



**CALIFORNIA
HIGH-SPEED RAIL
AUTHORITY**

DRAFT

BOARD MEETING MINUTES

June 8, 2012

The Sacramento Area Council of Governments - SACOG

1415 L Street #300

Sacramento, CA 95814

Hartnett, Smith & Paetkau
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Redwood City, CA 94063-1818

El Cantil Condominiums
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695 Town Center Drive
Costa Mesa, CA 9262

The board meeting of the California High-Speed Rail Authority Board was called to order on June 8, 2012 at 10:12 a.m. at the Sacramento Area Council of Governments, Sacramento, CA.

Members Present: Dan Richard, Chairman in person at Sacto. address
Russell Burns in person at Sacto. address
Jim Hartnett by phone from Redwood City address – 1 member of public wishes to speak on agenda items 2 & 3
Bob Balgenorth by phone from Mexico address – No members of public
Thomas Umberg by phone from Costa Mesa address – 4 members of public, none wish to speak

Members Absent: Lynn Schenk, Vice-Chair
Tom Richards, Vice-Chair
Michael Rossi

Minutes prepared in the order items were presented during the meeting.

Public Comment

An opportunity was made for public comment. There were a great number of people who spoke in support of the project with an emphasis on jobs, long-term benefits, and the upcoming construction. There were also a few people who spoke in opposition to the project with a concern over fiscal matters.

Agenda Item # 2 – Executive Director Compensation/Contract Deliberation by the Board

The Board discussed entering into a contract for the new Executive Director appointment. Materials were provided with costs and salary data. Chairman Richard explained the process of how the candidates for the CEO position was decided and that CPS was the Human Resource company that made the decision on a number of final candidates to be interviewed for this position. The board and CPS worked together and narrowed down the candidate even further interviews were conducted by the board with the most highly qualified candidates and on May 29, 2012, the board announced with a unanimous decision that Mr. Morales was selected. The board was then to establish compensation for Mr. Morales, and in so doing, an outside advisor was used to conduct a salary survey to establish an appropriate salary and other forms of compensation. The results of that have been posted on the CHSRA website in order to let the public know what we are doing, how we went about it and what the compensation level would be. Chairman Richard returned to the words of the statute stating that the executive director will serve at the pleasure of the authority, to administer the affairs of the authority as directed by the authority; that means, The Board. We have an excellent, active and involved board and have spent a tremendous amount of time on behalf of the state on this project and more importantly, members of this board are actively engaged in understanding and reviewing the issues and setting policy direction.

Chairman Richard understands the concerns of the public in regards to the possible conflict of interest for Mr. Morales. Chairman Richard stated that the policies of the state of CA as expressed by the governor and the legislature are to be carried out by this board. The Board is responsible to the Governor and the Legislature. The Executive Director and his staff are accountable to the Board. That is the form of Governance for the CHSRA.

Chairman Richard asked Mr. Tom Fellenz to state some of the findings of the salary survey. Mr. Fellenz explained how the salary survey was completed by CPS and how salaries were compared with comparable agencies similar to the CHSRA.

Chairman Richard stated that he had asked 2 other board members (Mr. Rossi and Mr. Richard) to act as an ad hoc committee to assist in negotiating a potential salary and compensation with Mr. Morales. Mr. Rossi and Mr. Richard recommendation to the board was Mr. Morales would receive a yearly salary of \$365,000.00 during his tenure as Executive Director, with that salary being subject to any salary reduction imposed on public employees. In addition, there would be incentive payment structure of \$25,000.00 of his yearly salary in addition at end of his first year of service if the following performance metrics are met: under management plan, to execute an organizational structure needed to implement the program and adequately oversee contractors by August. The successful recruitment and placement of qualified persons to fill first tier key positions, the appointment of a qualified risk manager; agreement among authority management, board audit committee and state auditor on processes' going forward. The maintenance of a risk registers in accordance with the above processes'. Under procurement and contract management, the successful award of a design build contract, at or below estimates, timely payment of contractors including small and disadvantaged businesses, the establishment of community and stakeholder relation plans; the meeting of legislative and federal regulatory timelines and requirements in compliant with budget terms and conditions.

Mr. Morales would also receive a second, one-time bonus, also equal to \$25,000.00 of his yearly salary, at the end of the second year of service, if performance matrixes, later to be determined by the authority are achieved to the satisfaction of the authority. This time next year, the board will be creating a new set of performance matrix with Mr. Morales.

Chairman Richard asked Mr. Fellenz in regards to the possible conflict of interest with Mr. Morales being a current Parsons Brinkerhoff employee, if he has had discussions with Mr. Morales and researched the issue of their being a possible conflict of interest whether it be financial times or things of such that would prevent Mr. Morales from serving as the Executive Director of the CHSRA.

Mr. Fellenz stated that after the Board had selected Mr. Morales for the CEO position, the board had asked him as chief counsel to look into any possible conflict of interest issues that might or might not prevent Mr. Morales to serve as the executive Director of the CHSRA. After having a conversation with Mr. Morales to determine what his compensation was with PB and based on the facts that he had mentioned, Mr. Fellenz sought a legal opinion from the AG's office whom had conversations with the FPPC and based on the advice received as well as his own opinion of his own research, it was determined that there is no conflict of interest that would prevent Mr. Morales from serving as Executive Director for the CHSRA.

Chairman Richard announces that Mr. Morales has agreed to start at the Executive Director of the CHSRA on June 18, 2012. Chairman Richard introduces draft Resolution # 12-28 announcing the details of Mr. Morales requirements as Executive Director with the following provision: in approving this resolution, that we also are amending existing board policy which currently gives some discretion to the executive director for changes to contracts for amounts up to a million dollars, would like to have this resolution include a provision that the Board would require Board approval for any amendments to any existing engineering and architectural contracts whose contract value exceeds 5 million dollars.

Motion made by Chairman Richard
Seconded by Member Burns.
Roll was called. Motion passed unanimously 5-0

Mr. Richard welcomes Mr. Morales.

Mr. Morales says a few words regarding his appreciation in the confidence that that board has in him and that he is looking forward to working on this very important project.

Chairman Richard thanks Mr. Fellenz for his dedicated work as acting executive director while he is still serving in the Chief Counsel role as well.

Agenda Item # 3 – California Transportation Commission Presentation

CTC Executive Director Ms. Bimla Rhinehart gave a brief presentation on the proposed high speed rail Prop 1A connectivity program for the board review and comment.

Public comment was then offered on this item.

Chairman Richard thanks the Board members, staff and public for arranging & participating in this special board meeting.

Meeting adjourned: 12:01 pm