
4 property section in these delegations, this just tracks  
5 the recent legislation that I mentioned, and I tied  
6 those to the particular public utility code section that  
7 is the new legislation.

8 I'm happy to take any questions or hear any  
9 concerns or suggestions you might have.

10 CHAIRMAN RICHARD: All right. Thank you  
11 very much.

12 One of those. Just pass this down. It's  
13 probably faster.

14 MS. SCHENK: I got it. Yeah. I think I  
15 have it.

16 Thank you, Mr. Fellenz. I -- just in the  
17 interest in having the record more fulsome, it should be  
18 noted that you spent time individually with each Board  
19 member so that we went through this quite thoroughly,  
20 and some of these changes are a result of those  
21 discussions, and so thank you for making those changes  
22 and clarifications.

23 As I had said to you when we talked, I'd like to  
24 have considered by the CEO and staff some reporting back  
25 mechanism so that whether annually or semiannually, we

1 get a written report on some of these larger items,  
2 obviously, not the small thousand, two thousand. And I  
3 don't really have my arms around what would be the right  
4 number, but some of what we delegated is fairly  
5 significant, and I, for one, would like to know, on some  
6 reasonable basis, feedback as to what actions have been  
7 taken under the authority of this delegation.

8 So, Jeff, if you would think about that and maybe  
9 get back to us on what might be a reasonable, not too  
10 burdensome, reporting requirement.

11 CHAIRMAN RICHARD: Thank you, Director  
12 Schenk.

13 Other questions?

14 MR. ROSSI: I have one.

15 CHAIRMAN RICHARD: Director Rossi.

16 MR. ROSSI: As concerns with the  
17 resolutions, I don't think it makes sense to ratify  
18 actions without knowing what those actions are. So I  
19 would just suggest that we approve this amendment  
20 without ratification of actions that have been taken,  
21 unless there's some actions that were taken that you're  
22 aware of that were in violation of delegation we need to  
23 know about those before we ratify them.

24 MR. FELLEENZ: No, I'm not aware of any  
25 violations of, of --

1                   CHAIRMAN RICHARD: I think that -- let me  
2 just comment that the purpose of this, as I understood  
3 it, was simply, and I'll just say it, that in some of  
4 the litigation that's been filed against us, people have  
5 raised certain questions, and so the notion here was to,  
6 essentially, just clear all that out. And I think, in  
7 particular, goes to the issue of the CP-1 contract  
8 issuance, and so that was the reason. I don't think  
9 there was ever any question of the Board's authority on  
10 that, but it was brought into question in litigation,  
11 and so that was why Mr. Fellenz included it here. So  
12 that was -- that was the purpose for it, and I don't  
13 know that there's any other action beyond that, but I  
14 think what our counsel was doing was just, in the matter  
15 of judicial efficiency, just trying to make sure that if  
16 anybody wanted to bring those claims that we just  
17 foreclose them.

18                   Tom, do you want to --

19                   MR. FELLEENZ: That's accurate, Mr. Chairman.

20                   MR. ROSSI: The only problem with that, Mr.  
21 Chairman, is that I don't think it closes it, because  
22 approving something you're not aware of what it is  
23 you're approving doesn't hold well in any way. So if  
24 that's what we're approving -- if that's what we're  
25 ratifying, then I'd like it to be clear that's what

1 we're ratifying, what exactly it is that we're  
2 ratifying.

3 CHAIRMAN RICHARD: All right. Then I'm  
4 going to suggest that we put this over for one month and  
5 we address those issues and bring it back to the Board.

6 MR. FELLEENZ: Okay.

7 CHAIRMAN RICHARD: Okay. So we'll just take  
8 it off calendar.

9 Let's move onto the next item, which is the  
10 extension of the contract with Caltrans for legal  
11 services for only.

12 MR. FELLEENZ: Yes. We have an existing  
13 contract for legal service with Caltran, and this is  
14 just asking the Board for authority to extend that  
15 contract for an additional two-year period. You had  
16 previously approved it for \$7.3 million. The amount  
17 remains the same. These services will be needed for a  
18 longer period of time, but the amount to be spent is  
19 remaining the same. So we have -- the staff has to come  
20 back to the Board for certain contract extensions in  
21 money and time. And so this is just asking for  
22 authority to extend it out to the end of the fiscal year  
23 of 2016.

24 CHAIRMAN RICHARD: Okay. Questions for  
25 Mr. Fellenz?

1 MR. HARTNETT: Move approval.

2 MS. SCHENK: Second.

3 CHAIRMAN RICHARD: Okay. It's been moved by  
4 Director Hartnett, seconded by Director Schenk.

5 Secretary, please call the roll.

6 MS. NEIBEL: Vice-Chair Richards.

7 MR. RICHARDS: Yes.

8 MS. NEIBEL: Vice-Chair Hartnett.

9 MR. HARTNETT: Yes.

10 MS. NEIBEL: Mr. Umberg.

11 MR. UMBERG: Aye.

12 MS. NEIBEL: Mr. Rossi.

13 MR. ROSSI: Yes.

14 MS. NEIBEL: Ms. Schenk.

15 MS. SCHENK: Yes.

16 MS. NEIBEL: Ms. Perez-Estolano.

17 MS. PEREZ-ESTOLANO: Yes.

18 MS. NEIBEL: Mr. Henning.

19 MR. HENNING: Aye

20 MS. NEIBEL: Chairman Richard.

21 CHAIRMAN RICHARD: Yes.

22 Okay. And then our final item is the award of  
23 contract for Lazy K Ranch permit phase 1 biological  
24 resources mitigation project.

25 MR. MCLAUGHLIN: Good morning, Mr. Chair and

1 Board members. I wanted to bring this item to you  
2 today. It's on our habitat conservations. It's a  
3 component of our sustainability program. We came before  
4 you last November for approval of delegation of  
5 authority to CEO Jeff Morales for the Lazy K contract.  
6 And since that time, through our negotiations with the  
7 contractor that we're consulting, we found that it's --  
8 we'd like to have the opportunity to have additional --  
9 or we may need additional agreements within that  
10 authority to allow us to proceed in a quicker manner for  
11 the preservation of construction package one. And so  
12 one portion that we're really looking at today is, we're  
13 third party easement holders. So we would like to have  
14 the ability to provide other agreements and work  
15 directly with them to preserve the schedule that we have  
16 and work directly with the third parties -- third party  
17 agreements for conservation easements. So simply,  
18 that's the matter before you today to allow, again,  
19 other agreements within that first approval you provided  
20 in November.

21 CHAIRMAN RICHARD: Okay.

22 MR. MORALES: Just to reinforce, again, this  
23 is in no way changing the scope of what the Board ruled,  
24 essentially, allowed for us to contract with more than  
25 one party to implement preservation.

1           CHAIRMAN RICHARD: Okay. And it was a very  
2 impressive program that was presented to us at the last  
3 meeting.

4           So any questions? Motion?

5           MR. HARTNETT: Move approval.

6           MR. ROSSI: Second.

7           CHAIRMAN RICHARD: All right. It was moved  
8 by Director Hartnett and seconded by Director Rossi.

9           Will the secretary please call the roll.

10          MS. NEIBEL: Vice-Chair Richards.

11          MR. RICHARDS: Yes.

12          MS. NEIBEL: Vice-Chair Hartnett.

13          MR. HARTNETT: Yes.

14          MS. NEIBEL: Mr. Umberg.

15          MR. UMBERG: Yes.

16          MS. NEIBEL: Mr. Rossi.

17          MR. ROSSI: Yes.

18          MS. NEIBEL: Ms. Schenk.

19          MS. SCHENK: Yes.

20          MS. NEIBEL: Ms. Perez-Estolano.

21          MS. PEREZ-ESTOLANO: Yes.

22          MS. NEIBEL: Mr. Henning.

23          MR. HENNING: Yes.

24          MS. NEIBEL: Chairman Richard.

25          CHAIRMAN RICHARD: Yes.

1 MR. FELLEENZ: Mr. Chairman, if I might  
2 direct your attention back to, and Board members, back  
3 to Item Number 3. I have a suggestion that would be  
4 that you remove the ratification paragraph within  
5 that -- within the resolution and that you move ahead  
6 with the passing of the delegations and the reason I  
7 bring this up is because --

8 MR. ROSSI: I'll make that motion.

9 MR. HARTNETT: Second.

10 CHAIRMAN RICHARD: All right. So back on  
11 Item 3. It's been moved and seconded. It's moved by  
12 Director Rossi, seconded by Director Hartnett that the  
13 resolution go forward with the absence of the  
14 ratification provisions. Without comment -- do you want  
15 to comment?

16 MR. HENNING: No.

17 CHAIRMAN RICHARD: Without comment, would  
18 the secretary please call the roll.

19 MS. NEIBEL: Vice-Chair Richards.

20 MR. RICHARDS: Yes.

21 MS. NEIBEL: Vice-Chair Hartnett

22 MR. HARTNETT: Yes.

23 MS. NEIBEL: Mr. Umberg.

24 MR. UMBERG: Aye.

25 MS. NEIBEL: Mr. Rossi.

1 MR. ROSSI: Yes.

2 MS. NEIBEL: Ms. Schenk.

3 MS. SCHENK: Yes.

4 MS. NEIBEL: Ms. Perez-Estolano

5 MS. PEREZ-ESTOLANO: Yes.

6 MS. NEIBEL: Mr. Henning

7 MR. HENNING: Aye.

8 MS. NEIBEL: Chairman Richard.

9 CHAIRMAN RICHARD: Yes.

10 Okay. That completes the agenda before us. This  
11 Board will now return to closed session, and then we'll  
12 report back after that time. So we stand in recess in  
13 closed session. Thank you.

14

15 (Closed session.)

16

17 CHAIRMAN RICHARD: Okay. Returning from the  
18 closed session, we have no items to report from the  
19 closed session, but the close session has been continued  
20 from today until Wednesday, January 22nd at 2:00 p.m.  
21 here in Sacramento. Thank you, and we'll be adjourned.

22

23 (Whereupon the meeting adjourned at 12:39 p.m.)

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1 I, Brittany Flores, a Certified Shorthand  
2 Reporter of the State of California, duly authorized to  
3 administer oaths, do hereby certify:

4 That the foregoing proceedings were taken before  
5 me at the time and place herein set forth; that any  
6 witnesses in the foregoing proceedings, prior to  
7 testifying, were duly sworn; that a record of the  
8 proceedings was made by me using machine shorthand which  
9 was thereafter transcribed under my direction; that the  
10 foregoing transcript is a true record of the testimony  
11 given.

12 Further, that if the foregoing pertains to the  
13 original transcript of a deposition in a Federal Case,  
14 before completion of the proceedings, review of the  
15 transcript ( ) was ( ) was not requested.

16 I further certify I am neither financially  
17 interested in the action nor a relative or employee of  
18 any attorney of party to this action.

19 IN WITNESS WHEREOF, I have this date subscribed  
20 my name.

21 Dated:

22

23

24

25

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Brittany Flores CSR 13460