

CALIFORNIA HIGH-SPEED RAIL AUTHORITY

MONTHLY MEETING

TRANSCRIPT OF PROCEEDINGS

SACRAMENTO COUNTY BOARD OF SUPERVISORS CHAMBERS

SACRAMENTO COUNTY ADMINISTRATION CENTER

700 H STREET

SACRAMENTO, CA 95814

TUESDAY, FEBRUARY 16, 2016

10:00 A.M.

Reported by: Kent Odell

APPEARANCESBOARD MEMBERS

Dan Richard, Chairman

Tom Richards, Vice Chair

Lynn Schenk

Daniel Curtin

Lou Correa

Lorraine Paskett

Bonnie Lowenthal

STAFF

Jeff Morales, Chief Executive Officer

Janice Neibel, Acting Secretary

Mark McLoughlin

Margaret Cederoth

Michelle Boehm

Frank Vacca

Russell G. Fong

Paula Rivera

Scott Jarvis

Jon Tapping

Gary Griggs

APPEARANCES (CONT.)ALSO PRESENT

Mick Gleason, Kern County Board of Supervisors

Lauren Skidmore, Kern4HMF

Scott Hurlbert, City Manager's Office, City of Shafter

J. Paul Paris, City Manager's Office, City of Wasco

John Spaulding, Kern, Inyo, Mono Counties Building Trades Council

Rob Ball, Kern Council of Governments (COG)

Cheryl Scott, Kern County EDC

Jennifer Patino, California State University, Bakersfield

Donna Carpenter, Kern Transportation Foundation & Kern County Home Builders Association

Charles Follette

Paul Dyson, Rail Passenger Association of California (RailPAC)

Frank Oliveira, Citizens for California HSR Accountability (CCHSRA)

Ted Hart

Karen Stout, CCHSRA

Ross Browning, CCHSRA

Robert Allen

Melissa Romero, Californians Against Waste

APPEARANCES (CONT.)ALSO PRESENT

Lee Ann Eager, Fresno County EOC

Roland Lebrun

Matthew Reischman, CAL FIRE

Jeanette Owens, L.A. County Metropolitan Transportation
Authority (Metro)

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P R O C E E D I N G S

10:09 a.m.

PROCEEDINGS BEGIN AT 10:11 A.M.

SACRAMENTO, CALIFORNIA, TUESDAY, FEBRUARY 16, 2016

CHAIRMAN RICHARD: Good morning, welcome to the meeting of the California High-Speed Rail Authority Board.

We're going to do something a little out of sequence this morning, because we are graced with two new members of our body: one appointed by the President Pro Tem of the Senate and one appointed by the Speaker of the Assembly. So what I'm going to do is I'm going to first open the roll, establish a quorum, then I'm going to have a swearing in with the new members, and then we'll proceed to the Pledge and the Order of Business. So just so people know that that's what we're doing.

So could I ask the Secretary to please call the roll?

MS. NEIBEL: Director Schenk?

BOARD MEMBER SCHENK: Here.

MS. NEIBEL: Vice Chair Richards?

VICE CHAIR RICHARDS: Here.

MS. NEIBEL: Director Rossi -- is absent.

Director Correa?

BOARD MEMBER CORREA: Here.

MS. NEIBEL: Director Curtin?

1 BOARD MEMBER CURTIN: Here.

2 MS. NEIBEL: Chair Richard?

3 CHAIRMAN RICHARD: I'm here.

4 Okay, having established that quorum I'd like to
5 introduce to everyone our two new members. Former
6 Assemblymember Bonnie Lowenthal, and Ms. Lorraine Paskett
7 who's also had a distinguished career at the Los Angeles
8 Department of Water and Power and on issues down in L.A.
9 And if they could, if they'd both step forward?

10 Do I have the Oath of Office in front of me?

11 BOARD MEMBER SCHENK: You should have it
12 memorized by now.

13 CHAIRMAN RICHARD: We don't have it.

14 BOARD MEMBER SCHENK: Pull it up on the Internet,
15 it's there.

16 CHAIRMAN RICHARD: Well, it was going to be
17 ceremonial, because they've both actually taken the Oath of
18 Office. This was a brilliant plan except that I forgot to
19 tell the General Counsel to bring it to me. And since I
20 don't have it memorized let me just welcome both of you.

21 Why don't you reopen the roll and add these other
22 two members who have taken the Oath of Office?

23 MS. NEIBEL: Director Paskett?

24 BOARD MEMBER PASKETT: Yes.

25 MS. NEIBEL: Director Lowenthal?

1 BOARD MEMBER LOWENTHAL: Here.

2 CHAIRMAN RICHARD: Okay. With that, please join
3 me the Pledge of Allegiance.

4 (The Pledge of Allegiance is made.)

5 CHAIRMAN RICHARD: Okay. Next time I run a pitch
6 out I'll be sure to tell Mr. Fellenz to go over to the
7 right to catch the ball. Oh, well. Google has everything,
8 we have the oath, but that's fine. (Laughter) Thank you.

9 Before we start with the public comment, I would
10 like to welcome our two new members and ask each of them if
11 they'd like to make any remarks at this point.

12 Bonnie Lowenthal, as I mentioned had a
13 distinguished career in the State Assembly representing the
14 communities of Long Beach and San Pedro on the South Bay in
15 Los Angeles area, served as head of the Assembly
16 Transportation Committee. And we were just delighted at
17 the Speaker's appointment of her, because she's been a
18 long-time advocate for high-speed rail.

19 So Ms. Lowenthal, welcome to the High-Speed Rail
20 Authority.

21 BOARD MEMBER LOWENTHAL: Thank you, so much.
22 It's really a pleasure to be able to join you and continue
23 the work of the largest infrastructure project in
24 California (audio briefly cuts out) members.

25 CHAIRMAN RICHARD: Thank you, very much.

1 And Lorraine Paskett is an attorney. Ms. Paskett
2 and I have, just coincidentally, careers that interacted
3 and we both worked at the same company for some period of
4 time, so I've known her for many, many years.

5 She's been politically active in her life, but
6 also today serves on the Board of the Metropolitan Water
7 District in Los Angeles and had served as the -- I guess
8 it's Assistant General Manager or Deputy General Manager of
9 the Los Angeles Department of Water and Power in charge of
10 sustainability programs there. So she brings a deep
11 background on the environmental and sustainability side.

12 And Ms. Paskett, welcome.

13 BOARD MEMBER PASKETT: Thank you, Dan. It's a
14 pleasure to circle back almost a decade later to work with
15 you on this Commission. I am pleased to be working with
16 the rest of the Commission and I look forward to what holds
17 our attention for the rest of the year.

18 CHAIRMAN RICHARD: Thank you. Well, we thank you
19 and we thank President Pro Tem Kevin de Leon for the
20 appointment.

21 So we're almost at full strength. We have one
22 open position to be filled by the Governor and we'll be
23 taking bets on whether that gets filled before we have a
24 new Supreme Court Justice, but that's neither nor there.

25 Okay, with that, we're going to then move to the

1 public comment period. And for those of you unfamiliar, we
2 take the comments in the order in which they were received,
3 except that we afford our public and elected officials an
4 opportunity to speak first, in deference to their position.
5 So we do ask people to try to limit their remarks to about
6 three minutes. We have a number of speakers this morning.

7 I'm going to start by welcoming Mick Gleason,
8 President of the Kern County Board of Supervisors.
9 Mr. Gleason, good morning.

10 SUPERVISOR GLEASON: Thank you, Mr. Chair. It's
11 a pleasure to be here. Thank you for taking the time to
12 listen to me. I'm the Chairman of the Kern County Board of
13 Supervisors and it's a pleasure to be here representing
14 Kern County.

15 It's a great opportunity for us to sit back and
16 have a moment to have a dialogue with High-Speed Rail and
17 the heavy maintenance facility and what its implications
18 are to Kern County. Kern County is very much in favor of
19 the heavy maintenance facility. We recognize and we've
20 been favored -- or have been listening to 2009 guidelines
21 for requirements and the O&M requirements in 2013 -- as it
22 being a favorable site for you to establish your heavy
23 maintenance facility.

24 You said that there were seven major issues or
25 criteria for selection of the heavy maintenance facility.

1 And I'd like to go down and talk in a broad way about the
2 seven factors that you might consider for establishing your
3 heavy maintenance facility in Kern County. Then I'm going
4 to pass it off to two other individuals or maybe three.
5 Then I'm going to talk to you a little more in depth about
6 our government, our educational systems, our industry
7 capabilities, to give you a better understanding of exactly
8 why Kern County is your best choice for the heavy
9 maintenance facility.

10 The seven factors listed in the O&M guidelines
11 requirements in 2013 and 2009 -- the first of those is
12 size. You need a large area, you need a lot of space, and
13 Kern County offers that. As a matter of fact, Kern County
14 offers two wonderful sites for you to establish your heavy
15 maintenance facility. Each has over 400 acres, plenty of
16 room for the heavy maintenance facility to go in and
17 establish itself as a leading employer in Kern County.

18 The second criteria listed in your guidelines was
19 affordability. Kern County has two sites, the first site
20 being in Shafter. The City Manager is here. That site is
21 free, the 400 acres donated to High-Speed Rail. The second
22 site in Wasco has a minimum number of willing sellers,
23 willing and eager, to cooperate with the railroad.

24 The third criteria is, you know, is this place
25 that's big -- that's 400 acres, that's affordable, donated

1 -- is it ready to go? I can assure you that the criteria
2 that was established in 2009 has only gotten stronger in
3 the past seven years. We have a new interchange and
4 roadway improvements along 7th Standard Road, new Shafter
5 rail terminal adjacent to the site, new heavy industrial
6 center, new high-speed fiber optic networks with trunk
7 lines in place, new solar power facility, a new airport
8 terminal at Meadows Field, which will connect Bakersfield
9 and high-speed rail to the rest of the country. Planned
10 growth with jobs and housing balance that is right in your
11 swing zone.

12 The fourth factor is location. Where is this
13 heavy maintenance facility to be located? Well, we are
14 right perfectly adjacent to the southern terminus of your
15 IOS. We are also the epicenter of the population densities
16 in California, ready to go, perfectly situated in Kern
17 County to accommodate population densities.

18 The fifth criteria is what about your workforce?
19 I have Lauren Skidmore who is going to come up and talk to
20 you a little more in depth about this. But I can assure
21 you that the main industries in Kern County, both oil
22 industry and ag, require a workforce that specializes in
23 and is proficient in heavy machinery, which would be -- and
24 we also have some of the finest engineers in the world
25 working in the military facilities in Eastern Kern. I

1 assure you we have the workforce. I assure you we have the
2 educational systems that are beginning to be designed, that
3 are designed, to align themselves with the employment
4 requirements of Kern County.

5 The sixth decision is environmental. There are
6 no residential or industrial relocations required to move
7 into either site, whether it's Wasco or Shafter, in Kern
8 County. There's no historic biologic contamination issues
9 that would need to be remediated or mitigated at great cost
10 or dollars to High-Speed Rail. Both sites are approved by
11 Caltrans' Regional Transportation Plan. Both sites meet
12 the state's sustainable community strategy requirements.

13 For these factors, and the final factor, Kern
14 County is your best place to select the heavy maintenance
15 facility.

16 The last factor is where do people want us?
17 You've got to go where you're wanted, right? I don't blame
18 you. Kern County has had a lawsuit against High-Speed Rail
19 that we are working hard to mitigate, to settle. The
20 reason that is happening is there is a groundswell of
21 support in Kern County for High-Speed Rail and for the
22 heavy maintenance facility.

23 (Brief colloquy.)

24 We recognize with the downturn in the oil
25 industry, with the difficulties in our ag industry, that we

1 recognize that the heavy maintenance facility would
2 immediately be the seventh largest employer in Kern County
3 right off the bat the day you open your doors. These jobs
4 are real. These jobs are high-paying. These jobs are
5 quality jobs. And Kern County wants to compete for those
6 jobs.

7 You'll see through our presentation this morning
8 that there's a groundswell of support. That we are going
9 to demonstrate to you, and to satisfy your seventh
10 requirement, that you want to go to a place that wants you.
11 And we want that heavy maintenance facility.

12 And you know Kern County excels at bringing large
13 scale commercial enterprises to fruition in minimum time,
14 under budget, under time. Just go ask Caterpillar that
15 opened a 400,000 square foot distribution center in the
16 Tejon Industrial Park. We're good at this. We understand
17 the permitting requirements. We understand the business-
18 friendly culture. And we're here to support that heavy
19 maintenance facility.

20 Ms. Lauren Skidmore is here. And she's going to
21 make a presentation and give you some insight into our
22 government, our industry and our educational capabilities.

23 Lauren?

24 CHAIRMAN RICHARD: Supervisor, thank you very
25 much. And I was pretty liberal with the clock, because you

1 came a long way, you brought a lot of people, and I know
2 you wanted to make a point this morning. We do have a lot
3 of speakers, so I would just ask if your other speakers --
4 I knew you were giving the top level thing -- if your other
5 speakers could try to keep it contained that would be
6 appreciated. But Supervisor, thank you very much for your
7 presentation.

8 MS. SKIDMORE: I will be brief.

9 Chairman Richards, Members of the Board. My name
10 is Lauren Skidmore and I am Chair of a newly innovative
11 group called Kern4HMF. Kern4HMF is a coalition of local
12 individuals, businesses, government entities and
13 educational institutions who strongly support the location
14 of the high-speed train heavy maintenance facility in Kern
15 County. We represent tens of thousands of supportive
16 allies.

17 Individual organizations include Bakersfield
18 Association of Realtors, Kern Economic Development
19 Corporation, Kern Taxpayers Association, Kern Citizens for
20 Sustainable Government, Kern Home Builders Association,
21 Kern Transportation Foundation, all of our local chambers,
22 the local IBEW. And our educational entities: CSU
23 Bakersfield, which has an electrical engineering degree and
24 simulator to train students, Bakersfield College has a new
25 bachelor's of industrial automation degree, Kern High

1 School District has ag and diesel mechanics center as well
2 as a strong STEM-related program.

3 I'm speaking to you today, because I know that
4 the facility holds enormous potential to bring jobs and
5 economic opportunity to our region and to the rest of
6 California. I want to welcome each of you to Kern County.
7 And you will see we have a lot of representatives from Kern
8 County here today. They have all been signed up to be a
9 part of the public comment to share with you from an
10 individual organization perspective what they can do for
11 you, and why they would like you to join us in Kern County.
12 Thank you.

13 CHAIRMAN RICHARD: Thank you very much,
14 Ms. Skidmore.

15 Next, Scott Hurlbert from the City of Shafter.
16 Welcome, sir.

17 MR. HURLBERT: Thank you, Mr. Chairman and
18 Members of the Board. Good to see you, Mr. Richards.

19 I will be even more brief. I just want to echo
20 what the Supervisor and Lauren have said this morning. We
21 do have two of the best sites technically under
22 consideration at this point. There is plenty of room.
23 There is adjacent industrial activity. And we do have two
24 very interested communities here. Our Council has passed a
25 resolution giving full support to this Kern4 HMF

1 organization, and really here today to just reaffirm that,
2 point out that we do have the space, we do have the
3 workforce.

4 And we're no slouches at large projects either.
5 We've permitted and overseen the construction of over three
6 million square feet of industrial space within our
7 jurisdiction, just within the last 24 months. So this
8 project is something we're very comfortable with and we ask
9 that you take a good close look at Kern County. Thank you.

10 CHAIRMAN RICHARD: Thank you, Mr. Hurlbert.

11 Paul Paris from the City of Wasco; good morning,
12 sir.

13 MR. PARIS: Good morning, Mr. Chairman and
14 Members of the Board. My name is J. Paul Paris and I am
15 the City Manager for the City of Wasco. And I appreciate
16 this opportunity to go ahead and speak to the Board.

17 This is a collaborative effort by and between our
18 sister cities to secure the HMF. The benefit to our cities
19 and the county are enormous and can be supported by our
20 labor force. This labor force has extensive experience in
21 ag, oil and energy; skills that will translate well for the
22 HSRA and HMF. We're an affordable community and the HSRA
23 will enjoy the support of both city councils as mentioned
24 by my colleague Scott Hurlbert.

25 We welcome the opportunity to work with the Board

1 to demonstrate why the Kern County sites and their cities
2 are the best choices for the HSRA and we look forward to
3 working with you in the future to go ahead and make this a
4 reality. Thank you.

5 CHAIRMAN RICHARD: Thank you, Mr. Paris.

6 John Spaulding, Kern County Building Trades.

7 MR. SPAULDING: Good morning, Chairman Richard
8 and Members of the Board. I'm John Spaulding, the
9 Executive Secretary of the Kern, Inyo and Mono Counties
10 Building and Construction Trades Council, representing
11 nearly 8,000 building and construction workers, men and
12 women. Together with the Kern, Inyo, Mono CLC we represent
13 nearly 35,000 AFL-CIO members, which are supportive of
14 locating the HMF in Kern County.

15 At the present time we have over 500 indentured
16 apprentices for the construction industry. Our training
17 programs are equal with the best anywhere in the United
18 States. And the heavy maintenance facility will offer an
19 opportunity for many of those who will take their skills in
20 another direction, rather than construction.

21 One of the many attributes of the High-Speed Rail
22 is clean transportation. The State of California is at the
23 forefront of this training or of this thinking. Together
24 with the drop in oil prices many of Kern County oil workers
25 are finding themselves out of work. Fortunately, the

1 skills for their career in the oil fields will provide an
2 opportunity to compete for the construction industry or the
3 heavy maintenance facility permanent jobs. They, like
4 their brothers and sisters in the construction industry,
5 know how to work hard, work safe, drug-free, skilled and be
6 ready to work 24/7, just like the heavy maintenance
7 facility will require.

8 We collaborate our training with Cal State
9 Bakersfield, Bakersfield College, Kern County Workforce and
10 Investment Board, and Kern County High School Vocational
11 and Adult Educations. Together with the Fresno, Madera,
12 Tulare, Kings Building Trades Council and the Fresno WIB
13 Board and our WIB Board we have graduated two pre-
14 apprenticeship programs with a third scheduled for April.
15 I, and many of our construction trades leaders, are members
16 of the WIB Board.

17 Kern County has several small cities that would
18 welcome an opportunity to know that their men and women and
19 veterans have an opportunity for a new career. The
20 unemployment in these communities are above average and
21 these permanent jobs will provide a future.

22 Not only do we welcome the HMF, we have a need
23 for the additional opportunities. Thank you.

24 CHAIRMAN RICHARD: Thank you. And John, it was a
25 pleasure meeting you the other day in Sacramento at the

1 meeting, so I just wanted to welcome and thank you for
2 coming up.

3 Next is Rob Ball from Kern County COG.

4 MR. BALL: Thank you, Chair and Board Members.

5 Kern COG has been quietly planning for the HMF
6 since 2009. We have submitted the two sites and as well as
7 in those applications, since we have submitted those, we
8 have added both sites to our sustainable community strategy
9 in our regional transportation plan.

10 We are also -- I have today in your packet a
11 letter from the Kern COG Board approved unanimously to
12 support the Kern for HMF effort. And I just want to
13 emphasize that it's important when siting the HFM, that you
14 site at that location that's going to require the lowest
15 operating cost over the long term for the system. And
16 that's at the geographic center of the ultimate system.
17 And so we encourage you to consider these sites as you move
18 forward.

19 So thank you.

20 CHAIRMAN RICHARD: Thank you very much, Mr. Ball.

21 Cheryl Scott, Kern County Economic Development
22 Corporation.

23 MS. SCOTT: Good morning, Mr. Chairman, Members
24 of the Board.

25 So now I am Vice President at Kern Economic

1 Development Corporation, but I spent almost two decades
2 working in transportation as I managed marketing, planning
3 and customer service at Golden Empire Transit in
4 Bakersfield, California. So I've been following this
5 project before it was a project, along with a lot of people
6 here.

7 As you know, the role of an EDC in part, is to
8 promote a region to businesses that are looking to relocate
9 or expand. And Kern County has been gaining a lot of
10 attention across the country as being a very cost-effective
11 and business-friendly place to site large-scale private
12 projects.

13 As Supervisor Gleason said the 400,000 square-
14 foot Caterpillar Distribution Center is a perfect example.
15 In late 2011 the company decided to build in Kern County.
16 Eight months later it was up and running. That's because
17 of elected officials like Supervisor Gleason who have
18 created a business-friendly culture and encouraged their
19 project development teams to move projects along quickly
20 and smoothly.

21 The Kern County features that appeal to private
22 business are very relevant in the case of the HMF as well.
23 I won't belabor the point, you've heard what our greatest
24 features are, but I'd like to say that choosing Kern County
25 -- we know it will benefit Kern County -- but it will also

1 be a benefit to the entire system as a whole and to
2 California taxpayers as well.

3 We'd like to invite you to come down to Kern
4 County, take a look at the two proposed sites, but also
5 take a look at the other projects already in place, see
6 what we've already accomplished in partnership with private
7 business, and see the type of partnership we'd like to
8 establish with the High-Speed Rail Authority. Thank you.

9 CHAIRMAN RICHARD: Thank you very much.

10 Jennifer Patino, Cal State University,
11 Bakersfield. Good morning.

12 MS. PATINO: Good morning. Good morning,
13 Chairman Richard and esteemed Members of the Board. My
14 name is Jennifer Patino and I'm from California State
15 University, Bakersfield where I am the Director of
16 Professional Development Programs in the Extended
17 University Division.

18 Within the last year we have provided training
19 and education related to the High-Speed Rail to
20 approximately 120 tradesmen and women, who are
21 underemployed. You may be aware that these trainings were
22 taught in partnership with the High-Speed Rail Authority
23 and had instructors, such as Rod Diridon, Terry Ogle,
24 Michael Gillham, and the man to my left, John Popoff, just
25 to name a few.

1 CHAIRMAN RICHARD: You were doing well until then.

2 (Laughter)

3 MS. PATINO: I didn't know John was going to be
4 here until I saw him and I was like, "Hey." Always good to
5 name drop.

6 The training the students received will provide
7 them with the better employment opportunities and quality
8 of life. These men and women are now looking at a time
9 where they can use their knowledge to further California
10 and Kern County in a way that will benefit their families,
11 our communities, and the economy.

12 We at CSU Bakersfield have received a high-speed
13 rail train simulator. And in fact, in March, CSR will be
14 out to install it. In fact, we will be the only place in all
15 of the nation to have this. We plan to use the simulator
16 to educate the next generation of engineers on how to
17 control these trains.

18 We are very excited about the prospect of the
19 heavy maintenance facility coming to Kern County. We look
20 forward to continuing our relationship with the High-Speed
21 Rail Authority and partnering on more projects. We can see
22 the potential amount of education, training, support
23 services, and growth the facility can provide for our area.

24 CSU Bakersfield wants to be a part of the change
25 that needs to take place in California. And the

1 possibility of providing quality education to the workforce
2 of the future is all a part of our master plan. Thank you.

3 CHAIRMAN RICHARD: Thank you very much. And for
4 the record, we love John Popoff. He does a great job.

5 MS. PATINO: So do we.

6 CHAIRMAN RICHARD: Donna Carpenter from the Kern
7 Transportation Foundation.

8 MS. CARPENTER: Good morning, Chairman and Board.
9 My name is Donna Carpenter. I'm here wearing a few hats
10 today. I'm with CEOMA, Civil Engineering Serving and
11 Planning Firm, but I'm representing the Kern County Home
12 Builders Association and also the Kern Transportation
13 Foundation today.

14 You wonder what home builders have to do with
15 transportation? Actually, our home builders in Kern County
16 are very involved in transportation and were active in the
17 preparation of our sustainable community strategy, which
18 includes the heavy maintenance facilities as Rob Ball
19 mentioned. So our sites are AB 32 and SB 375 compliant,
20 which is a great thing.

21 The Kern Transportation Foundation, we're the
22 education arm of our local MPO, Kern COG. And we educate
23 the public on all things transportation, so we look forward
24 to partnering with you to educate our community not only on
25 the High-Speed Rail Project, but the heavy maintenance

1 facility as well. Thank you, very much.

2 CHAIRMAN RICHARD: Thank you, very much.

3 Supervisor Gleason, I think that's all the
4 speakers that I have from your group. I want to thank you
5 and your colleagues from Kern County. I know it's a long
6 trip. We're trying to make that trip easier, but so thank
7 you all very much for coming today and presenting to us.
8 We appreciate it.

9 Continuing on with other public comments, Charles
10 Follette from Santa Monica, followed by Paul Dyson.

11 MR. FOLLETTE: Good morning, Mr. Chairman and
12 Board. And welcome my fellow Los Angeles County residents
13 to the Board. I think that's great we're well represented
14 in our county, the home of Union Station. My name is
15 Charles Follette and I am from Santa Monica. And thank you
16 for giving me the opportunity to speak with you today.

17 First, I would like to say that I am a strong
18 supporter of the job that all of you and Governor Brown are
19 doing to make high-speed rail a reality in California.
20 I have had the opportunity to travel on the TGV in France,
21 the ICE in Holland and Germany, and the Shinkansen Bullet
22 train in Japan. Because of my actual on-board experience I
23 realize the positive impact that high-speed rail will have
24 on our state.

25 My concern is that with the naysayers ever-

1 present voice getting louder we need to strongly consider
2 additional options that will bring down the cost of the
3 system and expedite construction completion and maximize
4 safety. I feel that the recent suggestion that HSR or
5 High-Speed Rail initially connect from Central Valley to
6 the north is perhaps something that should be looked at.

7 My argument today, and my advice to you, is
8 pertaining to the Palmdale-Santa Clarita Alignment from
9 Bakersfield to Los Angeles. It is a total of 36 miles of
10 tunneling, which is doubled to 72 miles considering the
11 double track system. This will cost tens of billions of
12 dollars and take decades to build.

13 These transverse ranges of the Tehachapi and San
14 Gabriel mountains have both vertical strike-slip and thrust
15 faults, yielding very difficult to bore through fractured
16 mixed rock, and present an ever-present earthquake threat
17 raising safety concerns. The grade and elevation changes
18 will restrict average speed through the mountains to 110
19 miles per hour, about one-half normal speed for the high-
20 speed rail.

21 We need to look at a whole new alignment from
22 Bakersfield to Los Angeles. And upon much appraisal, I
23 suggest the following alternative. Upon departing
24 Bakersfield travel southwest not southeast, follow State
25 Route 166 past Maricopa through the Cuyama Valley and the

1 Los Padres National Forrest to Santa Maria. From here
2 travel to the already established alignment with station
3 stops in Santa Barbara, Ventura County, and the Los Angeles
4 Union Station.

5 The benefit is that it's much more favorable
6 geologic and topographic conditions and will limit the
7 number of tunnels and viaducts needed thus speeding
8 construction and greatly lowering cost and safety concerns;
9 increased ridership revenue with Morro Bay, Pismo Beach,
10 San Luis Obispo and other attractive destinations; with
11 established alignment and less treacherous route
12 competitive travel time with the Palmdale-Santa Clarita
13 Alignment.

14 I urge you to take a look at this possibility of
15 going west from Bakersfield down the existing alignment
16 through Santa Barbara and Ventura Counties to Union
17 Station. I think it has a great deal of merit, will speed
18 up construction, and reduce costs greatly.

19 Thank you, very much.

20 CHAIRMAN RICHARD: Thank you, Mr. Follette, thank
21 you for coming here today.

22 MR. FOLLETTE: You're welcome.

23 CHAIRMAN RICHARD: Paul Dyson followed by Frank
24 Oliveira. Good morning, Mr. Dyson.

25 MR. DYSON: Good morning, Mr. Chairman and

1 Members of the Board. Paul Dyson, President of the Rail
2 Passengers Association of California, which since 1978 has
3 been campaigning, as an all volunteer group, for a modern
4 passenger rail system in California. And we strongly
5 support this project.

6 Given the current status of construction and the
7 desire to run trains as soon as possible we do support
8 giving priority to construction northward, which would
9 provide an initial operating segment from Bakersfield to
10 San Francisco. This would tie in with Caltrain
11 electrification and serve important markets such as San
12 Jose and San Francisco Airport.

13 However, it's equally important that we press on
14 with ensuring that facilities are made ready in Southern
15 California before high-speed rail is constructed. An
16 interim terminus in Burbank is unacceptable. I'd remind
17 Members of the Board that Alhambra has been the interim
18 terminus of the 710 Freeway for 50 years. And we don't
19 want to be sold on the interim termini thank you, very
20 much.

21 Trains need to serve Union Station and preferably
22 Orange County as soon as the line is open through the
23 mountains. I therefore urge you to record a positive vote
24 on item four on the agenda this morning, to work in concert
25 with LACMTA to modernize Union Station, and to complete the

1 SCRIIP Project, which is our opinion the most important
2 single infrastructure project in Southern California for
3 passenger rail.

4 Finally, you need to start thinking really soon
5 about ordering some rolling stock, so that you have trains
6 once the track is laid. And I hope it will be built in a
7 factory not too far from this building. Thank you.

8 CHAIRMAN RICHARD: Subtle, thank you, Mr. Dyson.
9 Frank Oliveira followed by Ted Hart. Good
10 morning.

11 MR. OLIVEIRA: Good morning, Frank Oliveira,
12 Citizens for California High-Speed Rail Accountability.

13 In November we brought to your attention that you
14 had not -- as a Board you had not publically explained the
15 requests for expressions of interest that you had requested
16 companies in the high-speed rail transportation
17 construction arena to provide you. It's our understanding
18 that this was done to solicit ideas to improve the project.

19 We've asked since November, December, and January
20 why did these companies -- many of these companies --
21 express that they would need subsidies or guarantees,
22 revenue guarantees, to operate this system when that hasn't
23 been explained and that isn't viable or legal through Prop
24 1A? None of these companies expressed that they would
25 provide private funding to you. Many expressed concerns

1 about funding.

2 You haven't explained this; would you please do
3 that today? Thank you.

4 CHAIRMAN RICHARD: Okay. Next Mr. Ted Hard
5 followed by Karen Stout.

6 MR. HART: Good morning, I'd like to welcome the
7 two new Board Members. It's pretty much an exciting time.

8 My issue has been continually that of trying to
9 determine what the overall cost the entire state system
10 amounts to. We've been unable to get this number. I did
11 meet or talk with both and Dan and Tom prior to the
12 meeting. I understand that this information will not be in
13 the draft, but they're looking forward to seeing what might
14 be done. And I have some suggestions on that.

15 But the thing I want to take you back to is that
16 this is a requirement under the PUC Code 185033 that this
17 number must be put forward to the public. And it's very
18 clear. It says each segment and combination thereof, and I
19 know you're all aware of it. The two new Board Members
20 might not be. And as attorneys you may want to look
21 carefully at that.

22 I think that it's important, because I know that
23 having been involved with this rail system for so many
24 years the first question that's always asked of any people
25 that are involved with it is how much is this going to

1 cost? We need to get that number out there.

2 And so my recommendation and suggestion to you
3 is, is that -- I recognize that it's very difficult to pick
4 a hard number -- but if you go back into the history of
5 what we've had in the past that has been a low number and a
6 high number. That was done away with and I would suggest
7 that you may consider taking a good look at that, because I
8 think it could accomplish what you need as far as putting a
9 number out there. You put a low number and a high number
10 and that would satisfy probably everybody.

11 Thanks so much.

12 CHAIRMAN RICHARD: Thank you, Mr. Hart.

13 Before Ms. Stout comes up let me just help
14 explain to our two new Board Members what Mr. Hart is
15 referring to.

16 In past business plans -- well, the Prop 1A
17 refers to a Phase 1 and a Phase 2. Phase 1 is San
18 Francisco to L.A.-Anaheim. And Phase 2, as Ms. Schenk
19 knows very, very well, consists of a further extension from
20 Los Angeles to San Diego and a further extension from
21 Merced up to Sacramento. And because the Bond Act also
22 says we cannot spend money on Phase 2 projects until Phase
23 1 is completed -- so we have focused on Phase 1 and the
24 cost of Phase 1.

25 And I won't comment on it further, but just to

1 explain that the issue that Mr. Hart is raising is he'd
2 like to see in our forthcoming business plan an explication
3 of the full cost of the system as fully built out, both
4 Phase 1 and Phase 2.

5 Mr. Hart, I think that that's an accurate
6 description of what you're asking.

7 MR. HART: It is.

8 CHAIRMAN RICHARD: And so this is something the
9 staff is looking at, Vice Chair Richards has been looking
10 at as well and whether we can get this done in the draft or
11 the final. We certainly will respect the issue that he's
12 raised since he's raised a legal issue and we'll take a
13 look at it. So I just wanted to explain that for folks.

14 I'm sorry, Ms. Stout. Thank you for your
15 patience, good morning.

16 MS. STOUT: Good morning. My name is Karen Stout
17 and I am from Kings County. I am a member of the Citizens
18 of California for High-Speed Rail Accountability.

19 Let's see, you have trouble figuring out how to
20 get from Bakersfield to Palmdale. You don't know what to
21 do with the difference in elevation and with your needed
22 speeds. So you scrap the south and you turn your sights on
23 the north.

24 I'm trying to figure out what your strategy is.
25 I guess if you take a shotgun approach you can scatter

1 buckshot all over the map, the route, and you don't need a
2 plan. You just mess up a number of different areas and you
3 call that progress. That is not progress. That is flexing
4 your muscles without a well thought-out purpose.

5 When, or if, you come up with a project that
6 makes sense to accomplish your original goal put forth by
7 Proposition IA in 2008, by moving people quickly from San
8 Francisco to Los Angeles in a straighter line -- meaning
9 the shortest distance between two points -- along a major
10 transportation corridor without being subsidized, will be
11 the time that you get continuous properties to really
12 construct something California can use.

13 CHAIRMAN RICHARD: Thank you, Ms. Stout.

14 Ross Browning followed by Robert Allen.

15 MR. BROWNING: Good morning Mr. Chair and Board
16 Members, Ross Browning from Kings County.

17 CHAIRMAN RICHARD: Good morning.

18 MR. BROWNING: I'm hearing the same thing today
19 that I've heard before: people coming up asking questions,
20 specific, some are general, but they're asking for answers
21 to some questions that are bothering them. Not only them,
22 the community as a whole, and other people along the state.

23 I ask this Board perhaps it's time to answer some
24 of these questions? It's long past due to answer some of
25 these questions. That would go a long way to ensure the

1 transparency that this Board says that they are providing
2 in this project. And it would stop the acrimonious actions
3 and finger-pointing and back-and-forth that took place at
4 the last meeting.

5 So I ask you to consider taking some time and
6 asking -- or answering some of the questions that are
7 asked. Thank you.

8 CHAIRMAN RICHARD: Thank you, Mr. Browning.

9 Robert Allen followed by Melissa Romero.

10 MR. ALLEN: In my advancing years I do not hear
11 very much what's going on. I turned 90 this month and have
12 served 14 years on a board such as yours, which governed
13 the operations of a railroad, which carries 400,000 people
14 every day. That railroad has had problems with the Public
15 Utilities Commission.

16 The California Public Utilities Commission has
17 safety oversight responsibility over railroad operations,
18 particularly over grade crossings. And I strongly object
19 to having -- I think that they will probably object to
20 having grade crossings of high-speed rail such as blended
21 rail proposes.

22 I've had two examples of where we, as a public
23 board, have dealt with the Public Utilities Commission
24 where they were concerned about safety. And we had to bear
25 the cross on it.

1 One was where we had a fire in the Transbay Tube
2 in 1979. And for three long months, over three months, the
3 California Public Utilities Commission would not let BART
4 operate through the Transbay Tube until everything was just
5 perfect. They wanted to be concerned about our safety.

6 The other situation where we dealt with the
7 Public Utilities Commission, there was a strike. Some
8 people were working along the track on what they called
9 simple approval, simple approval is a place where people
10 would do trackside work on a railroad. That type of thing
11 has been going on since the early days of railroading. We
12 would get a line up. We would get, and have permission, to
13 get on to the railroad property following safety rules.

14 Now, two individuals did not do that and they
15 were killed by a train. The Public Utilities Commission
16 completely overturned safety approval, which as I say is a
17 type of trackside governing, and set forth their own rules.

18 I urge you to be aware of the safety, which the
19 railroad crossings and engineering branch of the Public
20 Utilities Commission might bring forth -- that you not try
21 to operate high-speed rail in the Caltrain Corridor until
22 it is completely grade-separated. Thank you.

23 CHAIRMAN RICHARD: Thank you, Mr. Allen.

24 Melissa Romero followed by Lee Ann Eager.

25 MS. ROMERO: Thank you and good morning. I'm

1 here representing the environmental group Californians
2 Against Waste, and we are in support of recommendations to
3 revise the Sustainability Policy in order to optimize the
4 sustainability of construction materials and expansion of
5 greenhouse gas mitigation and reduction.

6 Using more recycled materials will help meet
7 short and long-term greenhouse gas reduction goals for the
8 High-Speed Rail Program. And recycling concrete and steel
9 as well as diverting other waste from landfills through
10 composting, both during construction and after completion,
11 will significantly reduce greenhouse gas emissions both for
12 the project and for the entire state.

13 And so I urge you to vote in favor of these
14 recommended revisions to the Sustainability Policy. Thank
15 you.

16 CHAIRMAN RICHARD: Thank you, Ms. Romero.

17 Lee Ann Eager? I was going to call you up as
18 part of the Kern County heavy maintenance facility
19 delegation. I was sure that's what you wanted to do.

20 MS. EAGER: I wish you would have. Well, good
21 morning. Actually, I wanted to start by welcoming my
22 friends from Kern County here. We've been working together
23 a long time, right? I've met with most of them.

24 Fresno Works, as you all know, has been up and
25 running in support of high-speed rail since 2009. And I've

1 been meeting with almost everybody in this group in hopes
2 that they would also have a group that supports high-speed
3 rail. Their group is a little bit different, but they're
4 on their way.

5 And I am sure I don't have to explain to you all
6 what Fresno has to offer, because we've come here many
7 times. So the 750 acres that Fresno has and the \$25
8 million that Fresno has, and the training that the county
9 has said that they will do for all of the folks who would
10 work at the maintenance facility, and Fresno State in the
11 fall will have an engineering program that specializes in
12 high-speed rail -- I'm sure I don't have to talk about all
13 that right, because you all already know that.

14 So welcome to my friends from Kern County. I
15 think Supervisor Perea and I have been coming to these
16 meetings. We decided that in the last six years on or the
17 other of us have been here all but two meetings, so it's
18 nice to have others here. But besides that good luck to
19 you all.

20 I would like to tell you quickly, the exciting
21 things though, that are going on in Fresno. We have actual
22 construction. I have people coming in saying, "Hey, did
23 you know high-speed rail actually started?" I said, "No, I
24 didn't know that. I'll be darned." So we have things
25 built.

1 We have the Tuolumne Bridge that every day I walk
2 by and another piece is gone; it's absolutely amazing. But
3 because of that we have a lot of interest now from our
4 local companies, which I know we have been saying for six
5 years that we want our local companies to get involved and
6 start getting excited about this. But I think now that
7 they see the construction, they really are.

8 And so next month the Fresno EDC, the County of
9 Fresno, and the Dragados Team is going to put on an event
10 to have our companies come and learn about what the
11 opportunities are. The County is going to be there,
12 because they're willing to train all of those folks who
13 would work for these companies, for free. And so we do
14 have this program that we're putting together to be able to
15 get folks invigorated again about high-speed rail in
16 Fresno.

17 So on behalf of Fresno County, Fresno Works,
18 Supervisor Perea and Mayor Swearingin, who have been
19 supporters of the project and not just the maintenance
20 facility, we want to thank you. And we look forward to
21 continuing to work with you.

22 CHAIRMAN RICHARD: Thank you very much,
23 Ms. Eager.

24 Our last speaker for the public session is Roland
25 Lebrun. And sir, I'm sorry I didn't get a chance to talk

1 to you before the meeting, but I certainly will be
2 available after to do that, so good morning.

3 MR. LEBRUN: Thank you, Chair. And no that will
4 not be necessary, because I have actually decided that
5 rather than have a conversation in private I will have it
6 in public.

7 CHAIRMAN RICHARD: All right.

8 MR. LEBRUN: The way this started is this
9 contract that you awarded last year for \$700 million -- I
10 believe it was in Los Angeles. And I was very concerned,
11 because you know who you appointed and you know what's
12 going on in Central Valley right now. And thank God,
13 Mr. Rossi is keeping an eye on this. It's going to get a
14 lot worse before it gets any better.

15 But I want to talk to you about the other people
16 that I'm extremely familiar with. There were initially
17 four companies that came across each other somewhere inside
18 the Channel Tunnel and they learned to work with each
19 other. The next project was the Channel Tunnel Rail Link.
20 That was \$9 billion including \$2 billion refurbishing St
21 Pancras. That was the very first ever megaproject in the
22 U.K. that was delivered on time and on budget.

23 They then moved on to Crossrail, which guarantees
24 the largest infrastructure project in Europe. They will
25 deliver it in 2018 for \$22.5 billion on time and on budget.

1 Right now they're working on the High-Speed 2, the link
2 between London and Birmingham. Essentially what they are
3 going to do is to deliver L.A. to San Diego in ten years
4 for \$30 billion on time and on budget.

5 So where am I going with this? There are some
6 very good rumors right now that you are about to turn your
7 attention to the Peninsula. What I'm respectfully asking
8 is that you consider appointing a different RDP for the
9 Peninsula that will not only deliver the project on time
10 and on budget, but also make it compliant with the Bond
11 Act, which is right now you're not even close, okay? These
12 people know how to like the Transbay Terminal to Dehradun
13 in 30 minutes.

14 And then after that basically let the best team
15 win, but at least give people who know what they are doing
16 a chance. Thank you very much.

17 CHAIRMAN RICHARD: Thank you, Mr. Lebrun. And I
18 will follow up with you.

19 Okay. That completes almost all of our public
20 speakers. We do have one public speaker who asked to speak
21 just before the item that is coming up, and from CAL FIRE,
22 and so we will accommodate that request.

23 Before we turn to the regular Order of the Agenda
24 a number of speakers this morning raised questions and
25 asked us to respond to them. And I've made the point very

1 often that the public comment period is the time for the
2 public to express its views. It's not really the time for
3 us to engage in dialogue back and forth. But I do -- since
4 people have come a long distance I do want to say this --
5 we will be, sometime this month, coming forward with a
6 Draft of the 2016 Business Plan -- the Business Plan being
7 a document that's required by statute. And the statute
8 requires it.

9 We've already heard from one speaker this
10 morning that there are statutory requirements associated
11 with this. The statute requires that that document lay
12 out, in particularity for the Legislature and for the
13 public, what our plans are, what our budgets are, what our
14 estimates are of ridership, of cost, what our assessment is
15 of risk and basically how we would look at implementing the
16 program.

17 And so I would say that I think that some of the
18 questions that were raised, I personally believe we have
19 addressed in the past, but I believe that even if folks
20 don't accept that there will be detailed conversation about
21 this and discussion of this in the forthcoming Business
22 Plan. And then there is a period of public comment and
23 reflection and suggestions and so forth, based on our
24 expressions in the Draft Business Plan that I hope will be
25 helpful to the public. And that their comments then will

1 be forthcoming, which will be helpful to us.

2 So I just wanted to just make that point that we
3 do think that many of these issues, if not all of them,
4 will be addressed as we move forward. So with that, let's
5 turn to our regular agenda.

6 We'll start with the consideration of approval of
7 the Board Minutes from the January 12th meeting. Do I have
8 a motion on that?

9 BOARD MEMBER SCHENK: So moved.

10 CHAIRMAN RICHARD: Okay.

11 BOARD MEMBER SCHENK: Oh, well wait a minute. I
12 wasn't there, so maybe I shouldn't.

13 CHAIRMAN RICHARD: You weren't here, okay.

14 So, I'm sorry, did Mr. Correa move it?

15 BOARD MEMBER CORREA: So moved.

16 VICE CHAIR RICHARDS: And second.

17 CHAIRMAN RICHARD: Okay, moved by Mr. Correa,
18 seconded by Vice Chair Richards.

19 Okay. Will the Secretary please call the roll?

20 BOARD SECRETARY NEIBEL: Director Schenk?

21 DIRECTOR SCHENK: Tom, should I abstain since I
22 wasn't here?

23 VICE CHAIR RICHARDS: Yes.

24 BOARD MEMBER SCHENK: Oh, abstain.

25 CHAIRMAN RICHARD: Okay. Well, let me just ask.

1 Are we going to have five members who can vote for this --

2 MS. NEIBEL: We will not have a --

3 CHAIRMAN RICHARD: -- or do we have to put it
4 over until next month?

5 MS. NEIBEL: We will not have a quorum.

6 CHAIRMAN RICHARD: We won't have a quorum, all
7 right.

8 DIRECTOR SCHENK: If I abstain on the minutes?

9 CHAIRMAN RICHARD: Yeah, we can carry it over.

10 BOARD MEMBER SCHENK: What did you think?

11 CHAIRMAN RICHARD: That's all right. We'll carry
12 it until next month.

13 VICE CHAIR RICHARDS: (Indiscernible)

14 BOARD MEMBER SCHENK: Yeah, I read them. Okay,
15 yes.

16 CHAIRMAN RICHARD: Good.

17 (Colloquy between Board Members.)

18 MS. NEIBEL: Vice Chair Richards?

19 VICE CHAIR RICHARDS: Yes.

20 MS. NEIBEL: Director Correa?

21 BOARD MEMBER CORREA: Yes.

22 MS. NEIBEL: Director Curtin?

23 BOARD MEMBER CURTIN: Yes.

24 MS. NEIBEL: Director Paskett?

25 BOARD MEMBER PASKETT: Abstain.

1 MS. NEIBEL: Director Lowenthal?

2 BOARD MEMBER LOWENTHAL: Yes.

3 MS. NEIBEL: Chair Richard?

4 CHAIRMAN RICHARD: Yes.

5 Okay, thank you.

6 We'll move on to item two and this is a
7 consideration of an interagency agreement with California
8 Department of Forestry and Fire Protection relating to
9 Urban Forestry Services. I'll let our staff present first,
10 and then I'll ask the gentleman from CAL FIRE to come up
11 after the staff makes the presentation, and prior to our
12 discussion and vote.

13 Mr. McLoughlin --

14 CHIEF EXECUTIVE OFFICER MORALES: Chair Richard?
15 Let me just --

16 CHAIRMAN RICHARD: Mr. Morales, did you want to
17 say something?

18 CHIEF EXECUTIVE OFFICER MORALES: -- Mr. Chair,
19 just in introducing this I want to point out the next two
20 items are very much related and really speak to the
21 Authority's commitment to not only delivering a program
22 that ultimately will have huge benefits in terms of
23 sustainability, greenhouse gas reduction, and other
24 environmental benefits, but that during the construction of
25 the program we do everything we can to be a model for how a

1 program can be delivered in a way that has the minimal
2 impact on the environment. And can really show the way for
3 how programs can be delivered.

4 This item then also speaks to another important
5 tenant of the Authority, which is to wherever possible
6 leverage existing resources and programs to deliver things
7 more efficiently. So we're very pleased to be moving
8 forward with this in conjunction with CAL FIRE and look
9 forward to the Board's consideration.

10 CHAIRMAN RICHARD: Thank you, Mr. Morales.

11 Mr. McLoughlin, good morning.

12 MR. MCLOUGHLIN: Good morning Mr. Chair and Board
13 Members. Mark McLoughlin, I'm the Director of
14 Environmental Services for the High-Speed Rail Authority.
15 And with me today is Meg Cederoth who is our Sustainability
16 Manager on the project. And we're here today again to
17 request consideration for the Board to enter into an
18 interagency agreement with CAL FIRE.

19 Again, the Authority has policy commitments to
20 sequester an amount of greenhouse gas emissions, GHGs, in
21 equivalent to the estimated amount of direct construction
22 emissions for Phase 1 of our system. Our zero net GHG
23 emissions activities are being accomplished today through a
24 number of steps including the use of newer highly-
25 efficient, and lowest air criteria pollutant equipment in

1 the Valley, currently happening today in the Central Valley
2 and Fresno specifically recycling of materials to avoid
3 landfills, and agreement with the San Joaquin Valley Air
4 Pollution District to replace the high criteria pollutant
5 emission from equipment and engines.

6 Through the proposed interagency agreement with
7 CAL FIRE we will be continuing the Authority's commitment
8 to the reduction of GHG emissions that will result from
9 these construction activities.

10 CAL FIRE is a State Emergency Response and
11 Resource Protection Department. And their Resource
12 Management Program includes urban and rural forestry and
13 tree planting grant programs. This agreement will allow
14 for tree planting services through landowner assistance and
15 community and urban forestry programs.

16 They also have an existing set of requirements
17 related to what they call the California Forest and Green
18 Trees for a Golden State programs. The Authority and CAL
19 FIRE will consult on a further list of requirements for our
20 program and select preferred locations through this grant
21 program.

22 Both municipalities and private property owners
23 will be able to participate. Some selection criteria
24 include planting in disadvantaged communities as part of a
25 urban forestry program, both along our existing alignment

1 and also other communities in which we operate, whether we
2 have a station or where we don't. Locations also that have
3 good habitat and conservation value, the majority of the
4 trees planted in the rural areas where they've been
5 damaged, for example, by the recent fires that we've had
6 for the last four or five years.

7 The other thing is we'll look at locations that
8 have the most optimum carbon sequestration locations.

9 Doing a tree planting program is an important
10 part of the Authority's commitment, as CEO Morales had
11 mentioned, to offset our GHG emissions, because they are
12 the only offset mechanism that removes GHG directly from
13 the air. And we know that they absorb carbon dioxide
14 through into their plant material, into their bark and
15 branches, roots and trunks. And also provide a great
16 amount of oxygen for us, as all plants do, and trees.

17 They also provide stormwater quality, improving
18 their stormwater quality runoff, new wildlife habitat, and
19 sustainable forest and improving communities.

20 I'd like to turn it over to Meg now for a few
21 more details on the program.

22 MS. CEDEROTH: Great, thank you, Mark.

23 So good morning.

24 CHAIRMAN RICHARD: Good morning.

25 MS. CEDEROTH: Thanks to Mark for providing that

1 good overview of the program. And I want to go into a few
2 details of how we developed the agreement with CAL FIRE.

3 The total estimate for construction is based upon
4 a specific estimate for Construction Package 1 that we
5 extrapolated to cover the length of the Phase 1 system. So
6 the estimate for GHG emissions is a reflection of the hours
7 and miles used for on and off-road equipment to construct
8 the alignment.

9 The current estimate stands at about 520,000
10 metric tons of carbon dioxide equivalent. And we'll be
11 keeping track -- We have been keeping track over the course
12 of the construction project to date, receiving information
13 from the contractor on their actual usage over the last --
14 since the beginning of the construction of CP1.

15 So the GHG emissions benefits resulting from tree
16 planting will be quantified using a model created by the US
17 Forest Service, in compliance with ARB's Compliance Offset
18 Protocol for urban forests, as well as a model approved for
19 use by the Climate Action Registry's Forest Project
20 Protocol.

21 The Authority will confirm emissions reductions
22 through the tree planting program by using the reference
23 models as well as reported information from CAL FIRE
24 concerning the type of tree planted and the location.

25 So I'd like to turn it back to Mark for some

1 concluding remarks.

2 MR. MCLOUGHLIN: Yes, okay. Thank you, Meg.

3 Would you like to hear from --

4 CHAIRMAN RICHARD: Yes.

5 So I'll ask Matthew Reischman from CAL FIRE to
6 come forward. I hope I pronounced your name correctly,
7 sir.

8 MR. REISCHMAN: You did, yes. Thank you.

9 CHAIRMAN RICHARD: Thank you, good morning.

10 MR. REISCHMAN: Good morning Chair, Members of
11 the Board, Matthew Reischman, CAL FIRE. I'm the Assistant
12 Deputy Director for Resource Management, Resource
13 Protection and Improvement.

14 And first off, I'd like to thank you for the
15 consideration with the possibility of entering into an
16 agreement with the High-Speed Rail Authority. We're very
17 interested in having the opportunity to assist them in
18 meeting their ecological mitigation strategies and goals.

19 We see our role as one of support and assistance.
20 We have very well established programs that are geared
21 towards forest restoration, tree planting. These are our
22 landowner assistance programs and our community urban
23 forestry programs. We currently are using Cap and Trade
24 funds through these programs, and to demonstrate carbon
25 benefit and greenhouse gas reductions through project

1 implementation.

2 We're also excited to continue to engage the
3 Authority in developing some specificity for these funds in
4 how ultimately they are all used, recognizing that we are
5 working within statute. But if there are opportunities for
6 us to enhance our forest restoration and tree planting
7 opportunities, we're very much interested in that.

8 We take, in our Forest Landowner Assistance
9 Program a watershed or landscape level approach, in which
10 we focus on cooperation within watersheds. We reach out to
11 other agencies and indentify areas that -- other funding
12 opportunities that are out there and coordinate those
13 efforts, so that we're providing the greatest benefit we
14 can within watersheds.

15 And so, again we're real excited about sitting
16 down and continuing the discussion on developing an
17 agreement. We see there being potential to increase
18 reforestation activities within wild land fire areas or
19 areas that have suffered from wild land fires and tree
20 mortality. We also see an opportunity to provide
21 assistance to reforestation assistance as a result of the
22 drought mortality that we're seeing right now across
23 California.

24 So with that, I thank you again. And I'll be
25 here to answer any questions that you may have.

1 CHAIRMAN RICHARD: Thank you, sir.

2 MR. REISCHMAN: Thank you.

3 CHAIRMAN RICHARD: And let me just say as
4 somebody has a lot of friends up in Lake County I certainly
5 appreciate everything that you folks do to keep people safe
6 in the middle of these terrible wildfires. So thank you
7 for that.

8 First of all, let me announce Vice Chair Richards
9 realized he has a commercial lease that he has with CAL
10 FIRE, and so consistent with the law, he is recusing
11 himself and departed from the room during the pendency of
12 this item.

13 So let me then turn to Members of the Board to
14 ask if there are members who have questions about this
15 item. I'm kind of thinking that some do, so Ms. Paskett?

16 BOARD MEMBER PASKETT: Thank you, Chair.

17 I have a question of staff. I noticed that the
18 agreement that you're proposing is 12.5 million; is that
19 correct?

20 MS. CEDEROTH: Yes.

21 MR. MCLOUGHLIN: Correct.

22 BOARD MEMBER PASKETT: So how much does this
23 represent of your overall investment in mitigation or your
24 sustainability investment to reduce greenhouse gas
25 emissions to date?

1 MS. CEDROTH: So just to clarify, you're asking
2 what percentage does that represent of the overall
3 mitigation effort?

4 Well, I know Mark handles the overall mitigation
5 effort related to the environmental mitigation. The tree
6 planting is something we're doing that is beyond mitigation
7 specifically to work on offsetting for the program. As
8 Jeff alluded to it's our way of implementing the project
9 and kind of changing business as usual for construction
10 practices.

11 In terms of the overall percentage of mitigation,
12 I would have to refer to back to Mark if he knows that
13 number off of the top of his head.

14 MR. MCLOUGHLIN: So maybe one reference point
15 would be the San Joaquin Valley Air District where we have
16 our Voluntary Emissions Reduction Agreement. Construction
17 Package 1 is about 1.2 million, where we're off setting
18 those emissions. Again replacing cleaner air equipment,
19 trucks, pump, diesel pumps with electric. CP2-3, I believe
20 is about 10 million for that length of section.

21 So we're just starting and beginning in this
22 offset program. And CP-1, 2-3 and 4, which is in the
23 District represents that air district, so we're just
24 beginning in that offset program.

25 BOARD MEMBER PASKETT: So then from what you just

1 said, you have about 11 or 12 million set aside for other
2 programs?

3 MR. MCLOUGHLIN: Currently, yes in CP1. So we
4 have Phase -- and then the tree program is for Phase 1 of
5 the program.

6 BOARD MEMBER PASKETT: Okay. I have a few more
7 questions, but should I wait to see if other members do?

8 CHAIRMAN RICHARD: No, go ahead.

9 BOARD MEMBER PASKETT: Okay. This raised a red
10 flag for me as I was reading the materials and I just want
11 to preface it by saying that this is my first Board
12 meeting. I am still acclimating and ingesting a lot of the
13 information.

14 The way that I enter this conversation is I think
15 the first thing you should look at is mitigation that's
16 going to benefit the communities that you're in, and
17 directly.

18 And then the other is an emphasis or priority
19 that's given to underrepresented and I know that you
20 mentioned that in the presentation. But in the materials I
21 didn't see anything that really specifically and
22 thoughtfully communicated, at least to me as a Board
23 Member, how these funds would be invested directly that
24 would benefit underrepresented, whether you're working with
25 California Environmental Screen or any other strategies.

1 I did notice a reference, but I'm a little
2 concerned that you're taking basically the same amount of
3 your investment for other areas that seem like a higher
4 priority and investing it in tree planting. And I think
5 it's important, and tree planting matters and I understand
6 the environmental benefits and the greenhouse gas emission
7 mitigation potential. But I don't know that it should be
8 equal the amount that you're thinking about investing in
9 the other programs.

10 And so I'm wondering if it's possible to put this
11 item over. And give us a chance to talk to the staff a
12 little bit more, so I can understand where those monies are
13 going maybe with the San Joaquin Air Pollution Control
14 Districts and any other programs that the Air Board has
15 worked with you on. Maybe even, I did notice comment from
16 Californians Against Waste in their recycle materials.

17 It just sounds like quite a bit of money that's
18 being -- when there's a lot of other money through Cap and
19 Trade and through the Governor's Executive Order going for
20 the same purpose. We might be smarter in where spend the
21 money in the region for other -- especially if we can
22 address some of the short-lived climate pollutants, which
23 have a much higher potency -- might be a better way to look
24 at this.

25 So that's sort of where I'm coming from.

1 CHAIRMAN RICHARD: Mr. Morales, I think wanted to
2 make a comment.

3 CHIEF EXECUTIVE OFFICER MORALES: Sure, let me.

4 A few points, I think one -- and it was
5 mentioned, but maybe not sufficiently -- this is not
6 mitigation in the sense of required mitigation through
7 either the environmental process or permitting. Those are
8 separate issues.

9 And so for instance, our agreement with the San
10 Joaquin Air Pollution District is a mitigation, specific
11 permitting requirement that does deal with criteria
12 pollutants, other issues specifically in the Valley.
13 That's in addition to things that we have done through the
14 -- as a result of the environmental process and other
15 things in terms of land acquisition, buffering of
16 properties, things like that.

17 The Board has set a policy, a broad environmental
18 policy, and one of them has been to offset emissions during
19 construction. This is tied to that effort. It's not --

20 CHAIRMAN RICHARD: (Indiscernible)

21 CHIEF EXECUTIVE OFFICER MORALES: -- above and
22 beyond what's required for mitigation purposes. As we
23 noted, the program itself can be tailored to focus in on
24 certain areas and certain -- you know again, will be a
25 combination of urban forestry, things along the Valley.

1 But I do want to make sure there's the
2 understanding of the distinction between required
3 mitigation, which is much more targeted and specific to
4 specific impacts versus this broader commitment to
5 offsetting GHG emissions over the course of the
6 construction project.

7 BOARD MEMBER PASKETT: Thank you. I still feel
8 like there should be a little more, because it's 12.5
9 million, details around the specific investments,
10 underrepresented communities, and whether tree planting
11 really is the highest priority even if it's outside of the
12 required mitigation for construction.

13 If we're looking at overall sustainability
14 investments I would be more comfortable if there was a
15 larger presentation that included maybe something that is
16 more directly benefitting the community and those who are
17 underrepresented.

18 And so my preference is this be put over for at
19 least a month, so I can look at that. Otherwise, I don't
20 think I can support it today.

21 CHAIRMAN RICHARD: All right. Okay, let me first
22 see if there are other questions from other colleagues.
23 I'm looking down the list, no? Ms. Lowenthal?

24 BOARD MEMBER LOWENTHAL: Just in response to that
25 request, is it possible at this late date to add something

1 to the resolution that would allow the Board Member to
2 support this now?

3 CHAIRMAN RICHARD: It's certainly possible to add
4 things to the resolution. We do that all the time and
5 Board Members will ask that language in the resolutions be
6 amended to add things, or to clarify things, or to reduce
7 things.

8 I think what I'm hearing from Ms. Paskett though
9 is not so much the language in the resolution, as a desire
10 that she has to kind of examine the overall approach to our
11 Carbon Offset Program and to look at the priority of
12 expenditure of dollars.

13 So let me turn to Ms. Schenk, but if I might I
14 just wanted to ask timing, urgency of this, if we want to
15 give an opportunity to have further conversation about it?
16 I know people have worked on this, and I certainly
17 appreciate the CAL FIRE representative coming here today.
18 But I think that the questions that are being raised are
19 important questions in terms of the overall approach that
20 we're taking, and the sufficiency and priorities of what
21 we're doing.

22 So what are the -- are there any issues or
23 concerns if we slide this for a month and have an
24 opportunity for Ms. Paskett and the staff to discuss this?

25 CHIEF EXECUTIVE OFFICER MORALES: Let me go

1 first.

2 CHAIRMAN RICHARD: That's appropriate.

3 CHIEF EXECUTIVE OFFICER MORALES: Yes. Obviously
4 we'll do what the wish of the Board is, and then clearly
5 need to make sure that we can answer any and all questions.

6 We've advanced this to the point where we're
7 about ready to move forward. I would say the urgency to
8 the extent it exists is just obviously, there are planting
9 seasons that are better. And we'd like to get the program
10 up and running. And so delay has some impact, but I think
11 that it's obviously important to make sure that there is
12 understanding of what the program is, and agreement on
13 moving it forward.

14 CHAIRMAN RICHARD: Well, let me ask this
15 question, and it goes back to a question that Ms. Paskett
16 asked. She asked the question of what percentage of our
17 effort to date, has been associated with our Greenhouse Gas
18 Offset Program during construction in terms of our budget
19 or potential budget.

20 I guess where I'm trying to go with this is, is
21 it possible then to look at moving forward with this
22 program, while having the broader discussion of other
23 things that we should be doing? I mean, we lose the
24 opportunity to prioritize dollars. I understand that.

25 But we shouldn't shut the door on the question

1 she's raising about doing things that have a very strong
2 nexus to the communities that we're serving that -- and
3 again not to put words in her mouth, which I learned long
4 ago not to do, but --

5 BOARD MEMBER PASKETT: You do a good job of that,
6 Dan.

7 CHAIRMAN RICHARD: But I mean, I think what
8 Ms. Paskett is raising is the question of, "Okay,
9 regardless of this program what are we doing? Are there
10 things we can be doing for greenhouse gas emissions?" And
11 we know that greenhouse gas emission reduction also carries
12 with it, in many cases, criteria pollutant reductions that
13 are specific to those communities. And Lorraine had
14 mentioned things like buy-back of older vehicles and things
15 that.

16 So I guess the question, Ms. Morales, is there a
17 broader budget for this, is this it? Or because if this is
18 it then I think that she has the right to ask the question
19 of whether these are the best expenditures of the dollars.

20 If this isn't it, then we could go forward with
21 this, with the understanding that we're looking at a
22 broader program.

23 So Ms. Paskett?

24 BOARD MEMBER PASKETT: And then to the other
25 pieces that are important to me, there just doesn't seem to

1 be enough of a focus on not only the communities, but
2 underrepresented populations within those communities,
3 which has been a priority of the state for a few years now
4 and has been a driving policy for investments of the
5 greenhouse gas emission reduction funds. And it doesn't
6 seem to be as part of this document, so that's one of the
7 red flags that jumped out at me.

8 And I do want to know what the overall budget is.
9 If we have 20 million and we're spending 12.5 million, then
10 I think it's wrongheaded. If we have 50 or 60 million, and
11 we're going to come back next month and we're going to talk
12 about four or five other programs that are more directly
13 related to the communities and do serve the under-
14 represented populations just like that wonderful program in
15 San Joaquin County that is where they are leading the state
16 in the car buy-back, which has a more direct benefit -- and
17 many other programs that are out there outside of tree
18 planting that are more effective. And then those programs,
19 which in the last year have been focused on short-lived
20 climate pollutants, which give us a bigger bang for the
21 buck and tend to be concentrated in the San Joaquin Valley
22 -- I don't see any of that in this report.

23 And I think we're missing that opportunity unless
24 you tell me next month, or in a couple of months, we are
25 going to have that opportunity, because we also can't work

1 in a silo. We know all this is happening at the state
2 level in these agencies, and at the local level in the San
3 Joaquin Valley, and also in Southern California. But right
4 now we're talking about the San Joaquin Valley.

5 CHAIRMAN RICHARD: Right, Mr. Morales. I don't
6 know what your budget is for this, so I guess I'm about to
7 find out.

8 CHIEF EXECUTIVE OFFICER MORALES: Yes, well that
9 is an important point.

10 First, again I just want to reiterate that when
11 it comes to this investment and the commitment to offset
12 emissions during construction there is no requirement to do
13 this. No other program, including ours, is required to do
14 this. So this is above and beyond mitigation and I just
15 want to reinforce that again.

16 In terms of what we are doing to meet that goal,
17 it's not all about spending money. And so, for instance,
18 some of the steps that we have taken to help ensure that we
19 are zero net during construction are contractual
20 requirements imposed on our contractors to, for instance,
21 to use the latest Tier 4 equipment, which has a very direct
22 impact.

23 And if you look at talking about disadvantaged
24 communities and the GHG fund there's a very, very strong --
25 and certainly throughout the Valley a 100 percent

1 correlation between the CalEnviroScreen and our alignment
2 and where our investments are taking place, so all of the
3 investment is going into disadvantaged communities, as
4 identified through that process. We require all of our
5 contractors to use the latest equipment, which is the
6 lowest polluting --

7 BOARD MEMBER PASKETT: But I want to focus on
8 this -- I understand that you have required mitigation.
9 And I understand this is outside required mitigation. So
10 we have a program that's additive? How much is that, is it
11 20 million?

12 CHIEF EXECUTIVE OFFICER MORALES: Well, that's
13 what I'm saying, it's not all about cost because we -- part
14 of meeting that goal and creating that reduction is through
15 a number of different means, some of which are direct cost
16 to us. Some of us are requirements we've placed on our
17 contractors, for instance using the latest Tier 4
18 equipment.

19 We also require that all steel and concrete be
20 recycled during the process. That diverts that material
21 from going to landfills, which then has a reduction.
22 That's not a cost in terms of a budget for us, but it's a
23 real action.

24 And the agreement with San Joaquin Air Pollution
25 Control District is we are funding their existing program.

1 And so what's happening through that program is they are
2 doing the things you're talking about, within the Central
3 Valley, replacing old farm equipment, old diesel irrigation
4 pumps, those types of things. It's their program,
5 providing the local benefits that we are funding. We are
6 not directing how those funds are used. It's at their
7 discretion to achieve things locally.

8 CHAIRMAN RICHARD: Let me make a comment and a
9 suggestion.

10 Here's the comment. As was pointed out this is
11 above and beyond what we're required to do. And it is
12 funny, because what jumped into my head was something going
13 back to law school about learning that there's no -- so we
14 have no duty to duty to do this. And I thought, "Yeah,
15 it's when we're told there's no duty to rescue somebody.
16 If you're walking down the beach and somebody's drowning
17 you don't have a duty to run into the water and rescue
18 them, but you do go into the water then you have a duty to
19 do it well." And I think that you can't stop in the middle
20 of it and say, "Oh, never mind."

21 So I think that what Ms. Paskett is suggesting
22 here is that even though we don't have a duty or
23 requirement to do this, that if this is something that
24 we've chosen to do to carry out the Board's policy that it
25 be done well.

1 And I'm going to make another point too, which is
2 I think one of the best things about the High-Speed Rail
3 Authority Board is the range of expertise that is
4 represented on this Board. We have people that have
5 business backgrounds. We have people who have law
6 backgrounds. We have people who have public policy
7 backgrounds. And now we have someone, thanks to the
8 appointment from the Pro Tem, who has a background in
9 energy and sustainability.

10 And I think that one of the strengths that this
11 Board brings is that we bring our backgrounds and our
12 expertise to this. So I know it's her first meeting, but I
13 do think that it would be unfortunate not to avail
14 ourselves of the specific background here that Ms. Paskett
15 brings. And she's raising good questions.

16 So first of all, thanking our friends at CAL FIRE
17 for sitting down and working with us. And continuing to
18 work with us and recognizing there's a growing season, I
19 think it would be best to ask that we move this item over
20 to next month, give the staff -- part of this Ms. Paskett
21 is saying that she's not seeing some of these things
22 elucidated in the staff presentation.

23 So let's have an opportunity for the staff to sit
24 down. Let's bring this item back, and in the context of
25 the broader program that we're looking at for elimination

1 of an equivalent amount of GHGs that we're producing during
2 the construction, and give you guys a chance to get to know
3 each other.

4 So Ms. Schenk?

5 BOARD MEMBER SCHENK: You jumped on my --

6 CHAIRMAN RICHARD: I'm so sorry.

7 BOARD MEMBER SCHENK: Yeah, it's usually not what
8 you do, but anyway it's --

9 CHAIRMAN RICHARD: Oh, I'm so sorry.

10 BOARD MEMBER SCHENK: It's all right. A wet
11 noodle is waiting you.

12 CHAIRMAN RICHARD: Well just excuse me --

13 BOARD MEMBER SCHENK: No, but in fact what I was
14 going to say is exact. First, I wanted to know the urgency
15 of this. Second, we always have in the past given new
16 members the opportunity to ask for a delay in something
17 that was new to them if they wanted to give their input.
18 And that unless there was some reason not to delay this for
19 a month that we are unaware of, that we should do that.

20 However, I want to make sure that CAL FIRE
21 understands the respect that we have for their organization
22 and the appreciation that we have for what they have done
23 and continue to do. And hope that they understand this
24 isn't about CAL FIRE. This is about a different issue.

25 So thank you.

1 CHAIRMAN RICHARD: Okay. Thank you, Mr. Schenk.
2 And I do apologize for not giving you the chance to say
3 that first, which would have been much more economical. So
4 thank you. Okay. So we'll ask the staff to come back next
5 month.

6 And again, Mr. Reischman, thank you for your
7 patience today and we look forward to continuing to work
8 with you and so forth.

9 So let me say that the next item is -- I don't
10 know if it's really tied to this. It's a broader
11 Sustainability Policy.

12 Let me just jump to the question. Are there
13 similar concerns there or is this something that --

14 BOARD MEMBER PASKETT: It feels like they should
15 come back together, because it looks like the policy is
16 being amended to include this component, so that would be
17 fine.

18 CHAIRMAN RICHARD: I know that Board Member
19 Correa had been spending some time working on the
20 Sustainability Policy. And so I just also want to be
21 respectful to him and ask what his timing is on this.

22 BOARD MEMBER CORREA: Of course, if we have Board
23 Members that think that they have some questions and want
24 to put it off, unless the staff feels compelled that this
25 should move forward, I would ask that maybe we put it over

1 for a month, we let our new Board Members review the policy
2 here and decide.

3 But I want to thank the staff for the good work
4 you've done to date on this presentation and the history of
5 our Sustainability Policy. I think it's important to move
6 this measure not today, next month, because it is in line
7 with Governor Brown's Executive Order B-3015 that directs
8 us to consider the climate and in our investment decisions,
9 which includes the emissions associated with our actions.

10 So I'm going support the changes and if the will
11 of this body is to put this over for a month to give other
12 Board Members time to kick the tires, so to speak, and see
13 where we want to go I'll go ahead and defer to the actions
14 of this Board.

15 CHAIRMAN RICHARD: I thank you for that and
16 appreciate that.

17 And I would like to see if there's one suggestion
18 that is appropriate at this time, which it seems to me that
19 one of the great benefits of the Sustainability Policy, and
20 I want to thank Board Member Correa for working on it, is
21 that it can have an immediate on how we're doing
22 construction in the Central Valley.

23 BOARD MEMBER CORREA: That's correct.

24 CHAIRMAN RICHARD: And so I think, Mr. Morales,
25 what I would ask is that I think the guts of that policy

1 are unlikely to change even as we look at the broader
2 issue. And so if it's not inappropriate I would ask the
3 staff to inform our contractors that this policy is under
4 consideration and is very likely to be acted upon at the
5 next meeting, so that we don't fall behind in terms of
6 decisions that people would make.

7 BOARD MEMBER CORREA: And Mr. Chair, I think that
8 those are good words and good policy, because it is
9 important that we do inform folks out there that this is a
10 strong possibility that this is where we are going with our
11 purchasing and acquisition, which is more sustainable
12 products from sources that are in line with, of course,
13 Governor Brown's Executive Order.

14 CHAIRMAN RICHARD: So they should know that
15 that's very likely coming.

16 MS. CEDEROTH: Great.

17 CHIEF EXECUTIVE OFFICER MORALES: And if I can
18 just reinforce that in fact, in the CP4 contract in
19 particular, many of the items that Board Member Correa has
20 been interested in and has been advocating are in fact in
21 that contract. So we are --

22 CHAIRMAN RICHARD: Okay. And that's what I was
23 most worried about.

24 CHIEF EXECUTIVE OFFICER MORALES: -- not waiting
25 to start moving ahead. Part of this policy is to codify

1 things that we've been doing, and make sure that we have a
2 coordinated and consolidated approach on these issues.

3 I think we can also go back, and we will go back
4 and look at the policy, to make sure that it captures and
5 reflects the kind of questions that Ms. Paskett has raised.
6 And that the two really do need to fit together and make
7 sense together. So we'll make sure to the extent that they
8 don't, that they do.

9 CHAIRMAN RICHARD: Okay, very good.

10 BOARD MEMBER PASKETT: Great.

11 CHIEF EXECUTIVE OFFICER MORALES: Thank you.

12 CHAIRMAN RICHARD: Thank you. Next item -- and
13 thanks to staff, Ms. Cederoth and Mr. McLoughlin -- the
14 next item is item four, consideration of a direction to
15 staff to negotiate and execute a contract with Los Angeles
16 County MTA (Metro) for shared development for Los Angeles
17 Union Station.

18 Ms. Boehm, good morning.

19 MS. BOEHM: Good morning Mr. Chairman, Vice
20 Chair, Board Members. Michelle Boehm, Southern California
21 Regional Director. I'm also joined today by
22 Jeannette Owens, Executive Officer at Metro.

23 Presenting item four, this is an action item.
24 Authority staff have worked closely with our transportation
25 partner, the Los Angeles County Metropolitan Transportation

1 Authority, or Metro, to design fully integrated and
2 connected high-speed rail service for Los Angeles County.

3 One key area of focus is bringing service to Los
4 Angeles Union Station, a historic property that serves as a
5 regional hub for transit and rail service, serving Los
6 Angeles County, the Southern California region, including
7 points north, south, east and not west, because that's
8 where the ocean is.

9 After careful review --

10 CHAIRMAN RICHARD: It's somewhat west.

11 MS. BOEHM: It's somewhat west, the subway of
12 course.

13 After careful review the opportunity to fully
14 integrate high-speed rail within LA Union Station has
15 emerged as the most effective way to bring high-speed rail
16 to Los Angeles, because it provides direct connectivity,
17 the ability to accomplish more together than either partner
18 can accomplish separately, and delivers early improvements
19 to conventional rail service that supports the state-wide
20 rail modernization goals as well as high-speed rail.

21 Staff recommends this approach and seeks to
22 continue collaboratively working with Metro to design an
23 environmentally clear bringing high-speed rail service to
24 Los Angeles Union Station, while Metro advances the
25 Southern California Region Interconnector Project, or

1 SCRIP, and the Los Angeles Union Station Master Plan
2 elements including improvements to the passenger concourse.

3 Metro staff have been working on both projects
4 for the past several years and are prepared to update the
5 plans they have developed to fully integrate high-speed
6 rail elements within the station.

7 Approval of this item provides Metro financial
8 assistance to complete the work required to update these
9 plans, up to \$15 million, which represents an approximate
10 40 percent share of the professional services required to
11 complete said updates. This proportional share is
12 consistent with principles dating back several years and
13 has been memorialized in the past, in our ARRA Grant, which
14 identifies \$32 million which is set aside for right-of-way
15 preservation at this location as well.

16 Subsequent commitments from High-Speed Rail
17 include the Board-approved 2012 Southern California
18 Memorandum of Understanding that directs funds to the
19 aforementioned SCRIP Project, which brings run-through
20 tracks for all rail service to Los Angeles Union Station,
21 thus improving regional service patterns and reliability.
22 And reducing greenhouse gas emissions at this site by 40
23 percent or more.

24 This approach also reduces the impacts of high-
25 speed rail by allowing trains to come into Los Angeles

1 Union Station along existing service rather than above,
2 below or adjacent to it.

3 High-Speed Rail's financial obligation will be
4 spread over the remainder of fiscal year '15-'16, fiscal
5 year '16-'17, and the first part of fiscal year '17-'18
6 with approval of this item. Staff will work closely with
7 Metro to realize economies of scale upon Board approval.

8 At this time I'd like to ask for questions.

9 CHAIRMAN RICHARD: All right, I have one, but I
10 will turn first to my colleagues.

11 Mr. Morales, did you want to make and
12 supplementary comments?

13 CHIEF EXECUTIVE OFFICER MORALES: I just want to
14 reinforce for the Board, this is a very important step
15 forward in partnership with Metro. And when we're talking
16 about Union Station and the SCRIP Project we're really
17 talking about things that benefit not just Los Angeles, but
18 all of the entire Southern California Region feeding
19 service coming up from San Diego, from the Inland Empire,
20 from Santa Barbara and the Coast, and obviously as we get
21 to our statewide system.

22 So we very much appreciate the fact that Metro
23 has taken the step of incorporating high-speed rail into
24 its planning. Phil Washington as the new CEO, has been
25 very forward-looking in this. And they took that action

1 and so this is now what we're bringing here is the action
2 that would complement what the Metro Board has already
3 done, and allow us to move forward this.

4 So thank you for that.

5 CHAIRMAN RICHARD: All right. Okay, other
6 questions? Ms. Lowenthal.

7 BOARD MEMBER LOWENTHAL: Well, I'm very
8 supportive of this move. And I will be interested to get a
9 better understanding of how, as it's configured in the
10 larger context, the regional connector that is under
11 development by Metro -- as I remember from my days on Metro
12 -- how that will be integrated into the larger plan.

13 MS. BOEHM: So the regional connector system is
14 connecting all of the light rail within L.A. County. Both
15 the light rail that goes north and east of L.A. Union
16 Station, to the light rail that is going to currently --
17 the Expo line and the Blue line.

18 So essentially what it does is it comes across
19 underneath Downtown from the 7 and Fig Station into Los
20 Angeles Union Station. So you would now be able to take a
21 one-seat ride, as I'm sure you will appreciate, from Long
22 Beach, all the way up to Pasadena and the San Gabriel
23 Valley or to the eastside if you should so choose.

24 BOARD MEMBER LOWENTHAL: And that's not going to
25 interfere with the larger integration of high-speed rail

1 into Union Station?

2 MS. BOEHM: No. That's just another piece of the
3 puzzle, so that really we are bringing all services into
4 Los Angeles Union Station for the convenience of the user.

5 BOARD MEMBER LOWENTHAL: Thank you.

6 CHIEF EXECUTIVE OFFICER MORALES: But you've
7 raised an important point there, I think, Ms. Lowenthal.
8 That part of this planning is to ensure that all those
9 things can be integrated without impacting each other,
10 because the SCRIP Project is going to involve track
11 relocation, potentially elevation of the existing heavy
12 rail tracks.

13 And so what this really is, is about making sure
14 all of this fits together and works together. And that
15 Union Station becomes really the major hub that it can be.

16 BOARD MEMBER LOWENTHAL: Thank you.

17 CHAIRMAN RICHARD: All right, I have a --
18 Ms. Schenk?

19 BOARD MEMBER SCHENK: Thank you.

20 CHAIRMAN RICHARD: I try not to make the same
21 mistake twice.

22 BOARD MEMBER SCHENK: Yeah, you're a quick
23 learner.

24 Michelle, the Surfliner, how is that going to be
25 integrated into what will be a two-seat ride from those

1 coming up from San Diego and then having to transfer to
2 high-speed rail to get farther north?

3 MS. BOEHM: So all of the existing services,
4 serving Los Angeles Union Station, would continue to serve
5 Los Angeles Union Station. What the SCRIP Project does is
6 it provides those run-through tracks, so that all of the
7 services basically can arrive directly into Los Angeles
8 Union Station without going north and around in one single
9 entrance.

10 They can arrive directly in, and then proceed
11 directly north reducing the amount of time the trains spend
12 from over 30 minutes to 5 minute thus providing that
13 greenhouse gas reduction of about 40 percent, possibly
14 more, at that point source.

15 CHAIRMAN RICHARD: Okay. Seeing no other
16 questions I'll ask mine, which is that from the write-up my
17 understanding is that up until this point planning for the
18 high-speed rail connection into the L.A. Union Station area
19 really didn't have us in or under the station, but
20 basically next door to the station. And that now this
21 joint development agreement involves us going into the
22 station, so that our tracks are basically going to be in
23 the same area as the local tracks.

24 Is that my understanding; is that correct? I
25 mean, that's my understanding, is that understanding

1 correct?

2 MS. BOEHM: Yes, you're correct.

3 Variously over the course of history we've been
4 above, we've been next to, we've been a whole bunch of
5 other places. This is about bringing high-speed rail
6 service into the yard at Los Angeles Union Station.
7 The Metro Board has already heard an item to consider this
8 and reacted favorably. So we are now seeking our Board's
9 approval of this as well.

10 CHAIRMAN RICHARD: And I'm going to support that,
11 but I just want to ask one question since the older I get,
12 the more I realize that risk actually does exist in the
13 world.

14 We have a very positive relationship with L.A.
15 Metro. That was one of the first things I did on coming on
16 to the High-Speed Rail Board was reach out to them.
17 There'd been problems in the past. And I think in the last
18 four or five years Mr. Morales's leadership in working with
19 them, with Mr. Washington's predecessor, and we have an
20 excellent relationship with L. A. Metro. But boards can't
21 necessarily bind future boards.

22 And I just want to make sure that if we're
23 spending \$38 million, and that we're anticipating that's
24 going to be for joint planning to have our station inside,
25 that in a different time, different environment, somebody

1 just doesn't like the color of Mike Rossi's tie -- it's
2 always possible -- that suddenly somebody makes a different
3 decision and we've gone down the road based on this
4 planning. So how can we link those two together in a way
5 that we really do know we're going forward together? And I
6 hope our colleagues from L.A. Metro realize that in asking
7 this question I'm not basing it on any specific concern,
8 just a generalized sense that things sometimes go awry.

9 So now that we're inside how do we make sure we
10 don't get kicked out, I guess is the way I'd like to put
11 it.

12 CHIEF EXECUTIVE OFFICER MORALES: One important
13 way to do that -- and I think also behind this we'll have
14 various MOU's and agreements that lock this into place.
15 But as you know right, those can always be changed.

16 But an important step that we're taking
17 simultaneously is the acquisition of property and right-of-
18 way at the station --

19 CHAIRMAN RICHARD: Okay.

20 CHIEF EXECUTIVE OFFICER MORALES: -- to actually
21 allow us to come in. And so we've already begun that
22 process with Metro of identifying platforms and tracks that
23 we will need to purchase access to, lock that in, have that
24 as a right to us going forward. So those two things are
25 moving forward very much hand-in-hand as we go on this.

1 And those will be rights that we have, and
2 protect our ability to ensure that in fact we'll be able to
3 operate as we now intend to.

4 CHAIRMAN RICHARD: Well, and you know -- and I
5 think one thing, I think the resolution just authorizes you
6 to enter into a negotiations, which is fine.

7 I would just point out that when we did an
8 agreement with the San Joaquin Joint Powers Board that
9 basically delegated to them certain rights we indicated
10 that in the eventuality that High-Speed Rail lost its
11 funding or something, that basically we would call those
12 back.

13 I think that there's probably things that when we
14 talk about the Peninsula or other places, where I would
15 only suggest to staff that I think a prudent way to do this
16 is to just kind of ensure that if at some point we don't
17 realize the benefit of our bargain, that there is
18 essentially a trap door that opens that we can at least be
19 reimbursed. That certainly is a drag on future people's
20 making adverse decisions to us. So I don't feel a need to
21 put that in a resolution or anything like that. I'm just
22 suggesting.

23 And again, I can't emphasize enough the positive
24 relationship we have here. I'm really thinking about this.
25 We have a plethora of agreements with people and things

1 change. And so I just want to make sure that we're getting
2 the benefit of the bargain as we go forward.

3 CHIEF EXECUTIVE OFFICER MORALES: And I --

4 BOARD MEMBER SCHENK: No, go ahead, if I can have
5 a concluding comment.

6 CHIEF EXECUTIVE OFFICER MORALES: Sure.

7 Just on the -- again just to clarify further on
8 the property, our mutual goal with Metro was to have at
9 least the initial property rights decided by June of this
10 year. So we're moving that forward very aggressively.

11 And then Ms. Schenk, but also our friend from
12 Metro is here, I think, who can maybe speak to what you
13 were --

14 CHAIRMAN RICHARD: Yes, our friend from Metro.

15 Would you like to -- good morning -- please
16 introduce yourself first.

17 MS. OWENS: Mr. Chair and Members of the Board,
18 my name is Jeanette Owens, Executive Officer at Los Angeles
19 County Metropolitan Transportation Authority.

20 In response to your question, the assistance in
21 project development for the Southern California Regional
22 Interconnector Project will actually place you prime, in
23 Union Station. It's going to be in our EIR that we're
24 hoping to kick off in April. We are going up to our Board
25 to do a contract modification, because the original SCRIP

1 Project did not have High-Speed Rail in Union Station. So
2 in October of last year we went to the Board and asked the
3 Board to accommodate High-Speed Rail in Union Station.

4 So with that we're proceeding with a contract
5 modification that will actually place you right, if you're
6 not familiar with Union Station, you'll be adjacent to the
7 Gold Line. So it will be on the westerly side of Union
8 Station, because it gives you the real estate that you need
9 for a longer platform for high-speed rail.

10 So in order for us or -- I do understand Board
11 Members tend to change their mind, but in order for us to
12 make those changes to any plans we're moving forward with
13 it's going to take a significant amount of funds to do so.
14 So we're pretty much embedded with High-Speed Rail come
15 forward.

16 CHAIRMAN RICHARD: Thank you for that.

17 And my questions really go to a kind of broader
18 approaches to business relationships we have with people.
19 And I don't want you to misunderstand the level of my
20 tremendous enthusiasm for what we're doing in partnership
21 with L.A. Metro and Union Station. It is, I think, going
22 to be the Grand Central Terminal of the west, all due
23 respect to Nancy Pelosi who wants to give that moniker to
24 Transbay Terminal. But I mean, I think what you're really
25 doing there is terrific.

1 Other questions, Ms. Schenk, close?

2 BOARD MEMBER SCHENK: No, not a question, just as
3 the resident artifact historian at a time before probably
4 most of the people, except you and me Dan were born, back
5 in the early '80s when I was Secretary of Business
6 Transportation and Housing, and before there was Metro,
7 before there were gold lines and other lines, there was a
8 decision to enter into an MOU between the City of Los
9 Angeles. It was signed by Mayor Tom Bradley, myself as the
10 Secretary, Governor Brown, and Adriana Gianturco -- one of
11 your predecessors at Caltrans, Jeff -- for the state, for
12 Caltrans to acquire Union Station.

13 And it was to be as part of the high-speed rail
14 future. And that was the reason that we entered into it at
15 the time, so the MOU is probably somewhere in the bowels of
16 Caltrans or wherever. But the point being that we've
17 almost come full-circle and here we will have -- and we
18 used that term exactly -- the Grand Central Station of Los
19 Angeles, so take that, Nancy.

20 So thank you, very much.

21 CHAIRMAN RICHARD: Thank you, Ms. Schenk.

22 Pleasure of the Board or other questions, I'm
23 sorry. Can we get a motion on this?

24 BOARD MEMBER SCHENK: Move, so moved.

25 BOARD MEMBER LOWENTHAL: Move to approve.

1 CHAIRMAN RICHARD: Okay. I think I heard it was
2 moved by Ms. Schenk and seconded by Ms. Lowenthal.

3 Will the Secretary please call the roll?

4 MS. NEIBEL: Director Schenk?

5 BOARD MEMBER SCHENK: Yes.

6 MS. NEIBEL: Vice Chair Richards?

7 VICE CHAIR RICHARDS: Yes.

8 MS. NEIBEL: Director Correa?

9 BOARD MEMBER CORREA: Yes.

10 MS. NEIBEL: Director Curtin?

11 BOARD MEMBER CURTIN: Yes.

12 MS. NEIBEL: Director Paskett?

13 BOARD MEMBER PASKETT: Yes.

14 MS. NEIBEL: Director Lowenthal?

15 BOARD MEMBER LOWENTHAL: Yes.

16 MS. NEIBEL: Chair Richard?

17 CHAIRMAN RICHARD: Yes.

18 Thank you very much.

19 MS. BOEHM: Thank you.

20 CHAIRMAN RICHARD: Next item will be our
21 quarterly report from our --

22 MR. VACCA: No, no, no. We've got one more item
23 first.

24 CHAIRMAN RICHARD: Oh, I'm sorry. Well, I
25 forgot.

1 MR. VACCA: This one.

2 CHAIRMAN RICHARD: Radio spectrum rights.

3 MR. VACCA: There you go. Good morning, Mr.
4 Chair, it's --

5 CHAIRMAN RICHARD: Mr. Vacca, did you know that I
6 was a ham radio operator when I was a kid?

7 MR. VACCA: No, I did not. No, I did not.

8 (Colloquy from Board Members off mic.)

9 BOARD MEMBER CURTIN: Dan, you're still a ham.

10 BOARD MEMBER SCHENK: You walked right into that.

11 CHAIRMAN RICHARD: Yeah, I did. I walked into
12 that propeller blade.

13 Mr. Vacca please proceed quickly, get me out of
14 this.

15 MR. VACCA: Good morning Mr. Chair and Members of
16 the Board. My name is Frank Vacca, I'm the Chief Program
17 Manager for the Authority. I'm here this morning to
18 request the Board's approval to complete the negotiation
19 and final purchase of dedicated radio spectrum to be used
20 for high-speed rail operations and maintenance.

21 Our system, as well as all modern rail systems,
22 rely heavily on their transmission of voice and data for a
23 significant number of rail operational functions such as
24 communication-based signaling, positive train control, data
25 transmission of diagnostics and conditioning monitoring of

1 way side and train systems.

2 Radio systems are also required for normal and
3 emergency communication between dispatchers and trains,
4 train-to-train communication between maintenance personnel.
5 This radio frequency will also be used for video monitoring
6 on-board trains in emergency applications.

7 Radio spectrum is identified by frequency band,
8 which delineates a channel and a bandwidth. In Europe,
9 national governments have set aside frequencies for
10 railroad use. However, in the United States the Federal
11 Communication Commission sets aside and allocates specific
12 channels for public benefit use only such as military, air
13 traffic controllers, and GPS as some examples.

14 The FCC advised the Authority that spectrum for
15 our use was not included in the public benefit frequencies.
16 And we had to obtain radio spectrum through private owners.
17 The purchase of radio spectrum through private owners can
18 be difficult to obtain since you need willing sellers, who
19 own frequency bands that meet our technical requirements,
20 and cover the geographic areas that we need.

21 In most situations you need to piece together
22 dozens of owners who own the appropriate frequencies across
23 the specific geographic areas. These purchases become
24 complicated and costly to obtain. In addition, there's
25 significant competition for radio spectrum acquisitions by

1 local utilities and other companies.

2 The Authority has spent the last 12 to 18 months
3 conducting an exhaustive search trying to find enough
4 willing sellers in our program area with very limited
5 success. When we did find available channels, the costs
6 were prohibitive.

7 Recently, additional spectrum became available
8 through two owners that fully meet our program needs. Our
9 next proposed construction procurement, CP-5, will include
10 the construction of railroad infrastructure in the Central
11 Valley. And will require the Authority to identify radio
12 frequencies that we will be using, in order to have these
13 systems designed and constructed. Therefore, this purchase
14 is timely in continuing to meet our implementation
15 schedule.

16 The Authority seeks approval to enter into two
17 contracts: one with Access 700, LLC for \$32,780,241 and the
18 second with BPC Spectrum, LLC for \$21,076,151 to purchase
19 radio spectrum FCC licenses at 757 and 758 megahertz and
20 787 to 788 megahertz. This purchase will cover all of our
21 radio spectrum needs for both Phase 1 and Phase 2 of our
22 program.

23 Subsequent to Board approval, the Authority will
24 execute license purchase agreements with these two firms
25 identified, and then forward that to the FCC for their

1 consent and approval, which usually takes about 30 to 60
2 days.

3 I am available for any questions at this time.

4 CHAIRMAN RICHARD: All right, questions?

5 Ms. Schenk?

6 BOARD MEMBER SCHENK: Well, so this takes me back
7 a ways also for when I was in Congress and on the Telecom
8 Subcommittee as well as the Railroad Subcommittee, so this
9 is not a new issue. But, you know, that was pre-9/11, pre
10 the kind of atmosphere we have today.

11 And while we may not rise to the level of the
12 military certainly high-speed rail has some national
13 security implications. And while we don't want to miss the
14 opportunity to acquire through purchase I do think we ought
15 to take a look at going back to Congress and redefining
16 what the FCC should be looking at, in terms of where rail
17 of this sort falls, in terms of having access to spectrum,
18 because, as I say, times have changed. And I think that
19 Fred Upton of Michigan who Chairs Energy and Commerce, and
20 of course Anna Eshoo of California who is high on Energy
21 and Commerce seniority, would be interested in looking at
22 something like this.

23 MR. VACCA: The only comment I might add to that
24 is two. In one area we have worked with and talked with
25 the Federal Railroad Administration, in that likelihood of

1 what success we might be having through the Administration,
2 through the FRA Administration, in order to prevail with
3 the FCC in dedicated frequencies. And we were kind of
4 discouraged that that would not be, in their opinion, would
5 not be. And the second is that I know other railroads such
6 as Amtrak have gone that route and have not been
7 successful.

8 However, I certainly can't speak to ultimate
9 success --

10 BOARD MEMBER SCHENK: Yeah, but you're talking
11 about the Administration. I'm talking about the
12 Congressional approach on it.

13 MR. VACCA: Yeah, I understand.

14 BOARD MEMBER SCHENK: So, Jeff, maybe that's
15 something that we can talk about on --

16 CHAIRMAN RICHARD: You mean beyond this
17 procurement?

18 BOARD MEMBER SCHENK: Beyond this one, yeah.

19 CHAIRMAN RICHARD: Yeah, okay.

20 Mr. Curtin?

21 BOARD MEMBER CURTIN: Well, I certainly second
22 that without having the history involvement. It's so
23 astonishing to me that this whole enterprise could rest on
24 not having radio communications, which is a scary thought.
25 And there's only a few available.

1 Is there a time limit to this contract?

2 MR. VACCA: No, we will own --

3 BOARD MEMBER CURTIN: Perpetuity?

4 MR. VACCA: -- permanently own, in perpetuity,
5 the rights, the licenses for those frequencies. They are
6 dedicated and they are a range that are secure for us.

7 BOARD MEMBER CURTIN: So just to follow up with
8 that last comment by Commissioner Schenk would that require
9 -- if that were to be successful -- would that require
10 appealing back existing rights in the spectrum, if the FCC
11 was to begin to dedicate more radio spectrum to high-speed
12 rail and trains?

13 MR. VACCA: I certainly couldn't answer that
14 myself, personally.

15 BOARD MEMBER CURTIN: Well, I could see why they
16 would be reluctant if it did, yeah. Okay. Thank you, so
17 that's an in perpetuity.

18 CHAIRMAN RICHARD: I thought you were asking a
19 different question. If the Congress decided to do a new
20 Telecommunications Act reallocating spectrum, I think under
21 the contract's clause they can't interfere with our
22 ownership at that point, right?

23 MR. VACCA: (Indiscernible)

24 CHAIRMAN RICHARD: So they can't strip us of
25 these --

1 BOARD MEMBER CURTIN: Or others who own it, I
2 assume, which could be pretty complicated if they're --
3 they look pretty well owned. I mean, I just looked at the
4 little chart and everything said sold, sold, sold, sold.

5 MR. VACCA: Well, in fact this purchase is
6 somewhat a time of the essence, because we have competitors
7 and the owners have multiple bids for the spectrum.

8 CHAIRMAN RICHARD: Other questions? Thank you.

9 Okay?

10 CHIEF EXECUTIVE OFFICER MORALES: I would just
11 point out, it was mentioned in the memo, but I want to
12 reinforce again that this cost was anticipated and is
13 budgeted. We had assumed \$55 million for Phase 1. As
14 Frank pointed out we come in a little below that. And it
15 covers not only Phase 1, but ultimately Phase 2 of the
16 project. So we feel very good about that piece by --

17 CHAIRMAN RICHARD: You mean the entire 800 miles?

18 CHIEF EXECUTIVE OFFICER MORALES: The entire,
19 everything from Sacramento to San Diego is covered within
20 this coverage area.

21 MR. VACCA: Okay. Yes, very fortunate.

22 CHAIRMAN RICHARD: So it sounds like a great
23 serendipitous opportunity dropped in our laps in the middle
24 of a very difficult time.

25 MR. VACCA: Yes.

1 CHAIRMAN RICHARD: Okay.

2 MR. VACCA: Yes, sir.

3 CHAIRMAN RICHARD: Assuming that nobody wants to
4 hear about my ham radio license is there a motion from the
5 Board?

6 VICE CHAIR RICHARDS: So moved.

7 BOARD MEMBER CURTIN: Second.

8 CHAIRMAN RICHARD: Okay. It was moved by Vice
9 Chair Richards and seconded by Director Curtin.

10 Will the Secretary please call the roll?

11 I still remember my call number. (Laughter.)

12 MS. NEIBEL: Director Schenk?

13 BOARD MEMBER SCHENK: Yes.

14 MS. NEIBEL: Vice Chair Richards?

15 VICE CHAIR RICHARDS: Yes.

16 MS. NEIBEL: Director Correa?

17 BOARD MEMBER CORREA: Yes.

18 MS. NEIBEL: Director Curtin?

19 BOARD MEMBER CURTIN: Yes.

20 MS. NEIBEL: Director Paskett?

21 BOARD MEMBER PASKETT: Yes.

22 MS. NEIBEL: Director Lowenthal?

23 BOARD MEMBER LOWENTHAL: Yes.

24 MS. NEIBEL: Chair Richard?

25 CHAIRMAN RICHARD: Yes.

1 MR. VACCA: Thank you.

2 CHAIRMAN RICHARD: Thank you, Mr. Vacca. It
3 looks pretty good, so thank you.

4 Okay. Now, we will turn to our Quarterly Report
5 from the Finance and Audit Committee. And we'll turn to
6 our CFO, Mr. Fong, good morning.

7 MR. FONG: Good morning Mr. Chair and Board
8 Members, Mr. Morales. I'm Russ Fong, your Chief Financial
9 Officer. And Paula, Scott, Jon and I will present agenda
10 item six, which is an informational item on the Finance and
11 Audit Committee Quarterly Update. Today we'll discuss
12 financial reporting, audits, project status, and risk
13 management.

14 Let's start with financial reporting. Last
15 quarter we introduced a new report called the Executive
16 Summary Report. This report is meant for those who don't
17 have the time or desire to read through all the reports in
18 the Finance and Audit Committee. It highlights key
19 performance data using trend, trend prior, and prior month
20 and prior year bullet points.

21 The issue section will highlight what I consider
22 what the Board and stakeholders need to know.

23 Let's take a look at our first Accounts Payable
24 Aging Report. We have six months, consecutive months, with
25 no --

1 CHAIRMAN RICHARD: Excuse me, Russ. I'm so sorry
2 -- oh, we've lost our secretary.

3 I know that we've got this up here. Generally,
4 we get this on our screens here and I'm not seeing it.
5 Does anybody know if that's --

6 (Colloquy re: audio visuals.)

7 CHAIRMAN RICHARD: Okay. I'm sorry, Mr. Fong, go
8 ahead.

9 MR. FONG: No, that's okay.

10 So our first report's our Accounts Payable Aging
11 Report. I just want to happily announce that we have six
12 months of no aging invoices and I want to -- I'd like to
13 thank HSR Accounting team for their hard work. Just a
14 little point of reference, last year February 2015, we had
15 \$207,000 in age reports.

16 Moving on to our Cash Management let's talk first
17 about Prop 1A cash. Bond sales for Prop 1A cash occurs in
18 the spring and the fall. We received \$45 million from the
19 last bond sales in April of 2015.

20 As we previously reported our focus has been to
21 spend federal funds first. We have primarily spent Prop 1A
22 on our administrative budget of about \$40 million and what
23 we call project development. We do anticipate spending
24 more Prop 1A funds as we have spent the majority of federal
25 funds allocated for project development. We currently have

1 Prop 1A cash balance of \$25 million, which is six million
2 less than last month.

3 For Cap and Trade our auctions occur in August,
4 November, February and May. We have \$489 million in Cap
5 and Trade compared to 330 last month. We did receive 164
6 million in proceeds from the November 2015 auction, which
7 were partially offset by expenditures.

8 Moving on to our Budget Expenditures Report, and
9 this focuses on our administrative budget only. Currently
10 our budget did increase \$1.1 million from 40.3 million to
11 41.4 million for the following two reasons.

12 We did incur a general salary increase, which
13 became effective July 1st of 2015, which was approved by
14 the Governor's Budget, which was released on January 7th.
15 And number two, we did have a new position funded by Cap
16 and Trade that will be housed in our program management
17 area.

18 We spent 33 percent of our administrative budget,
19 which is the 50 percent of the year completed compared to
20 28 percent last month. This is a little bit lower than
21 last year's 42 percent due to a lag in submittal of
22 invoices from interagency work.

23 Switching to our positions, as of last Thursday
24 we had 34 vacant positions representing 15.5 percent
25 vacancy rate compared to 41.5 vacant positions with an 18.9

1 percent vacancy rate last month. I would like to highlight
2 of the 34 vacant positions, 8 are newly established
3 positions; 27 of the 34 vacant positions are currently
4 being advertised; for the other 7 positions 5 are being
5 reclassified and two are being updated.

6 Switching over to our Capital Outlay and
7 Expenditures Report, on June 2010 -- 2015, excuse me, on
8 June 10, 2015 the Board approved an RDP contract with a
9 budget of \$700 million.

10 This RDP contract has an annual Work Plan that
11 has been budgeted on a calendar year basis. As previously
12 noted in our Capital Outlay Report this reflected a budget
13 of \$39 million for the first six months. That would be
14 July through December of fiscal year '15-'16.

15 We have issued a Conditional Notice to Proceed
16 for work for January to June of 2016, which has a budget of
17 \$63 million bringing the total RDP budget to the current
18 fiscal year of \$102 million. For the calendar year the RDP
19 Work Plan 2 budget is \$134 million plus any conditional
20 bonus or bonused amounts or contingencies.

21 The capital outlay budget will now, from fiscal
22 year '15-'16 increase from \$63 million from 1.75 billion to
23 1.81 billion to reflect Work Plan 2. The 1.81 billion
24 number is a place holder and will be re-baselined in the
25 coming months.

1 The capital outlay expenditures of 58.5 million
2 for the month are mainly for road and construction
3 expenditures. Our year-to-date expenditures are \$292
4 million.

5 Moving over to our next report, the Total Project
6 Expenditures with Forecasts, I would like to highlight the
7 left chart reflects the state and federal funds spent from
8 2006 to the present. The middle chart reflects a state
9 match to the federal funds. And the right chart reflects
10 the state match liability. The tapered match funds, is the
11 amount the state will expend to meet the federal match
12 requirements. This will be satisfied with Prop 1A and Cap
13 and Trade funds.

14 Going over to our Contracts and Expenditures
15 Report, for February we had \$4 billion in active contracts.
16 A \$600 million decrease from last month's total of \$4.6
17 billion. This decline was due to our receiving in the
18 final invoices of several large contracts including AECOMM,
19 HMM, PB and URS, which came off the active contact list.

20 This also affected our small business utilization
21 rate. Those expired contracts represented \$591 million in
22 actual expenditures including small business expenditures
23 of \$137 million. As a result the small business
24 utilization decreased from 20.89 in January to 15.11
25 percent in February.

1 I would like to point out this percentage
2 represents the monthly total dollar amount that went to
3 small businesses, divided by the monthly invoice total.
4 This percentage will change on a monthly basis. As
5 construction work continues to increase, we expect small
6 business utilization rate to increase as well.

7 My last slide is our Projects and Initiatives
8 Report. For this month, for the month of February, we have
9 one item on hold which is our financial system. And this
10 is our system that will meet the needs of our mega project.

11 We currently are working through the FI\$Cal
12 system to see where we're at and see what the gap analysis
13 is with the state's FI\$Cal system, and the system that
14 we'll need, to eventually properly manage our mega project.

15 And the second is we have one item on caution.
16 And that's our hiring and staffing for fiscal year '15-'16
17 positions.

18 This concludes my portion of the presentation and
19 I will transition over to Audits, so I'll be happy to
20 answer any questions.

21 CHAIRMAN RICHARD: Do we questions for Mr. Fong
22 right now?

23 Good, okay. Ms. Rivera?

24 I'd like to let the new members know that under
25 our structure even though our audit function and our risk

1 management function administratively are under the CEO, but
2 programmatically they report directly to the Board, which
3 we think is the appropriate governance structure that we
4 have.

5 So good afternoon, Ms. Rivera.

6 MS. RIVERA: Good afternoon Chairman Richard and
7 Board Members. I am Paula Rivera, and I'm with Audits. I'm
8 here to give you an update on audits that we issued in the
9 second quarter and audits what we have in progress.

10 We performed a preaward review of engineering and
11 environmental services contract for the San Francisco to
12 San Jose and San Jose to Merced Project sections. We
13 issued that November 12th -- I'm sorry, November 4th.
14 We had findings that included proposed labor rates,
15 proposed overhead rates and proposed other direct cost
16 rates that were misstated. However, all of those things
17 were addressed prior to contract execution.

18 We also issued a report on a prompt payment
19 review that we performed. This was a follow-up review to
20 see if the prior findings had been addressed. And we
21 looked at eight invoices to take a look at the process in
22 place and we found a number of issues.

23 So then we looked at 115 invoices to determine if
24 the penalty payment was correct and we found that there
25 were 5 that were incorrect of the 115. So we have

1 confidence that the prompt payment penalties are being
2 calculated correctly.

3 We also issued a report, the State Leadership
4 Accountability Act Report. It used to be called the
5 Financial Integrity State Manager Accountability Act. It's
6 now called SLAA or SLAA. (Phonetic: slaw or slay). It used
7 to be FISMA. So we like our acronyms in the Audit area.

8 This is a report that's required each odd
9 numbered year on December 31st. We submitted it to the
10 Department of Finance. We heard last week that they are
11 reviewing our report and when it's final it will be
12 published on our website.

13 Now to let you know a few audits that we have in
14 progress, we're finishing up our review of or audit of
15 review of design-build oversight. We're looking to see
16 that the risk model between the Authority and the design-
17 builder is being maintained. Like I said we're finalizing
18 that and I would hope it could be issued in the next couple
19 of months.

20 We're about to issue a draft on a contract
21 management continuation and follow up audit that we
22 performed. We did the audit last year -- oops, sorry.
23 I've jumped ahead. Right-of-way, we're doing continuous
24 auditing of the right-of-way process where we look at a
25 smaller subset of the process.

1 And we started with looking at the systems
2 controls, how the data moves from one system to another.
3 And then we looked at the process from when a parcel is
4 approved by the Public Works Board. And then that package
5 is submitted to Caltrans to file an eminent domain lawsuit.
6 And then we're also looking at the process from obtaining
7 possession to delivering to the design-builder.

8 So these are very small processes. We're looking
9 to see if the reporting is accurate and if there are any
10 improvements we can identify.

11 We're also working -- we just issued last week
12 the design-build stipend and alternative technical concepts
13 audit.

14 CHAIRMAN RICHARD: Were there any issues there or
15 are you're just starting the audit?

16 MS. RIVERA: We issued that final last week.

17 CHAIRMAN RICHARD: Okay.

18 MS. RIVERA: We found that in CP1 the invoices
19 for the stipends did not always have the required backup
20 for payment. And then we also found that the Authority
21 didn't always have a process to -- or I shouldn't say a
22 process -- the communication of alternative technical
23 concept net value needed to be documented. And so they've
24 documented -- they looked at the invoices and they've
25 documented the process since we've identified those issues.

1 CHAIRMAN RICHARD: Okay. Thank you.

2 MS. RIVERA: So we are doing a follow-up review
3 on a small business review that was performed almost two
4 years ago. So we were looking to see if the corrective
5 actions have been implemented and if the utilization data
6 is usable for reporting.

7 In our prior review we found that the small
8 business utilization data process had not been refined.
9 And so we looked at the process, the data has been
10 improved, the process has been improved. And we looked at
11 the accuracy of the reporting. I hope to issue that report
12 draft in the next week or two.

13 Contract management continuation and follow-up, a
14 year ago we issued an audit on contract management. And at
15 the Finance and Audit Committee's direction we expanded
16 that audit. Audits often involve sampling, so we sampled
17 72 percent of the contract managers for the Authority. And
18 that covered 71 percent of the contracts. However, that
19 left half a billion dollars that hadn't been evaluated.

20 So at the Finance and Audit Committee's direction
21 we expanded our sample to 100 percent of contract managers
22 as of June 30th. We also followed up on the prior findings
23 to determine if there had been -- if the implementation
24 actions had been implemented and also if they were
25 effective.

1 The last audit that we have in progress right now
2 is an incurred progress right now is an incurred contract
3 cost audit. And this is an audit where we go in after the
4 contract is over. We look at items that were billed to the
5 Authority and reimbursed to the consultant by the
6 Authority. And we're looking to see if they were
7 reasonable, allowable, and in compliance with the contract
8 terms and federal regulations.

9 For our first contract, we picked a fairly large
10 -- or for our first audit we picked a fairly large contract
11 that covers nine fiscal years. And it's about a 5,000 hour
12 audit, so we're probably three quarters of the way through
13 that.

14 Before I turn it over to Scott, are there any
15 questions.

16 CHAIRMAN RICHARD: Any questions for Ms. Rivera?
17 Thank you.

18 MS. RIVERA: Thank you.

19 CHAIRMAN RICHARD: Well I was going to ask her if
20 she had a new joke, but I already asked her this morning if
21 she had a new joke. Although we have two new members, so I
22 suppose at some point they should hear your one auditor
23 joke.

24 Scott you want to introduce yourself for the new
25 members?

1 MR. JARVIS: Yes, Scott Jarvis. Good afternoon
2 Chairman Richard and Members of the Board. Did I just
3 inadvertently turn this off?

4 CHAIRMAN RICHARD: Well, I don't know whether you
5 did it inadvertently or deliberately. It's off.

6 MR. JARVIS: It is off, yes.

7 (Colloquy regarding visual technical issues.)

8 CHAIRMAN RICHARD: Okay. Go ahead, Scott.

9 MR. JARVIS: Okay. I'm going to provide a
10 program delivery update and I'm going to focus on four
11 areas: right-of-way, environmental clearances, third-party
12 agreements, and what we all enjoy, construction.

13 And I'm just going to push this button here to be
14 on the safe side.

15 Right-of-way update, right-of-way delivery
16 production had definitely increased in recent months and
17 we're starting to see the fruits of that on CP1. We work
18 very closely with the design-builder on the critical and
19 near-critical path structure locations and I'm going to
20 talk in a moment on some of that construction that's going
21 on.

22 As far as CP2-3, we also continue to make
23 significant progress in right-of-way acquisition. And we
24 worked closely with the design-builder on that as well.
25 And so with this progress Mr. Tapping will go through with

1 his right-of-way risk analysis and update that based upon
2 that progress.

3 Now, as far as I know this is quite a bit of
4 numbers and lines on the chart here, but some of the key
5 numbers to show -- and this is through December of last
6 year -- so some of the key numbers are in the middle of
7 your screen. There is 410 parcels have been acquired for
8 CP1. And if you look on the far right there 724 is the
9 total amount of the parcels. So we continue to stay within
10 the envelope of the plan and the alternative forecast on
11 CP1.

12 For CP2-3, we are right on the plan through
13 December. You will see in the tan box in the middle of
14 your page 142 parcels have been acquired for CP2-3. And
15 the plan number as of that time is 143 parcels. We
16 recently received, and approved the schedule from the
17 contractor, and so we'll be going through the process of
18 utilizing that construction schedule to re-baseline the
19 right-of-way plan for CP2-3.

20 Now, I'm going to talk about environmental
21 clearances. A couple of major accomplishments related to
22 the environmental clearances are one, of the Merced to
23 Fresno and Fresno to Bakersfield environmental clearances
24 that everybody is aware of.

25 Another accomplishment is establishing a

1 framework at the state and the federal level, a high-level
2 working group to work together to coordinate and expedite
3 the reviews and the clearances. And we're going to need
4 that with this next bullet.

5 We have a very aggressive goal to obtain
6 environmental clearance on ten sections or projects by
7 December of 2017. And to get there we're utilizing various
8 project management techniques. And I don't expect you to
9 be able to read all the information here, but what this
10 does show is the ten environmental documents that we're
11 working on, the milestones that we need to accomplish to
12 get us to that Record of Decision or the RODs by December
13 of 2017, so we closely manage the delivery of those
14 environmental clearance documents.

15 So as far as the summary itself, for the
16 environmental clearances there's looking at the three
17 regions: Northern California, Central Valley, and Southern
18 California we're working on two environmental documents in
19 Northern California -- San Francisco to San Jose, San Jose
20 to Merced. And since the last quarterly meeting we've
21 hired an engineering and environmental consultant team for
22 that area.

23 Within the Central Valley we're working on four
24 environmental documents that you see listed there. And the
25 primary focus is writing of the draft EIR/EIS documents

1 within the Central Valley.

2 Within Southern California we are also working on
3 four environmental documents to take us from Bakersfield to
4 Anaheim. So the primary focus in Southern California is
5 the alternatives analysis, working towards that preferred
6 alignment.

7 Now, I'm going to transition into another very
8 important part of our program, which is the third-party
9 agreements. We had a discussion at the last Board Meeting
10 with the award of CP4 regarding provisional sums. And so
11 provisional sums have been established for CP2-3 and CP4,
12 for the payment of a limited number of the utilities.

13 Now, provisional sums are frequently used in
14 major infrastructure projects for the work that cannot be
15 accurately quantified in advance. And so that prevents the
16 bidders from putting that risk into their bids, but it's
17 important to note that the responsibility for successfully
18 managing and coordinating this work remains with the
19 design-builders and those work packages are competitively
20 bid.

21 So we've continued to make progress towards the
22 execution of the master and the cooperative agreements that
23 are the Authority's responsibility. And this chart
24 summarizes that progress that has been made. You'll see
25 within the Central Valley on CP1 all 19 of the agreements

1 have been executed, in the green there. And for CP2-3, 22
2 of the agreements have been executed. And you see the
3 difference between 10 and 6, the red and the blue, so
4 there's been 4 executed since the last quarterly update.

5 Ten have been executed for CP4, and so the
6 overall summary in the Central Valley is there's 51
7 executed agreements and 11 unexecuted at this time, so
8 definitely some very good progress in our third-party
9 agreements in moving them towards the execution state.

10 And now for the fun part is the construction, and
11 it was mentioned earlier in the meeting, the demolition of
12 Tuolumne Bridge. And so that has been completed and that
13 will be replaced by a higher standards bridge that the City
14 of Fresno will get the benefit of that, higher for our --
15 also as well for more clearance for a high-speed train to
16 go underneath, so definitely some good progress there.

17 Also another one of our construction locations is
18 the Fresno River Viaduct. And as you can see there's
19 significant progress going on there. Most of the
20 foundations have been completed. The columns have been
21 constructed, and as you see here the falsework and the
22 forms are being constructed and placed for the
23 superstructure. And concrete will be poured soon at the
24 Fresno River Viaduct.

25 So to summarize within construction that a lot of

1 good progress in recent months focusing on those critical
2 and near-critical path structure locations that I just
3 showed you two of them. And so some of the specific
4 significant construction at Fresno River Viaduct,
5 demolition activities completed at Tuolumne.

6 And then as well, we have major construction
7 ongoing on three other sites. One is the realignment of
8 State Route 99. It's a \$225 million contract, about a two-
9 mile section, which is ongoing as well as construction that
10 has started at locations that we call the Fresno Trench and
11 the Downtown Fresno Viaduct.

12 And I also wanted to mention that just on CP1
13 through December there's been 214 direct trade workers on
14 the project so far and worked over 83,000 hours. So that's
15 just the beginning of one of our contracts through
16 December.

17 As far as Construction Package 2-3 we've been in
18 the planning phase for that, the mobilization, planning the
19 work activities and some of that planning includes working
20 with the third parties on the design requirements,
21 preparing for demolition, field work has begun with
22 geotechnical explorations and utility location activities.
23 And plans are being put in place to start construction in
24 the spring, the spring of 2016.

25 So within several months I'll be here showing

1 construction going on, on CP2-3. And one of the things
2 we're doing with the contractor is focusing there on six
3 critical structure locations that we're working towards
4 start construction on in 2016.

5 So now drilling into a few of the numbers on the
6 projects, for the CP1 Project you'll see that at this time
7 the contingency is in good shape. If you look at the
8 bottom right blue box we have \$148 million remaining in the
9 contingency, which is about 18 percent of the remaining
10 contract value for CP1.

11 As far as the progress on CP1 there is no
12 surprise that we've gotten off to a slow start. And that
13 is what the yellow line shows, and that is compared with
14 the original baseline plan of the spending, which is the
15 blue line. But what you're going to see, and again this is
16 also through December, so what you're going to see at the
17 next update is that yellow line will be taking a tick
18 upwards as far as the construction spending going on.

19 CHAIRMAN RICHARD: When you say a tick upwards, I
20 mean --

21 MR. JARVIS: A large tic.

22 CHAIRMAN RICHARD: Well, no I'm not trying to be
23 a wise guy about it. I'm just trying to ask, I mean what's
24 the slope of that line likely to change to, just a little
25 bit or significantly or what?

1 MR. JARVIS: No, it will be significant. I
2 mean, we've been spending roughly \$5 million a month on CP1
3 and we'll see that moving up to \$20 million a month plus,
4 so that the slope will be getting much steeper.

5 CHAIRMAN RICHARD: Okay.

6 MR. JARVIS: So yeah. As far as CP2-3 we
7 continue to be in good shape financially on that contract
8 as well. The bottom right blue box shows \$261 million
9 remaining in the contingency or about 21 percent of the
10 remaining work on that project.

11 As far as the progress on CP2-3, again we just
12 received and approved the baseline schedule, so we don't
13 have a blue plan line to compare against. But this shows
14 the spending and there's been a real solid, consistent
15 progress on CP2-3 to date.

16 So the overall summary is to successfully manage
17 the delivery program, multiple focus areas must be managed
18 concurrently. And I've talked about four of them today.
19 Challenges exist, as they have for all major infrastructure
20 programs, and we work to manage and resolve those
21 challenges on a continual basis. And because of that,
22 we're seeing very positive progress in the Central Valley
23 resulting in construction at several locations.

24 So I would be happy to answer any questions
25 before turning it over?

1 CHAIRMAN RICHARD: Questions for Mr. Jarvis?

2 Okay.

3 MR. JARVIS: Okay, I'll turn it over it to our --

4 CHAIRMAN RICHARD: I'm looking forward to seeing
5 those lines go up.

6 MR. JARVIS: Yeah.

7 CHAIRMAN RICHARD: I'm sorry, Ms. Schenk?

8 BOARD MEMBER SCHENK: Yeah, I just wanted to
9 point out that we had the Finance and Audit Committee
10 meeting this morning. And a number of us were there, so we
11 got a briefing.

12 CHAIRMAN RICHARD: So basically I'm the only one
13 with questions is what you're saying. Okay.

14 BOARD MEMBER SCHENK: Maybe not.

15 CHAIRMAN RICHARD: Okay. All right, thank you.

16 MR. JARVIS: You're welcome.

17 Okay. I'll turn it over to our Risk Manager, Jon
18 Tapping.

19 CHAIRMAN RICHARD: And as Jon comes up to the
20 microphone, I mentioned earlier today that one of the
21 things that I think is so good about this Board is the
22 various backgrounds that we bring.

23 Risk management for a program like this is
24 vitally, vitally important. And we are constantly having
25 Jon run risk assessments of where we are in terms of the

1 sufficiency of our contingency and other risks for the
2 program. And it turns out that one of our new Board
3 Members, Ms. Lowenthal, actually has a pretty deep
4 background in this from her academic career. So we'll be
5 happy to have her here.

6 Mr. Tapping, good morning --

7 MR. TAPPING: Good morning, Chairman Richard.

8 CHAIRMAN RICHARD: -- or good afternoon, excuse
9 me.

10 MR. TAPPING: Good afternoon, good afternoon
11 Board Members. I am Jon Tapping, the Director of Risk
12 Management and Project Controls with the High-Speed Rail
13 Authority.

14 I want to start off with really kind of an
15 overview of our robust Risk Management Program. And it's
16 really a four-legged stool. What you've seen today, you've
17 seen in the box here: financial performance, audits and
18 reviews, and contract performance.

19 Russ gave you an overview of financial
20 performance, basically ongoing metrics as we move forward.

21 Audits and reviews, essentially we're looking at
22 lessons learned and best practices. And you saw some
23 comments from Paula in that regard.

24 Contract performance, Scott had some ongoing
25 metrics you saw today on the performance of the contracts

1 as we're moving forward.

2 But risk management really is a forward-looking
3 early warning mechanism that we use. We use some really
4 sophisticated analyses where we -- Monte Carlo simulations,
5 which we run, which give a probability of outcomes. And so
6 we've tailored our approach, really with the four-legged
7 stool, and the robust program brings it all together as our
8 Risk Management Program.

9 Part of that program we have some legislative
10 requirements, which is also incorporated in our Risk
11 Management Plan. And it's basically a very disciplined
12 process, and methodical process, of analyzing risks on the
13 project. You identify the risks, you identify a
14 probability and impact of the risk, and you update
15 estimates using a risk approach -- in other words it's a
16 forward-looking approach.

17 And for those at the Finance and Audit Committee
18 meeting this morning we talked about some of those results.

19 VICE CHAIR RICHARDS: Mr. Chairman, if I may
20 interrupt Jon for a moment?

21 CHAIRMAN RICHARD: Yup.

22 VICE CHAIR RICHARDS: For my colleagues, and for
23 the public, earlier this morning the Finance and Audit
24 Committee received a report from staff that we had asked
25 for earlier. And I think that the information provided in

1 that staff -- is really important for the Board to hear
2 with your permission?

3 CHAIRMAN RICHARD: Of course, yeah. Go ahead.

4 VICE CHAIR RICHARDS: So what I'd like Jon, if we
5 could ask Gary Griggs, who is the Director of Delivery for
6 this project to join you. And if you would like to go over
7 the information that was provided to Finance and Audit,
8 specifically with regards to Construction Project Number 1
9 in the Valley.

10 So Jon and Gary, take it over.

11 MR. TAPPING: Absolutely.

12 MR. GRIGGS: Okay. Thank you, Chairman Richard,
13 Vice Chair Richards, and Board of Directors, and CEO
14 Morales. My name is Gary Griggs, I'm Director of Program
15 Delivery for the California High-Speed Rail Project.

16 As Scott reported we're making significant
17 progress in the delivery of CP1. And we spoke specifically
18 to CP1 this morning in Finance and Audit. As you've seen in
19 our reporting to Finance and Audit we have challenges as we
20 move forward with delivering a program of this complexity.
21 And that's not unusual when you undertake a project of this
22 magnitude.

23 The first two years of the program, of CP1
24 activity, is really concentrated a lot on the contractor
25 mobilization and also completing final design. And given

1 that it is a design-build contract that is fairly common as
2 you need that initial period to complete design. But as
3 we've been reporting we have had challenges in a number of
4 areas. One is right-of-way, which Scott reported on. The
5 other is in third-party agreements and also in
6 environmental and especially in reevaluations. So we'd
7 like to speak to those and the assessments that we've made
8 based on risk management as we go forward.

9 A lot of the issues we deal with are external
10 factors obviously, so we're working closely with our
11 stakeholders to address those. But we wanted to focus in
12 particular on what we're doing internally to address those
13 challenges that we're facing in those three areas.

14 We got off to, on right-of-way got off to a bit
15 of a slow start because of litigation, and that held us up.
16 Once we got that cleared we had quite a backlog of right-
17 of-way that we needed to deliver. As Scott reported we
18 have over 700 parcels on CP1 alone, so we got a bit of a
19 slow start.

20 What we did is staffed up as quickly as possible,
21 reorganized our delivery program in a way that would allow
22 us to proceed. We've concentrated a lot in that on looking
23 at the critical construction areas that the contractor
24 could start as quickly possible on. And we've had good
25 success in getting those particular areas cleared and ready

1 for the contractor.

2 In terms of third party, of the agreements with
3 the various utilities and railroad and other third parties,
4 have taken longer than we would have hoped, but that's not
5 unusual again on a program like this. So again there we
6 have brought additional resources in to deal with the
7 third-party issues and move forward with those.

8 And also associated with the schedule issues
9 surrounding third party we've also been seeing fairly
10 significant increases in the costs associated with those
11 utility issues. So we're also moving forward to address
12 those.

13 And then on the environmental side we are having
14 to do what are known as reevaluations. And these, in a lot
15 of cases, are associated with the contractors coming
16 forward with what are known as alternative technical
17 concepts that Scott mentioned. And those alternative
18 technical concepts that have come forward from the
19 contractor, have affected significant savings in the
20 construction costs on the project.

21 But along with that comes a need to do some
22 additional environmental work in terms of reevaluations and
23 permitting work. And in some cases even right-of-way work
24 that goes along with that, so that's affected us as well,
25 in terms of schedule and cost.

1 I'll turn it back over to Jon to talk about risk
2 management.

3 MR. TAPPING: Okay, from a risk analysis
4 perspective then, we look at some of these challenges that
5 we're facing in the program: the slow pace of the right-of-
6 way and the third-party agreements, and the resulting
7 construction that Gary mentioned. And we do our assessment
8 of that. And there could be a potential for costs and
9 schedule impacts as a result of these challenges.

10 That said there is an approved contingency for
11 the contract and that's what the intended use of the
12 contingency is for, these unforeseen circumstances and
13 risks associated with the project. And when we initially
14 set up the contingency we did it using a risk-based
15 approach. We actually did identify a lot of these risks in
16 that approach.

17 Under the Finance and Audit Committee's oversight
18 then we implement a state-of-the-art risk management
19 program, which I described. And we do that really as an
20 early-warning mechanism, again which I described, so that
21 it gives us the opportunity to focus our efforts on the
22 biggest bang for our bucks with regard to the most urgent
23 risks that we should address in terms of cost and schedule.

24 So it gives us an opportunity to address and
25 mitigate these risks before we actually spend potentially

1 additional costs. So these analyses are used then to drive
2 prudent risk-based decision in a timely manner.

3 The updated CP1 Risk Analysis performed indicates
4 a negative trend with respect to three risks that we
5 initially identified again, those being: right-of-way,
6 utility relocations, and adjacent railroad requirements.
7 The risk analysis indicates that we have the potential of
8 exceeding the contingency envelope for CP1 if risk
9 mitigation actions are not undertaken.

10 Mitigations would involve such strategies as
11 considering alternate design concepts that Gary talked
12 about, as well as value engineering solutions. And we're
13 looking at this for both CP1 and program-wide as well in
14 order to mitigate these costs. And Gary will talk in more
15 detail about the mitigation strategies that we intend to
16 undertake.

17 So at this time, based on an assessment of our
18 risk management group, we are forecasting a need to
19 increase contingencies on CP1 by about \$150 million, which
20 is about 10 percent of the original CP1 budget. Similarly,
21 for the first construction segment we forecast any --
22 potentially for an additional 260 million. Again, and that
23 is about 5 percent of the original contract budget.

24 I want to stress that increasing the
25 contingencies does not mean the existing budgets will

1 actually be exceeded. It's still early, this is an early
2 warning, and we're undertaking risk mitigation strategies
3 and moving forward. It is really a management response to
4 early detection of potential impacts based on our risk
5 assessments that we continually undertake over the course
6 of the project and we will continue to do so

7 So with that, at this point I'd like to take it
8 back over to Gary to discuss in detail some of the
9 strategies.

10 MR. GRIGGS: Okay. Thank you, Jon.

11 So as I mentioned earlier we're obviously working
12 very closely with our external stakeholders in the resource
13 agency and others to help us move forward with the program.
14 I wanted to focus on the internal measures that we're
15 taking that we've been discussing at Finance and Audit.

16 In particular, we've been looking at
17 strengthening the organization, staffing up to meet the
18 demands, and setting up reporting and accountability of
19 systems that will allow us to achieve our targets.

20 For right-of-way, for example, under the
21 leadership of Alan Glen we're now up to approximately 35
22 staff supporting him. Along with we have four right-of-way
23 engineering contracts and twelve appraisal and acquisition
24 contracts working as part of his team. So we brought that
25 team up to a level now that we are seeing the productions

1 that we need to achieve as we move forward, as Scott
2 reported in his report. And he had shown that we're about
3 60 percent of the delivery of those parcels within CP1 and
4 concentrating on those critical areas of construction.

5 We're doing a similar thing in terms of
6 organization and staffing of our third-party group under
7 Paul Engstrom. And we're bringing additional resources
8 there.

9 One of the challenges we've had on third parties
10 is the usual challenge of trying to estimate the costs and
11 understand the extent and scope of utilities when they're
12 not visible underground. And that's been a challenge, so
13 we're trying to bring in additional resources to help us
14 supplement what we get from the regional consultants in our
15 understanding of specifics of the number of utilities and
16 the scope of the utility relocations that are required.

17 And then on the environmental side, under the
18 leadership of Mark McLoughlin, we've organized that group.
19 He has about 40 professionals working in his group. A lot
20 of that obviously is concentrating on those ten
21 environmental reviews that we need to get completed. But
22 also on those reevaluations that I spoke that are required,
23 and the permitting that's required as we move forward with
24 the construction.

25 So those are some of the organizational majors

1 that we're taking.

2 One of the other things that we were asked to
3 talk about at Finance and Audit was to discuss change
4 orders. And those are always something that we have deal
5 with, change seems to be something that's common in the
6 work that we do, so we need to obviously manage those very
7 closely as they come forward.

8 To date, and Scott reported on this as well, on
9 CPI we have approximately 14 million of approved change
10 orders, of those that we've received from the contractor.
11 And that's been drawing down from our contingency.

12 We have a very heavily managed process, as we
13 want to do on any of these projects in the way that we
14 handle change orders. So there are a number of steps that
15 we go through.

16 Contractor-initiated change orders, obviously
17 we're going to see those, and we're receiving those. And
18 the way we handle those is we, first of all, review them to
19 see if there's merit in the change order. If there's not
20 merit then we will reject it and the contractor then -- if
21 the contractor wants to pursue that change order further --
22 will have to come forward with a claim and will have to go
23 through a resolution process.

24 Now often we will actually initiate our own
25 change orders as the Authority if there are things that we

1 want to change in terms of the scope as well. And then are
2 very strict provisions in our contracts as to how we should
3 handle these change orders in regard to negotiation and
4 processing as we go through the steps of a proposed change
5 order or pending and then finally executed. And we report
6 on that regularly to the Finance and Audit Committee.

7 Risk management is a big part of that too. And
8 that's what Scott -- I'm sorry, what Jon just reported on,
9 in terms of the fact that we do risk assessments to look
10 forward to see what we may see as potential change orders
11 that are out there, and try to put a cost and schedule
12 impact to them. So I think we have a very good process in
13 place for handling of those change orders.

14 I would point out that not all change orders will
15 affect costs and schedule. Sometimes it's just a matter of
16 documenting the changes that we make in scope as we go
17 forward. And some change orders will, in fact, result in a
18 credit back to us as a result of taking something out of
19 the contractor's bid for example that we don't need to have
20 done.

21 The question was asked, given the expected costs
22 and schedule delays or possible delays on CP1 that Jon
23 spoke about, will this have a impact overall on the first
24 construction segment? And as Jon reported we are allowing,
25 in terms of a recommended increase contingency for a

1 potential cost increase on CP1.

2 And we are anticipating that there could be a
3 schedule delay. However, that schedule delay, we do not
4 feel will result in a delay to the completion of the first
5 construction segment, because we have float in our schedule
6 meaning that if CP1 is delayed, we still have time to
7 complete the work that we need to do within the schedule
8 deadline of the first construction segment.

9 In terms of the cost impact, and Jon already
10 reported on that, if there were an increase in the costs of
11 CP1 we've also indicated a potential increase in
12 contingency for the overall first construction segment.
13 But we're going to manage and mitigate those impacts as we
14 go forward to do everything possible to stay within the
15 budgets that we currently have defined for the first
16 construction segment.

17 So I guess in closing of my comments of we
18 obviously have had serious challenges as you expect on a
19 program like this. And a lot of lessons learned that we
20 will apply as we go forward into the remainder of the
21 program. But I think we've been able to identify the
22 problems, act on them, address them, and contain them. And
23 having the risk management approach that we have in
24 forecasting potential actions, that gives that early action
25 notice that allows us to take action in a timely way to

1 avoid the impacts downstream.

2 So that completes my comments.

3 VICE CHAIR RICHARDS: Thank you, Gary and Jon.

4 Jon, did you have anything else?

5 MR. TAPPING: No, I just think I'm really proud
6 of the risk management and the program delivery, how we're
7 integrated as an organization and we work together. I
8 think it's state-of-the-art.

9 Risk management, oftentimes you see in an
10 organization, is something that's off to the side. And you
11 can see that in this interchange that we're interlocked and
12 work off each other's work, so it's a pleasure.

13 VICE CHAIR RICHARDS: So I would guess I just
14 want to say a couple of things. The first, Mr. Chairman,
15 since you formed the Finance and Audit Committee with Jeff
16 and with Management, it has always been a primary goal to
17 put together policies and reporting that would be able to
18 report out to us, early warning of anything that may be
19 changing from what we had previously projected.

20 And I think that one takeaway from here, and
21 frankly a very important one, is that's exactly how it's
22 working. So this is an early warning. As Gary has
23 indicated it doesn't mean the money is going to be spent,
24 but the risk assessment certainly believes and concludes
25 that it's prudent to make provision for the contingency.

1 The success of the mitigation measures that have already
2 been put in place, and the management of those, will really
3 ultimately determine whether or not we actually need any of
4 the additional contingency.

5 The fact is it's a large complex infrastructure
6 project. And like all of them that have been completed
7 around this country, and the world, we deal with changing
8 projections. And it is, in fact, the risk profile that
9 we're changed with containing. And that's what we have
10 been doing. I think that's what we're doing now, clearly.
11 And I think this information is important for the public
12 and certainly for the Board.

13 Beyond that, I think that what we do is we
14 continue to manage as I mentioned a moment ago, very
15 carefully, and we will see in time how effective we've been
16 with these mitigation measures. But we're certainly
17 optimistic at this point. And I can tell you there is a
18 reason to be very proud of Jeff and the Management and
19 staff, because they have jumped on this very quickly. And
20 we should the recipients of that quick action.

21 Thank you, guys.

22 MR. TAPPING: Thank you.

23 CHAIRMAN RICHARD: Well, thank you, Tom.

24 I want to thank Director Richards and also
25 Director Rossi of the Finance and Audit Committee for the

1 systems they've put in place to look at this. And also to
2 thank Gary and John for what I think was a comprehensive
3 presentation. So thank you all for your work on this.

4 And I agree with Director Richards that it's
5 something that the Board just needs to continue to monitor.
6 And we'll look to Finance and Audit to continue to bring
7 these issues forward for the Board and for the public.

8 Any questions on this at this point?

9 (No response.)

10 Okay. Well, again thank you very much for that.
11 I think that was an important presentation.

12 And with that, we have completed our regular
13 agenda. And the Board will enter into closed session in
14 the adjacent conference room for, I think, a very short
15 closed session. And we'll come back and report any actions
16 after that. Thank you.

17 (The Board convened into Closed Session at 12:50 p.m.)

18 (The Board reconvened from Closed Session at 1:35 p.m.;

19 having no further business, Board Chair Person Dan

20 Richard adjourned the Board Meeting

21 at 1:36 p.m.)

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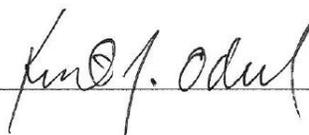
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IN WITNESS WHEREOF, I have hereunto set my hand this 26th day of February, 2016.



Kent Odell
CER**00548

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Myra Severtson
Certified Transcriber
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