



DRAFT

**BOARD MEETING MINUTES
OCTOBER 04, 2012**

**Sacramento City Hall
915 I Street
Sacramento, CA 95814
10:00 AM**

The public meeting of the California High-Speed Rail Authority Board was called to order on October 4, 2012 at 10:15 a.m. at the Sacramento City Hall, Sacramento, CA.

Members Present: Dan Richard, Chair
Tom Richards, Vice-Chair
Thomas Umberg
Jim Hartnett
Mike Rossi
Bob Balgenorth

Members Absent: Lynn Schenk, Vice-Chair

Pledge of allegiance was administered by Chair Dan Richard.

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

Public Comment

An opportunity was made for public comment. Speakers commented on a variety of topics.

Agenda Item #1-Board Audit and Finance Committee Report

Mr. Mike Rossi reported to the Board regarding the High-Speed Rail Authority's ("Authority") Audit and Finance Committee. Mr. Rossi stated that the Audit and Finance Committee has reviewed the reports of the State Auditor and the General Accounting Office ("GAO") and the Authority's responses to them. Mr. Rossi stated that the Bureau of State Audits conducted two audits in the Authority's operations. The 2010 audit contained ten recommendations. The Authority's most recent status update was provided to the State Auditor on September 17th and reported that all recommendations made in the audit report are fully implemented. The 2012 audit contained nine recommendations. The Authority's most recent status report provided the State Auditor report that six recommendations are fully implemented. The status of the remaining three recommendations are as follows:

Recommendation 1, the Authority will work with the Department of Finance to define the specific plan for use of cap and trade funds, which will be presented in detail in the next business plan.

Recommendation 2, the Authority will clarify in the next business plan that the state will not be able to use cash flows for other purposes during the term of financing.

Recommendation 3, the Authority will fill the Chief Financial Officer and Chief Program Manager position and will then explore options for conducting a workload analysis.

Mr. Rossi reported that the Authority is moving along with those three issues and will be done with them shortly. Additionally, the State Auditor had recommended the Department of General Services (“DGS”) perform an audit of the Authority's procurement processes. However, because DGS has reduced the Authority's delegated procurement authority, the State Auditor has determined that DGS does not need to perform the procurement audit.

Mr. Rossi further reported that in February 2012 the GAO informed the Authority that it would be conducting an audit of the U.S. Department of Transportation and the Federal Railroad Administration regarding high-speed rail projects and would include the Authority in its fieldwork. The GAO made a request for project-related documents, and all the documents relative to the request have been provided. The Authority and the project management team met with the GAO and conducted three conference calls to clarify information previously provided and will have additional opportunities to clarify information. Mr. Rossi explained that the GAO report is expected to be released in early 2013.

Mr. Rossi informed the Board that the Authority recently submitted their first report, mandated under SB 1029. To further explain this report, Mr. Jeff Morales presented an update regarding the financial status of payments to vendors. Mr. Morales reported that the Board, as well as management of the Authority, has heard concerns in the past about the Authority's ability to ensure that its vendors and contractors are being paid in a timely basis. Mr. Morales explained that this is a matter of significant concern with all of the Authority's vendors and contractors. But, given the Authority's commitment to small business, it's especially important for those firms who don't have the ability to sustain themselves, that the Authority be able to pay people on time and pay them promptly. Mr. Morales informed the Board that the Authority has made some real progress in streamlining the process, working with the federal government, working with DGS and with the State Controller's Office to get caught up on payments and to ensure that, as the Authority moves forward, the Authority has a much better ability to stay current with payments.

Agenda Item #2-Management Report: Staffing and Project Status

Mr. Jeff Morales updated the Board and the public on key milestones and progress that have been made by the Authority on two fronts. One, the project as a whole, and secondly, on the issue of staffing and building the organization.

On the project side Mr. Morales reminded the Board that, on September 19th, a very significant event took place. The Authority received the first Federal Record of Decision for the Merced to Fresno section. Mr. Morales explained that this is a major milestone in the life of the project. It allows the Authority to actually move forward now significantly towards construction. Mr. Morales further reported that two days later, on September 21st, an announcement came from the White House that the Fresno to Bakersfield section of the EIR/EIS would be part of a federal program to ensure greater collaboration and consistency among the federal agencies that are part of the NEPA process. Mr. Morales explained that this is intended to ensure that things move smoothly through that process, that reviews are made on a timely basis and that they're made accurately and on a timely basis.

Mr. Morales further reported that the Authority issued, consistent with Board direction, two important documents: One is the Request for Proposals (“RFP”) for right-of-way. This has been issued, and consistent with previous Board direction that the RFP allows for multiple awards made over that contract, or unbundling, as was described. Mr. Morales further informed the Board that it contains the small business commitment, that the Authority will ensure that that goal is met as part of this -- that right-of-way will be both unbundled in terms of the potential for multiple qualified teams to participate. Mr. Morales went on to further state that one of the Authority's goals is to ensure that those people out in the field working with affected property owners have local knowledge, local experience, and come from the communities that are affected. Secondly, the Authority is issuing, again consistent with Board direction, the Request for Qualifications (“RFQ”) for construction management. Mr. Morales explained that again, this is important to move forward with the program and to ensure that the Authority has the tools needed to oversee building and construction contracts as they go forward.

On the staffing side Mr. Morales reported that, as was mentioned, SB 1029, the appropriation that was provided as a significant number of reporting requirements, the first of which we delivered on October 1st on schedule and in full accordance with the law, and that describes the Authority's staffing management approach. Mr. Morales informed the Board that in the last forty-five days, the Authority has brought on seven key senior level staff to fill key positions, ensuring that the Authority will have the ability to make sure the government people are making government decisions and the Authority is properly accountable. Mr. Morales explained that this includes the Authority's three regional managers. The Authority now has for the first time three Authority staffers, senior level people, who are the face and the voice of the project in the north, in the central, and in the south who will be the primary point of contact for stakeholders and will feedback directly to Mr. Morales to ensure that the Authority is doing what it is supposed to be doing in each of those regions. The Authority has also identified and will bring on a new legislative director.

Mr. Morales further reported to the Board that he expects to shortly announce the Authority's Chief Program Officer. Currently Mr. Dennis Trujillo is the acting Chief Financial Officer. The Authority continues to look for a permanent spot, but Mr. Trujillo is very ably fulfilling those responsibilities. The Authority also has brought over a supervising project delivery director, Mr. Mohsen Sultan from Caltrans, who has twenty-five plus years in project delivery here in California. Mr. Morales discussed that Mr. Sultan will be an important new part of the team and as part of a larger arrangement the Authority has with Caltrans and other agencies to be able to tap into and utilize the expertise that exists throughout the state as the Authority goes forward with this project.

The Board adjourned into Closed Session at 11:01 a.m.

The Board reconvened from Closed Session into Open Session at 12:40 p.m.

Agenda Item #3-Closed Session Pertaining to Litigation

The Board returned from closed session with nothing to report.

Chairman Richard adjourned the board meeting at 12:40 p.m.