

CALIFORNIA HIGH-SPEED RAIL AUTHORITY
MONTHLY MEETING

TRANSCRIPT OF PROCEEDINGS

CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY
BYRON SHER AUDITORIUM, 2ND FLOOR
101 I STREET
SACRAMENTO, CALIFORNIA

TUESDAY, JANUARY 13, 2015

9:00 A.M.

Reported by: Kent Odell

APPEARANCESBOARD MEMBERS

Dan Richard, Chairman
Tom Richards, Vice Chair
Jim Hartnett, Vice Chair
Thea Selby
Lynn Schenk
Rick Frank
Katherine Perez-Estolano
Patrick Henning
Michael Rossi

STAFF

Jeff Morales, Chief Executive Officer
Russ Fong, Chief Financial Officer
Janice Neibel, Secretary
Paula Rivera
Scott Jarvis
Jon Tapping
Tom Fellenz
Mark McLaughlin

ALSO PRESENT

Constance Saunders
Ted Hart
Robert Allen

APPEARANCES (CONT.)ALSO PRESENT

Ryan Broderick

Paul Guerrero

Masaki Ogata, East Japan Railway Company

Tsutomu Shimura, Railway Bureau MLIT

Ricardo Martin de Bustamante, Dragados USA

Alejandro E. Canga, Dragados USA

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P R O C E E D I N G S

9:11 a.m.

PROCEEDINGS BEGIN AT 9:11 A.M.

SACRAMENTO, CALIFORNIA, TUESDAY, JANUARY 13, 2015

CHAIRMAN RICHARD: Good morning, ladies and gentlemen. This meeting of the California High Speed Rail will come to order.

Would the Secretary please call the roll?

MS. NEIBEL: Ms. Schenk?

BOARD MEMBER SCHENK: Here.

MS. NEIBEL: Vice Chair Richards?

VICE CHAIR RICHARDS: Here.

MS. NEIBEL: Vice Chair Hartnett?

VICE CHAIR HARTNETT: Here.

MS. NEIBEL: Mr. Rossi?

BOARD MEMBER ROSSI: Here.

MS. NEIBEL: Ms. Perez-Estolano?

BOARD MEMBER PEREZ-ESTOLANO: Here.

MS. NEIBEL: Mr. Henning?

BOARD MEMBER HENNING: Here.

MS. NEIBEL: Mr. Frank?

BOARD MEMBER FRANK: Here.

MS. NEIBEL: Ms. Selby?

BOARD MEMBER SELBY: Here.

MS. NEIBEL: Chairman Richard?

1 CHAIRMAN RICHARD: Here.

2 Ms. Schenk, would you lead us in the Pledge of
3 Allegiance this morning?

4 (The Pledge of Allegiance is made.)

5 CHAIRMAN RICHARD: Thank you.

6 We have a number of distinguished guests this
7 morning, but let me explain that we begin all of our
8 meetings by allowing the public members to comment, the
9 members of the public to comment.

10 I have several speaker requests this morning.
11 We'll ask you to come forward and I would ask you to, given
12 the length of the agenda this morning, to try to limit your
13 remarks to three minutes.

14 First is Constance Saunders, followed by Ted Hart,
15 followed by Robert Allen.

16 MS. SAUNDERS: Right here?

17 CHAIRMAN RICHARD: Yes, good morning, Ms.
18 Saunders.

19 (Colloquy off mic)

20 Oh, I'm afraid I gave you bad information.

21 MS. SAUNDERS: Okay. I have some --

22 CHAIRMAN RICHARDS: Okay. Perhaps one of the
23 secretaries could help Ms. Saunders if she has materials to
24 hand out.

25 MS. SAUNDERS: I have some material for the

1 members. And forgive me, I'm going to read from a cheat
2 sheet here.

3 CHAIRMAN RICHARD: All right, if you could speak
4 into the microphone though, because your comments will be
5 recorded.

6 MS. SAUNDERS: Okay. Can you hear me now?

7 CHAIRMAN RICHARD: Yes, ma'am. Thank you, go
8 ahead.

9 MS. SAUNDERS: Awesome. Thank you, my name is
10 Constance Saunders and I'm the Neighborhood Watch Captain in
11 Hansen Hills.

12 And I'm also the CEO of a nonprofit corporation in
13 California since 2003 called Community Assistance and
14 Utilization Services Establishment. And we help homeowners
15 and people in the community with issues. We've helped
16 hundreds and hundreds of people with various mortgage crisis
17 issues and others.

18 But I've been called in to assist not monetarily,
19 but for monetary reasons -- but because these are my
20 neighbors. With many people in the Hansen Hills, Hansen
21 Heights, Sylmar, Lake View Terrace and Shadow Hills area who
22 are very much afraid of the high-speed rail going under
23 homes or over them or over the Wash and disturbing the
24 wetlands.

25 Now, one of the key points I'd like to communicate

1 that's in my opinion, the most essential, is these are
2 wetlands and it is an equestrian haven. All of those
3 communities have horses and they ride every day. A lot of
4 people ride to work, ride to -- there's public that come in
5 and ride horses.

6 With a high-speed rail, one thing about horses is
7 they have exceptionally much better hearing than we do.
8 Just look at their ears and the motion of them. I wrote
9 some more things in the material I sent up to you. What
10 could essentially happen in an equestrian community if a
11 high-speed rail darted out of a hill and a horse was
12 somewhere nearby it could dart or jump and somebody could
13 fall off and break their neck. So that's a serious concern.

14 And already, even without anything else, but
15 letters going asking for soil sample studies they can't sell
16 their homes now. Two people have told me they cannot sell
17 their homes, because of the disclosures they have to
18 provide. And I think you all know with the mortgage crisis
19 that the mortgages and the value of a home can be very
20 fickle depending on what's happening and uncertainties.

21 This has created such havoc in the area that
22 there's thousands of people coming to -- or at least a
23 thousand coming to a very large church in the wetlands area
24 of Lake View Terrace tonight.

25 And I had a meeting on Friday night. I usually

1 have my Neighborhood Watch meeting, the second Friday of
2 every month. Last Friday, we had 150 people show up. I had
3 told some people from that area about my helping the people
4 in Hansen Hills, if I could, and all of a sudden, we were
5 hit with a lot of people from Lake View Terrace and Shadow
6 Hills as well. So, of course, I did put out notices and
7 fliers and what not. But we had 150 people there.

8 So I'll go into my written thing here. Basically,
9 there's three East Corridor plans. One is going through oil
10 fields or oil wells rather not oil fields, but there's a
11 multitude of them in the Lake View Terrace area all through
12 the -- all of the three. E1, 2 and 3 are all going under,
13 or around, very near to old oil wells, or current ones.

14 In addition, there's endangered species in the
15 Hansen Dam and there's a whole corridor of endangered
16 species, you are probably well aware of if you're aware at
17 all of the Eastern Corridor. But, of course, those
18 endangered species are important for the ecology of the
19 area, very important.

20 CHAIRMAN RICHARD: Ms. Saunders?

21 MS. SAUNDERS: Yeah, the whole cycle of life
22 happens there. And so it's a real issue as far as that
23 goes.

24 Another thing is the substation for the Lake View
25 Terrace section, E2 and 3, are going down directly into the

1 middle of Lake View Terrace, according to those plans to
2 have a substation, which of course has a lot of heavy
3 magnetic radiation. But also, it's breaking up that entire
4 community. They're so disturbed. I've gotten so many
5 emails and phone calls end everything since this meeting on
6 Friday.

7 CHAIRMAN RICHARD: Ms. Saunders, excuse me.

8 MS. SAUNDERS: Yes?

9 CHAIRMAN RICHARD: We do ask our speakers to limit
10 their time. I try to be respectful when people have
11 traveled a long distance and so you have given us a lot of
12 material to go over.

13 MS. SAUNDERS: I have and I'd like to just
14 summarize the -- I do have a solution. I am an advocate of
15 the high-speed rail and I want it to succeed.

16 What I've done is I have looked up and down, I'm
17 also a realtor, I've looked up and down the entire Eastern
18 corridor and I've found a route that goes under no homes.
19 This is significant. It also is on the eastern side and
20 doesn't hit the equestrian area. There isn't an equestrian
21 area right there. And also, less of the endangered species
22 although there is a golf course, but it's long since been
23 trampled over by --

24 CHAIRMAN RICHARD: Then let me suggest this, Ms.
25 Saunders, out of respect for the time you've taken to

1 prepare this and the time you've taken to travel here. Our
2 Southern California Regional head is Michelle Boehm.

3 Mr. Morales, if it's all right, we would ask Ms.
4 Boehm to reach out to Ms. Saunders to discuss this
5 possibility. We are moving forward with a broad-based
6 environmental review, where all things are on the table and
7 possible. And if I could ask if we could complete your
8 presentation now and have our staff reach out to you? That
9 will give you an opportunity to interact directly with the
10 responsible official from High Speed Rail.

11 MS. SAUNDERS: Yes, but the one thing that I do
12 request of this entire Commission, and all of you, is that
13 after reviewing the proposal which I spent a great deal of
14 time on, if you could include that in the current scoping
15 process that's being done? Because right now, people are
16 being asked for soil sample studies and things and I'm
17 trying to help these guys reduce the hysteria that's
18 happening.

19 CHAIRMAN RICHARD: Understood. All right,
20 understood, respect that comment, and Ms. Boehm is the right
21 person to have that conversation with.

22 MS. SAUNDERS: Okay.

23 CHAIRMAN RICHARD: Thank you, Ms. Saunders. Thank
24 you, very much.

25 MS. SAUNDERS: Yes.

1 CHAIRMAN RICHARD: Ted Hart, followed by Robert
2 Allen.

3 Mr. Hart, good morning. Happy New Year.

4 MR. HART: It's been a while since I've been here.

5 CHAIRMAN RICHARD: I know, I hoping that this
6 doesn't mean that we've done something wrong in your eyes.

7 MR. HART: No, I'm just trying to clear up some
8 things. At ribbon-cutting rally in Fresno, Governor Brown
9 said those opposed to high-speed rail were not visionaries.
10 Well, I'm one of those opposed to high-speed rail. And my
11 vision is to establish what the voters thought they were
12 going to get when they voted in 2008.

13 This is the official voter's guide, which we've
14 been through before. And it says in here if we start with a
15 legislative analyst, that we connect the major metropolitan
16 areas of San Francisco, Sacramento, through the Inland
17 Empire, San Bernardino, Riverside and San Diego. The
18 Authority estimated in 2006 that the total cost to develop
19 and construct the entire high-speed train system would be
20 about \$45 million.

21 We then move forward to the argument in favor of
22 Proposition 1A and it says, "The routes linking downtowns in
23 San Diego, Los Angeles, Fresno, San Jose, San Francisco and
24 Sacramento."

25 Then we move forward to what most people never

1 bothered to read in here. And that is the text of the
2 proposed law. And it states that the high-speed train
3 system that connects the San Francisco Transbay Terminal to
4 Los Angeles Union Station and Anaheim, and links the state's
5 majority population centers including Sacramento, the San
6 Francisco Bay area, the Central Valley, Los Angeles, the
7 Inland Empire, Orange County and San Diego consistent with
8 the Authority's certified environmental impact reports of
9 November 2000-2008.

10 That's the key to this whole thing. And that is
11 nowhere in these reports, these environmental impact
12 reports, will you find any reference to building a segment
13 one or segment two. No. Just San Francisco to Los Angeles,
14 which was to be completed, by the way, by January 1st, 2016
15 and there aren't many Rose Bowls between 2016. And the
16 entire state-wide system was to be completed by January 1,
17 2019.

18 The voter in 2008, with this information, thought
19 he was approving a complete state-wide system. And I can't
20 emphasize enough that this is a state-wide system and that
21 includes Sacramento and San Diego. And at that time, the
22 estimate was \$45 billion. Point being is, is that I think
23 everybody in this room understands that the complete state-
24 wide system is going to be in excess of \$100 billion.

25 Thank you so much for your time.

1 CHAIRMAN RICHARD: Thank you, Mr. Hart.

2 Robert Allen, followed by Ryan, I think it's
3 Broderick.

4 MR: ALLEN: My name is Robert Allen. I was a
5 Director of the San Francisco Bay Area Rapid Transit
6 District for 14 years. I'm coming with a request to the
7 High Speed Rail Commission.

8 By its very title the 2008 Prop 1A was for safe,
9 reliable high-speed rail. Blended rail, with high-speed
10 rail on the Caltrain tracks would be neither safe nor
11 reliable.

12 Even on 79-mile-an-hour track, like at Caltrain,
13 trains at grade crossings are vulnerable to accidents, to
14 suicides, to sabotage, even to terrorism. Amtrak, in 1999
15 hit a heavy truck at Bourbonnais, Illinois at a grade
16 crossing on 79-mile-an-hour track. It derailed two
17 locomotives, derailed 11 of 14 passenger cars, killed 11
18 passengers, injured 128. You can Google Bourbonnais,
19 Illinois train wreck for the details.

20 California High-Speed Rail Authority plans to call
21 for raising the Caltrain speeds over 50 percent, to 125
22 miles an hour for the high-speed rail trains. Trains
23 roaring through commute stations pass grade crossings at
24 that speed need fencing against intrusion. They need grade
25 separations, for example, like we have at airport runways,

1 and freeways and inter-state highways. Blended rail
2 violates the basic premise of Prop 1A, that it be safe and
3 reliable.

4 Don't squander high-speed rail money electrifying
5 and extending Caltrain tracks that you can't safely use.
6 End the current phase of high-speed rail to the Bay Area at
7 San Jose with nearly seamless transfers there to Caltrain,
8 to Cap Corridor, to Amtrak, to ACE, BART and VTA rail.

9 I'm asking you to explore a better, safer, more
10 reliable and less costly link to San Francisco and the whole
11 Bay Area -- that from San Jose, you follow the
12 UP/Amtrak/Mulford Line to Oakland and on to Sacramento.
13 From the new transfer station, at the BART overhead in
14 Oakland, 16 BART trains per hour would reach the four
15 downtown San Francisco BART muni stations with service to
16 the entire Bay Area. They would do so in ten minutes or
17 less, between six and ten minutes.

18 The misnamed Transbay Transit Center won't serve
19 BART. It won't serve the major regional and Transbay
20 transit operator. Thank you.

21 CHAIRMAN RICHARD: Thank you, Mr. Allen.

22 Ryan Broderick, followed by Paul Guerrero.

23 MR. BRODERICK: Mr. Chairman, Members of the
24 Board, my name is Ryan Broderick. I'm here representing
25 Wildlands. In a prior life, I was Director of Fish and

1 Game, served in that agency's capacity for about 28 years.
2 My compliments to the dynamic and ever-changing challenge
3 that you have.

4 Specifically, with respect to Wildlands, over a
5 quarter of a century they have provided 45,000 acres in
6 aggregate of protected lands, both agricultural and lands
7 designed specifically for endangered species, both
8 intertidal-tidal, in the Central Valley as well as on the
9 North Coast.

10 We are a business that is privatized. The focus
11 is to insure that we can provide full mitigation for
12 projects. Clients have included the Army Corps of
13 Engineers, DWR, numerous counties, Caltrans. And our
14 business is to be nimble, to bring private capital into the
15 business of trying to ensure that there is mitigation in a
16 timely fashion of the highest quality. We have provided
17 numerous trainings to consultant staff on some of the
18 technology. Not just the technology, but the protocols
19 required to meet the both federal and state Endangered
20 Species Act.

21 We look forward to the RFP that is going to be
22 released, subject to your approval today, for the Fresno to
23 Bakersfield mitigation. We think there are some significant
24 opportunities there. Out of the issues that befall all of
25 us is how can we provide a timely acquisition to comply with

1 the requirements to the statutes, while at the same time
2 secure their operations and maintenance?

3 Wildlands prides itself, and the business model
4 has been in most cases, to provide that O and M long term.
5 We did not have to shuffle or transfer the property to
6 another agency and/or private party. Well, let's just say
7 agency.

8 As Director of Fish and Game I fully understand,
9 having sat on the Wildlife Conservation Board and gone
10 through numerous budgets to the legislature, the difficulty.
11 And once you meet that incredible of acquisition of habitats
12 and you restore lands back to some semblance, or in some
13 cases better semblance of that habitat than provided
14 previously, that the operations and maintenance can be a
15 daunting task.

16 With our product, you have the option of having
17 that provided. I think we provide a product that minimizes
18 any contingent liabilities. That was not aimed towards Mr.
19 Frank, but it's good to see you, Rick. But however that is,
20 that is important in the business sector, as well. We look
21 forward to working with you on the projects. We have
22 projects within a one-hour drive and less of Sacramento. I
23 think a picture tells a hundred words.

24 And on a personal note I invite of you to attend,
25 well within the confines of the statues, one or two at a

1 time I guess would be acceptable. But it's close. We'd
2 love to show you on the ground what is actually out there.

3 On a personal note, I just got back from San
4 Diego. Yoshi, (phonetic) my grandson, had just gotten back
5 from Japan. This guy was on military duty and the one toy
6 he brought back, in duplicates, was the high-speed rail
7 train models for him to remember his experience there. So
8 it's kind of an interesting paradox in that he was in Japan,
9 riding the rail, which I guess he had an opportunity to see.
10 And of all the things that intrigued him the high-speed rail
11 models was what he brought home. And they're really a
12 nuisance, because the batteries last forever and make a
13 terrible noise.

14 Thank you for your time. I encourage you to
15 contact Wildlands or staff. We worked with many of the
16 consultants and many of the staff in terms preparing
17 protocols in terms of providing information that we had. We
18 look forward to being in front of the board at a future date
19 with proposals on specific projects. Thank you.

20 CHAIRMAN RICHARD: Thank you very much, sir.

21 The last speaking card I have is from Paul
22 Guerrero. Good morning, Mr. Guerrero.

23 MR. GUERRERO: Good morning, there's a lot of
24 paper on the floor here and I don't know who it belongs to,
25 and a couple of badges.

1 I spoke about this before and I want to bring it
2 up again, because I think your staff hasn't followed through
3 on it. And that's prompt pay for the lower tier subs.

4 I mean, when you have a project this size you have
5 second tier, third tier, fourth tier and fifth tier
6 subcontractors. And as the money flows down it takes months
7 to get to that little guy who's a fourth or fifth-tier sub.
8 And I mentioned this before on BART, when they built BART, I
9 was on their Advisory Council at the time and we recommended
10 and they put in place a process where the prime paid all
11 tier subs directly. And he just deducted that from the
12 money he paid to the first tier. And paid the subs directly
13 and it just really made it so that the little guy got his
14 money on time and stayed liquid and so forth and could do
15 the job.

16 And I recommend that you look at that, go back to
17 BART and look at that and have staff follow through. I
18 think you assigned it to Robert, and Robert told me he
19 couldn't find anybody still living that was there when I'm
20 talking about, but I was there and I'm sure there's other
21 too. So go back and look at that.

22 We also did that on 87 when Santa Clara County
23 funded a Caltrans project and we did a lot of things,
24 because it was our money and so forth, was the county money.
25 But look at that and see if we can adopt something where

1 that happens, because we're bringing a lot of small guys
2 onboard. We want to make them prosper. We want to make
3 them into big guys on this project. Thank you.

4 CHAIRMAN RICHARD: Thank you, Mr. Guerrero, and I
5 appreciate those comments. I know Mr. Rossi is always
6 interested in the BART experience on these matters. But in
7 all seriousness, we do understand and will be talking about
8 this issue a little bit later this morning.

9 That concludes the public comment session. I have
10 no other speaker requests, so thank you to the members of
11 the public this morning.

12 With that, we will turn to our regular agenda.
13 Item one is a consideration of the minutes from the meeting
14 of November 18th of the Board.

15 BOARD MEMBER ROSSI: So moved.

16 VICE CHAIR HARTNETT: Second.

17 CHAIRMAN RICHARD: Okay. It was moved, I think,
18 by Mr. Rossi and seconded by Vice Chair Harnett. Would the
19 Secretary please call the roll?

20 MS. NEIBEL: Ms. Schenk?

21 BOARD MEMBER SCHENK: Yes.

22 MS. NEIBEL: Vice Chair Richards?

23 VICE CHAIR RICHARDS: Yes.

24 MS. NEIBEL: Vice Chair Hartnett?

25 VICE CHAIR HARTNETT: Yes.

1 MS. NEIBEL: Mr. Rossi?

2 BOARD MEMBER ROSSI: Yes.

3 MS. NEIBEL: Ms. Perez-Estolano?

4 BOARD MEMBER PEREZ-ESTOLANO: Yes.

5 MS. NEIBEL: Mr. Henning?

6 BOARD MEMBER HENNING: Yes.

7 MS. NEIBEL: Mr. Frank?

8 BOARD MEMBER FRANK: Yes.

9 MS. NEIBEL: Ms. Selby?

10 BOARD MEMBER SELBY: Yes.

11 MS. NEIBEL: Chairman Richard?

12 CHAIRMAN RICHARD: Yes, thank you.

13 Colleagues, and ladies and gentlemen of the
14 public, we now have a very special presentation that we're
15 going to have for the next few minutes. I'm very pleased to
16 welcome representatives of the government of Japan, as well
17 as of one of the principal Japanese companies that operates
18 the high-speed rail, Shinkansen System, in that nation.

19 Both our CEO, Mr. Morales, and I have been very
20 fortunate in the past year to hear information provided by
21 Japan Rail East, and the tremendous depth of experience that
22 they have. And it's quite fitting that we share this
23 information, not only more broadly with our colleagues on
24 the Board, but with the general public.

25 It has been noted that this past October Japan

1 celebrated the 50th anniversary of the opening of the
2 Shinkansen, the bullet train, that was opened for the
3 Olympics in 1964 in Osaka. And in a half-century of
4 operation they not only have developed a tremendous wealth
5 of experience and technology, but have the proud record of
6 having never had a fatality or major incident on that
7 system. So that is certainly a world standard that should
8 be met.

9 So today, we will have a presentation by the Vice
10 Chairman of East Japan Railroad Company, Japan Rail East,
11 Masaki Ogata. He will be introduced by a representative of
12 the Japanese Trade Ministry, Mr. Shimura.

13 Mr. Shimura, welcome to the High-Speed Rail
14 Authority and we are eagerly awaiting your presentation.

15 MR. SHIMURA: Chairman Dan Richard and the other
16 Board Members, thank you very much for giving us a precious
17 opportunity today.

18 My name is Shimura. I am Deputy Director General
19 over Railway Bureau Ministry of Land, Infrastructure,
20 Transport and Tourism, MLIT. This is my first time to visit
21 Sacramento and we visit you to briefly explain our
22 Shinkansen System, with Mr. Ogata, Vice Chairman of JR East.

23 Regarding the California high-speed rail project,
24 the Japanese government together with private companies
25 including JR East, Kawasaki Heavy Industries, and Sumitomo

1 Corporation who are all attending today's Board meeting, we
2 are very much interested in the project.

3 CHSRA has made tremendous efforts to realize a
4 first high-speed rail project in the United States since its
5 establishment in 1995. We heard that CHSRA has embarked on
6 a new stage by a ground-breaking ceremony on the 6th of
7 January. And we do congratulate it.

8 We, MLIT, have been supporting CHSRA (inaudible)
9 based on the MOU regarding technical cooperation in the
10 field of high-speed rail. Our Shinkansen System is
11 environmentally friendly transportation compared to other
12 modes of transport.

13 In adjunct to that Shinkansen has excellent
14 disaster prevention technologies. Especially earthquake
15 resistant or prevention technology, because Japan has a lot
16 of earthquakes as California does too. Actually, there was
17 no derailment of operating Shinkansen trains at the time of
18 the great eastern Japan earthquake in 2011.

19 However, a high-speed rail project requires huge
20 costs. We think that CHSRA has made steady progress in this
21 regard, and a newly introduced cap and trade system which
22 could be utilized for the project, is a very innovative
23 idea. The government of Japan has some financial support
24 tools for the infrastructure projects overseas. And we
25 would like to consider the possibility of adapting the tools

1 as the details of the project, such as the entire financial
2 schemes appear.

3 We heard that the Chairman has not been to Japan
4 so far, so we very much welcome the Chairman and other Board
5 Members of the CHSRA to visit Japan to observe to further
6 understand our Shinkansen system in the near future. Thank
7 you, very much.

8 CHAIRMAN RICHARD: Thank you, Mr. Shimura. Thank
9 you.

10 Mr. Ogata, welcome. And we are very delighted to
11 see you again.

12 MR. OGATA: Thank you very much, Chairman Mr. Dan
13 Richard. It is my great honor to be here with you and have
14 a great opportunity to make a presentation to you. Thank
15 you very much, indeed. And also, I'd like to extend my
16 special congratulations on the groundbreaking ceremony held
17 on January the 6th.

18 Today, time is very limited, so I'd like to start
19 my presentation.

20 CHAIRMAN RICHARD: Please.

21 MR. OGATA: Just briefly, I'd like to explain my
22 background. I have been working for East Japan Rail
23 Company, including the year of a former Japanese National
24 Railways, for more than 40 years. My background is always
25 operation, maintenance, especially safety and also marketing

1 and sales department and media relations. So my background
2 includes almost all the fields of the railroad industry. So
3 let me begin, thank you very much.

4 Today, I'd like to focus on the crucial concepts
5 of high-speed rail on the condition that you have some
6 knowledge about high-speed rail, or course, and some
7 knowledge about our Shinkansen.

8 And firstly, I'd like to tell you about TTT. And
9 what is TTT? TTT means Total Trip Time and it is very
10 crucial concept, so I'd like to say that the shortest total
11 trip time is very much important. So, I'd like to call it
12 STTT model. Values of one minute, that namely showing total
13 trip time in-station and showing one minute's time onboard
14 is the same. So values of one minute onboard, in station,
15 transfer, first and last one-minute mile and so on are all
16 the same. So it is very much important to shorten total
17 trip time, TTT, from origin to destination.

18 So maybe a little bit the screen is a little dark,
19 however you can understand. On the top you can see the
20 conventional type of trip. So here is a conventional type
21 of train and you need to go to a station. You have to take
22 some transportation, some other intermodal trip from the
23 station to home. However, in this case to show shorten in-
24 station time is very important and of course high-speed rail
25 can shorten both times. However, also it is very much

1 important to shorten transfer time at an intermediate
2 station. So I'd like to say STTT is very important. Values
3 of one minute onboard, in station, transfer, fast and last
4 one mile is the same and very much important.

5 So we have to shorten the total trip time. That's
6 only the onboard time. It is very much important to shorten
7 the total trip time from origin to destination.

8 And so I'd like to show you some examples. This
9 is a Japanese case, however right now you can see the
10 conventional train in the same station. And so in Japan,
11 high-speed rail station is always on the same station of the
12 conventional type of train.

13 So people can make a very transfer from
14 conventional train to high-speed train. Just only pass
15 through the gate between the conventional train and the
16 high-speed train. And so passenger flow is very simple.
17 Past the gates of their own pace and follow the information
18 to go, just go straight. And they can just wait. They can
19 have the choice to wait in the waiting room or spend some
20 time maybe shopping in the station. However, anyway in the
21 shortest, in the minimum time, they can just pass through
22 very smoothly from the conventional train to the high-speed
23 train.

24 And also the customer or passenger are surrounded
25 by the same information everywhere. For example, in the

1 living room at your home you can check the time and
2 schedule. And also you can (inaudible) and purchase the
3 tickets with the mobile phone today, so a ticket itself
4 inside the mobile phone. So all you have to do in the
5 station is just touch your mobile phone at the automated
6 passengers' gate and just go through into and finally
7 onboard. And all the information can lead you very smoothly
8 to the train, because you can already know which platform
9 will be your departure. Like this.

10 And also a second crucial concept is a thorough
11 operation. Our high-speed train right now runs up to 200
12 miles per hour and a maximum speed at 320 kilometers per
13 hour.

14 Also we have a hybrid type of train. And these
15 two trains can couple together. We call it a E5 series.
16 This is a (inaudible) Shinkansen and we call E6 series for
17 hybrid type. And these two trains, blue train, red train
18 can be coupled and uncoupled automatically.

19 So I'd like to show you some concept. Okay, this
20 is a Tokyo station and from Tokyo Station two E5 and E6,
21 these different type of trains, can couple together to an
22 intermediate station like this. And they are running in
23 this segment at the maximum speed of 200 miles per hour.
24 Right now, we are targeting the maximum speed 225 miles an
25 hour. It is very much possible in terms of technology.

1 And at the intermediate station they uncouple to
2 two different directions. Then again, they come back at the
3 intermediate station. In order to do that they have to be
4 very punctual, otherwise, they cannot couple together. So
5 we always make the trains run very punctually. And at the
6 intermediate station they meet together again and back to
7 Tokyo. Like this.

8 And the crucial concept three is that the safety
9 is the top priority for all the public transport management.
10 And JR East has kept it and will keep it.

11 Also punctuality is the mother for everything I
12 believe. And firstly, (inaudible) by passengers and
13 society. Secondly, competitiveness against other modes of
14 transport. Thirdly, extensive operation requiring rescuing
15 substructure and rolling stock, I'm going to explain it
16 later. Fourthly, there is operation cost. And my
17 background is including safety, of course, and also our
18 punctual operation and maintenance.

19 And just as Chairman Mr. Dan Richard has
20 introduced very kindly we have a 50-years history for high-
21 speed rail. But in the history, we don't have any injuries
22 and we don't have any don't have any fatalities at all.

23 In order to improve punctuality, our excellent
24 operation plan and train schedule, diagram and the train
25 control, maintenance and the human resources and the

1 (inaudible) are very much required.

2 The fourth crucial concept is TLCC, Total Life
3 Cycle Cost. This total life cycle cost, it is very much
4 important. Lowest total life cycle cost is very important
5 and so I'd like to call it LTE/LTLC model. I'd like to show
6 you one example. Shinkansen technology and experience can
7 minimize the need for facilities, lowering stock and
8 operating personnel.

9 For example, people general think only about the
10 CAPEX, because this is very much important for the first
11 year, budget for the first year. However, by efficient
12 operation and maintenance, we can need only a minimum
13 infrastructure and rolling stock. And once we have a
14 minimum infrastructure and rolling stock, of course, we need
15 an efficient in operation and maintenance. So, I'd like to
16 say OPEX and the CAPEX has a mutual relationship.

17 I'd like to show you one example. We have quick
18 12 minutes turn-around at the terminal station in Tokyo.
19 For the first two minutes most or all of the passengers can
20 get off. Our passenger are just approximately basically
21 1,000 people on one train. And then, for the next seven
22 minutes our cleaning staff completely clean up our train
23 set. And for the next three minutes, we are welcoming the
24 new passengers completely getting on.

25 So by this kind of a very efficient operation and

1 maintenance we can provide a very frequent service with
2 minimum rolling stock. Actually 4 minutes headway means
3 namely 15 trains per an hour. We have such a high
4 frequency. And then at the same time we only need to have a
5 minimum size of train sets of the rolling stock. And also,
6 we have 415 trains per day in a peak season. So thus we can
7 of course lower our OPEX, but also at the same time we can
8 lower our CAPEX.

9 Also the next example is we can simplify a station
10 lay-out and infrastructure. In the heart of Tokyo
11 metropolitan area, we only have two platforms and four
12 tracks that is necessary for us, because we have such a very
13 quick turnaround at the terminal. So only two platforms
14 with four tracks, so that means minimum infrastructure. And
15 we can successfully lower our CAPEX.

16 So I'd like to say that again. Safety is always a
17 top priority for railway management. We have kept it for
18 the past 27 1/2 years since our privatization. And I'd like
19 say, STT's model, shortest total trip time and punctuality
20 can lead to increasing ridership. And the punctuality and
21 the lowest total life cycle costs can increase to a low OPEX
22 and a low CAPEX. And these three components, through an
23 increase in ridership and through low CAPEX and OPEX, can
24 lead to a more feasible plan.

25 And finally I'd like to explain about crucial

1 concept five concerning with the design of the system
2 integrating. Shinkansen High-Speed Rail is always an
3 integrated system and lots of interface among E and M.
4 (phonetic) For example, beginning with the CMM system,
5 overhead (inaudible) power supply system, civil structure,
6 track, rolling stock and traffic control, communication, we
7 have such many kinds of engineering systems. However, we
8 think highly of the interfaces. Not only each component,
9 but these interfaces are very important. You know that to
10 make the best interfaces can minimize the cost. This is
11 very much important to establish the best interfaces.

12 So, in this sense from the planning stage of the
13 high-speed rail, these engineers should work tightly
14 together in order to make a total system integrating. Thank
15 you very much for your attention.

16 CHAIRMAN RICHARD: Thank you very much, Mr. Ogata.
17 We are all very impressed with not just the history of your
18 efficient operations, but with your thinking. And I know I
19 speak for my colleagues. I certainly will ask them if they
20 have questions for you, but thank you for making the journey
21 here today to share this information with us.

22 MR. OGATA: Thank you, very much. It is my great
23 honor to be here.

24 CHAIRMAN RICHARD: Thank you. Domo Arigato.

25 MR. OGATA: Thank you.

1 CHAIRMAN RICHARD: Colleagues, are there questions
2 for Mr. Ogata?

3 It's a very impressive presentation,
4 particularly the 12 minutes in the station. And I should
5 also say to you that my colleague, Ms. Schenk, who was the
6 first person working for Governor Brown back in the late --
7 a long time ago. But I believe she has told the story many
8 times of having been inspired to bring the idea to him that
9 California should have high-speed rail after riding on the
10 Shinkansen in Japan.

11 MR. OGATA: Thank you, very much.

12 CHAIRMAN RICHARD: I think that is correct.

13 MR. OGATA: For your (inaudible)

14 BOARD MEMBER SCHENK: That is true and I have been
15 on the Shinkansen many, many times since then and it is a
16 most impressive service. We can only hope to emulate that
17 as soon as we have our high-speed train up and running. So
18 thank you for bringing this to us, really appreciate the
19 information.

20 MR. OGATA: Thank you, very much. I'm always
21 happy to make any contribution to the California and people
22 of California, society of California, community of
23 California through the high-speed rail. Thank you very
24 much.

25 CHAIRMAN RICHARD: Good. Ms. Selby?

1 BOARD MEMBER SELBY: I just really appreciate this
2 as well, it's wonderful. And I'm wondering if you can
3 provide us with a copy, an electronic copy, of this? If
4 that would be possible?

5 MR. OGATA: Thank you. Today you have another
6 copy and that is referring to our characteristics of
7 management and also features of our high-speed rail. So at
8 any time I'm very happy to make further explanation to you.
9 So please feel very free to ask any question at any time,
10 not only today, but also in the future.

11 CHAIRMAN RICHARD: Ms. Selby, I had the pleasure
12 of seeing Mr. Ogata's presentation to a U.S. Japan
13 conference in September and I also requested an electronic
14 version of his remarks, which included these remarks today,
15 these issues today, and some broader things. And so we do
16 have that in an electronic form. We'll make sure that we
17 distribute that to Members of the Board.

18 MR. OGATA: Yes, please.

19 CHAIRMAN RICHARD: Ms. Perez-Estolano?

20 BOARD MEMBER PEREZ-ESTOLANO: Mr. Ogata, thank you
21 for coming.

22 MR. OGATA: Thank you.

23 BOARD MEMBER PEREZ-ESTOLANO: And joining us and
24 sharing with us the lessons over the many decades of your
25 system's operations. I'm intrigued by the decoupling

1 systems that you've put in place and how that appears to
2 address kind of, the long-haul and the short-haul, and
3 increasing the efficiency as well as the over-all operations
4 of the system. So I know you hit on it very briefly here,
5 but I know that that was something that I had not
6 contemplated in kind of how we're delivering our program.
7 And certainly any additional information on how you think
8 about creating more efficiencies through your systems would
9 be really appreciated by our team. Well and me in
10 particular.

11 MR. OGATA: Thank you, may I add one information?

12 CHAIRMAN RICHARD: Yes, please.

13 MR. OGATA: Thank you, very much. Thank you, very
14 much for your comments.

15 As a follow-through operation I'd like to say two
16 things. Firstly, it is a very convenient technology, very
17 great technology, because for example suppose you have a
18 branch line of the high-speed rail then two trains can
19 switch from the intermediate station. So it can provide a
20 very good service to two directions, so it is very
21 convenient technology.

22 And also at the same time I'd like to say it is a
23 very difficult technology. However, we have already
24 completed it. Because for E6 series, which I have shown the
25 red train, this is what we call the hybrid train. And the

1 technology for that is very, very difficult. And we have
2 it. Maybe we are the single company, which has such a
3 technology. Because E6 has a solution for the dilemma,
4 because it has run exclusively delivery at the maximum speed
5 of 200 miles per hour. It's one technology, however it can
6 run into the conventional rate. In this case it can run at
7 conventional rate with lots of (inaudible) And these two
8 technology is kind of a dilemma, inconsistent. But finally,
9 we make it consistent, so I hope this kind of technology,
10 very high technology, can contribute to California case.

11 CHAIRMAN RICHARD: Mr. Ogata. Thank you so much.

12 MR. OGATA: Thank you.

13 CHAIRMAN RICHARD: We look forward to seeing you
14 again in the future. Mr. Shimura, thank you for
15 representing the Government of Japan and congratulations on
16 the great success that you've had.

17 MR. OGATA: Thank you, very much.

18 CHAIRMAN RICHARD: Thank you.

19 MR. OGATA: Thank you, very much.

20 CHAIRMAN RICHARD: Colleagues, we will now turn to
21 our next item in the agenda, which is the Finance and Audit
22 Committee presentation of quarterly reports. Mr. Fong? Oh,
23 Mr. Rossi wants to introduce this.

24 As I'm turning it to Mr. Rossi, there's a quote in
25 here in the minutes of the Finance and Audit Committee that

1 purports to state that Mr. Rossi found a certain report to
2 be fantastic. That doesn't sound like the Rossi that I know
3 and I'm just wondering how accurate those minutes are and if
4 anybody checked those, but Mr. Rossi?

5 BOARD MEMBER ROSSI: Actually, it was more than
6 fantastic.

7 As Mr. Morales is going to be quick to say that I
8 am the one who wants fewer presentations and the ones we get
9 to be much more contained, focused and efficient when you
10 look at this presentation, it is certainly focused and
11 efficient. Maybe not as contained as one you'd expect to
12 come out of an area that I'm responsible for. But both Tom
13 and I wanted to be sure that our -- in the first
14 presentation, for the Finance and Audit Committee that our
15 fellow directors are taken through this as somewhat of a
16 primer from the prospective of all of the documents we have
17 and how they're best read, so you can get the most out of
18 them.

19 So that is the reason for the length of this
20 presentation, but Russ assures me that his part of it,
21 barring questions, will only take 25 minutes. So with that
22 Russ, it's yours.

23 CHIEF EXECUTIVE OFFICER MORALES: Okay. Mr.
24 Chairman, let me just say along those lines that we've
25 arranged -- people sitting through this presentation can get

1 continuing education credits if they make it through the
2 entire thing.

3 CHAIRMAN RICHARD: There's one quick point. You
4 know, we had a groundbreaking. We are moving into the
5 construction phase of this project. And we get asked all
6 the time about how we're going to maintain oversight of this
7 project. And so we're going to go through a lot of numbers
8 here, but in fact this is the heart of what we're supposed
9 to be doing as the governance body overseeing this.

10 And just going through this information I think
11 the public will see that there's a very high level of
12 transparency that we're bringing to this project. So I
13 certainly commend my colleagues on the Finance and Audit
14 Committee and the staff for that, because this is the best
15 tool we have to really manage this program and to make sure
16 that it is done efficiently. So it really is a very serious
17 thing.

18 Mr. Fong, good morning.

19 MR. FONG: Good morning. Thank you, Mr. Rossi.
20 Mr. Chairman, Board Members, Mr. Morales. My name is Russ
21 Fong. I'm your Chief Financial Officer. The Finance and
22 Audit Committee is actually comprised of four key areas:
23 it's financial reporting, audits, project status, and risk
24 management.

25 Let's first take a look at financial reporting.

1 As your CFO I have four key areas of focus. Financial risk
2 and compliance, number one. Growth and performance, core
3 functions and back office, and Executive Board and other
4 stakeholders, strategic growth value and decision-making.
5 The financial reports in front of you today are tools to
6 help manage performance, growth, decision-making, over-sight
7 and back office operations.

8 Lets first draw our attention to our Accounts
9 Payable Aging Report in front of you. If you remember last
10 year we presented, in front of you, our reports for the
11 first time. At that present time we had \$43 million in age
12 receivables over 31 days. Today, I'm happy to report that
13 we have zero.

14 CHAIRMAN RICHARD: That sounds fantastic.

15 MR. FONG: Take a look at our second report, it's
16 our Cash Management Report. This report takes into
17 consideration and monitors all of our Prop 1A cash. It
18 monitors cash in and cash out. It compares projected versus
19 actual cash balances and it also projects cash balances and
20 actual cash expenditures. This slide represents our
21 multiple funding sources. We currently have Prop 1A, cap
22 and trade, federal funds and then we have a public
23 transportation account loan, which pays for our
24 administrative budget.

25 Our third report is our summary of year-to-date

1 budget expenditures by program area. This report monitors
2 our state administrative budget of \$29 million. We have
3 spent \$11 million or 36 percent of our budget with 42
4 percent of the year remaining. Last year, at this time, we
5 only spent 19 percent.

6 BOARD MEMBER ROSSI: Say Russ, do you want to go
7 back two slides?

8 MR. FONG: Sure.

9 BOARD MEMBER ROSSI: One more. One of the
10 interesting things about this report is you see at the
11 bottom right-hand is the comparison to where we are in the
12 budget year and the amount of expenditure. So you can see
13 where we are.

14 CHAIRMAN RICHARD: Pull your mic a little closer.
15 (Colloquy between Board Members.)

16 BOARD MEMBER ROSSI: And it will show you the
17 percentage of the year, the fiscal year that we've
18 completed, and the percentage of the spend. So you don't
19 ever want your spend to be in excess of the percentage of
20 the year that you've completed.

21 CHAIRMAN RICHARD: Right. And I looked at this
22 last night. But as Mr. Fong said you also don't want it to
23 be too far behind, right? Because it means you're not
24 engaging --

25 BOARD MEMBER ROSSI: Well, it depends on where

1 you're behind. If it's because you're managing their
2 expenses extremely well you'd be very happy for it to be
3 behind.

4 CHAIRMAN RICHARD: Right.

5 BOARD MEMBER ROSSI: We had that conversation, Tom
6 and I, this morning.

7 CHAIRMAN RICHARD: Mr. Fong?

8 MR. FONG: Yes, and one of the key things to
9 remember is all these reports were created on a monthly
10 basis and are all presented to the Finance and Audit
11 Committee. And we do a very in-depth review of these
12 reports.

13 CHIEF EXECUTIVE OFFICER MORALES: And those are
14 available on the website?

15 MR. FONG: Yes, all on the website.

16 Our forth financial report is our Budget and
17 Expenditure Report. This report actually consists of three
18 sections. The first displays our financial information,
19 using bar charts. The second lists our financial
20 information by line item. And the third focuses on our
21 position and vacancy rate.

22 Expenditures include actuals and accruals and are
23 monitored on a monthly basis. Spending has improved year-
24 over-year and we are on track to expend our appropriation of
25 \$29 million. Here's our information displayed by line item.

1 On a monthly basis we do report our budget
2 activities. I would like to brief the Board on your budget
3 line item. Per Public Utilities Code Section 185022 each
4 Board Member shall receive compensation of \$100 per day
5 worked not to exceed \$500 on any calendar month. That
6 totals \$54,000.

7 We then added a budgeted amount of \$55,000 in your
8 line item to cover Board-related expenses such as venue
9 rentals, transcriptionists, CHP and instate travel and
10 lodging. Currently, we've spent only 3 percent again at the
11 42 percent of the year completed. Last year the Board only
12 spent \$27,000 total.

13 The third section is called our Position Summary
14 and Vacancy Report. Currently we have 174 positions, with
15 24 positions being in the process of being filled. Our
16 current vacancy rate is 13.8 percent compared to 48.3
17 percent last year at this time. Please keep in mind that
18 the vacancy rate will fluctuate depending on promotions,
19 folks leaving and retirements.

20 CHIEF EXECUTIVE OFFICER MORALES: Let me just
21 further clarify, Russ, if you can you go back to that slide?
22 And maybe you can talk about what a normal, typical vacancy
23 rate would be, but that 48 percent was against a significant
24 ramp-up in the number of positions. So it was not that
25 people had left, we were in the process of filling those

1 positions. And that's still the case this year, so that's
2 why we would have a higher than normal vacancy rate on our
3 staff. That will not be the case in two years.

4 MR. FONG: That's correct.

5 CHAIRMAN RICHARD: They're not fleeing from the
6 current management?

7 CHIEF EXECUTIVE OFFICER MORALES: They're not
8 fleeing.

9 CHAIRMAN RICHARD: Okay.

10 CHIEF EXECUTIVE OFFICER MORALES: Not yet.

11 CHAIRMAN RICHARD: Not yet.

12 MR. FONG: Okay. Now, let's focus our attention
13 to our Capital Outlay and Expenditure Report, which is our
14 fifth report. Now, this report consists of ten detailing
15 capital outlay budget projects, all by current fiscal year
16 versus total project, planning versus construction, and also
17 source of funding. Total expenditures for this year 13
18 percent as we ramp up for our construction activities. On a
19 monthly basis we report these key activities that are
20 current on our capital outlay budget.

21 In front of you now is our Cap and Trade Spending
22 Curve. Spending on right-or-way and third-party agreements
23 will increase, which will dramatically close the gap between
24 projected and actual expenditures. Here's a break-down of
25 our budget of our ten financial reports within the Capital

1 Outlay and Expenditures Report. There is a total project
2 budget and in parenthesis our annual budget. This slide
3 here reflects the percentage of capital outlay budget spent.
4 Again, we monitor all of our budgets on a monthly basis.

5 The sixth report is our Total Projects
6 Expenditures with Forecast. This report gives an overall
7 view of our projects expenditures and it also includes a
8 forecast.

9 Our seventh report is our Contracts and
10 Expenditure Report. Now this report lists all active
11 contracts by vendor, small business utilization, contract
12 amount, encumbered amount, actual expenditures, balance,
13 forecasted expenditures due to contract term and contract
14 description.

15 I'd like to go over our small business utilization
16 calculation methodology. First of all our goal is 30
17 percent. The supplies to contracts and amendments executed
18 after the implementation of our 2012 small business plan.
19 We use the total dollars invoiced, not total contract value.
20 Currently we're at 15.7 percent. There are some challenges
21 with companies hired for a specific expertise such as legal,
22 but we do anticipate small business utilization to increase
23 as construction moves forward.

24 Our final report tracks and monitors our projects
25 and initiatives. We currently have nine projects that we're

1 tracking, seven in a green status, one in a yellow and one
2 on hold.

3 This concludes my presentation and as we
4 transition to Audits I'd like to introduce Paula Rivera.
5 Thank you.

6 CHAIRMAN RICHARD: Mr. Rossi, is it appropriate
7 for people to ask questions of Mr. Fong at this point or
8 should we wait for Ms. Rivera's presentation?

9 CHIEF EXECUTIVE OFFICER MORALES: (Inaudible)

10 CHAIRMAN RICHARD: I just wanted to give
11 colleagues an opportunity to -- if anybody had any questions
12 for Mr. Fong, bring that up. Is that okay, I'm sorry?

13 BOARD MEMBER SELBY: Can I ask a question?

14 CHAIRMAN RICHARD: Yes, please.

15 BOARD MEMBER ROSSI: After.

16 CHAIRMAN RICHARD: After? Okay. Then you want to
17 proceed then to Ms. Rivera, okay?

18 MR. FONG: Thank you.

19 CHAIRMAN RICHARD: Ms. Rivera, good morning.

20 MS. RIVERA: Good morning Mr. Chairman, Board
21 Members and Mr. Morales, I'm Paula Rivera.

22 CHAIRMAN RICHARD: Paula, could you just pull the
23 mic a little up?

24 MS. RIVERA: Oh, I'm sorry.

25 I'm Paula Rivera, with the Audit division. I'll

1 provide an update on our annual audit plan to include the
2 reports we've issued this fiscal year, audits in progress
3 and upcoming audits.

4 We issued a report on the FRA draw-down process.
5 The objective of the audit was to determine do we have
6 policies and procedures in place for drawing down the
7 Federal Grants? We noted some issues related to timeliness
8 of submission, review approval and payment of invoices. And
9 an additional issue of the invoice receipt process, which
10 was a little bit inconsistent. However, the Authority has
11 undertaken corrective actions to address issues that we
12 identified, related to submission and approval. And
13 Authority Accounting has developed a policy, which addresses
14 when an invoice is received.

15 We issued a report on the Public Records Act, the
16 objective of which was to determine if the Authority is
17 complying with the act. We tested public record requests
18 between July 2011 and April 2014, and we found that the
19 Authority complies with the act. There were a small number
20 of exceptions to the ten-day response requirement, which was
21 eight exceptions in 2014. The corrective action that's been
22 implemented by the Authority is to develop policy directive,
23 which included addressing reimbursement for requesters of
24 public records and of a technical clarification of the ten-
25 day time frame, which includes weekends, holidays, that sort

1 of thing.

2 BOARD MEMBER ROSSI: Mr. Chairman?

3 CHAIRMAN RICHARD: Yes? You were probably going
4 to ask the question I was about to ask Mr. Rossi.

5 BOARD MEMBER ROSSI: Yeah. I was going to say, as
6 you know, this is one of the issues that is constantly
7 raised. And so Paula, at the request of the Audit
8 Committee, expedited this review and as you can see, eight
9 issues in 2014.

10 CHAIRMAN RICHARD: Right, and could you give us
11 the denominator? How many were --

12 BOARD MEMBER ROSSI: Could you give that off the
13 top of your --

14 MS. RIVERA: Thirty-four.

15 CHAIRMAN RICHARD: Thirty-four.

16 MS. RIVERA: In the first four months of 2014, we
17 had 34 requests and 8 didn't comply with the ten-day
18 response requirement due to a holiday or a --

19 CHIEF EXECUTIVE OFFICER MORALES: And those I
20 believe -- it's in the full report, but some of those were
21 truly technical misses in that for instance an email was
22 incorrect, the email address was incorrect that things were
23 sent to and things like that.

24 BOARD MEMBER ROSSI: But there were none that were
25 -- there were no material ones and certainly none of any

1 length.

2 MS. RIVERA: Yes.

3 CHAIRMAN RICHARD: Yeah, that was the other
4 question I was going to ask, if you miss it by four hours
5 versus four months it obviously is a difference, but --

6 MS. RIVERA: Correct.

7 CHAIRMAN RICHARD: Okay, go ahead.

8 MS. RIVERA: We also issued a report on a pre-
9 award review, which is a look at a contractor's proposed
10 costs to determine if they are reasonable and in accordance
11 with the Federal Regs.

12 We looked at the project construction management
13 contract for Construction Package 2-3. We identified some
14 findings related to the rates, labor rates, overhead rates
15 and other direct cost rates. And all of our findings were
16 addressed prior to the contract being executed.

17 We performed an audit of the year-end accounting
18 process. This was the first year that the Authority was
19 responsible for providing year-end financial information to
20 the State Controller's office. So we took a look at the
21 process to determine if it was adequate to ensure that there
22 were no material misstatements in the financial statements.

23 We found a few internal control weaknesses related
24 to review and approval and documentation. We also found
25 that the statement to convert from the legal basis to

1 generally accepted accounting principles had not been
2 prepared. However, the corrective actions have been
3 implemented to address the internal control weaknesses and
4 the gap state has been submitted to the State Controller's.

5 We're currently working on or finishing up an
6 audit of contract management, the objective of which is to
7 determine if contracts are managed effectively and in
8 accordance with the State Contract Manual. This was a broad
9 view. Our testing included 67 percent of the contract
10 managers and 72 percent of the contract dollars excluding
11 the design-build contract. And we'll issue a draft report
12 this month.

13 We also have an audit in progress of the
14 procurement process to look for areas where we can improve
15 the economy and the efficiency of the process.

16 Upcoming, in the second half of the fiscal year,
17 we anticipate an audit of the design-build process to take a
18 look at Authority management practices to see if they're
19 consistent with the design-build risk model. We will
20 perform an incurred cost audit to look for the
21 reasonableness and allow-ability of costs that have been
22 reimbursed. We'll also do at least three pre-award reviews,
23 two regional consultant contracts, and one of the proposed
24 rail development partner contract.

25 And now I'll it over to Scott Jarvis.

1 CHAIRMAN RICHARD: Thank you, Ms. Rivera. Mr.
2 Rossi?

3 BOARD MEMBER ROSSI: Mr. Chairman? I just want to
4 remind everyone that Paula does not report to management.
5 She reports to the Board.

6 CHAIRMAN RICHARD: Thank you, I think that's a
7 very important distinction. For those who didn't hear what
8 Mr. Rossi just said, it was a reminder that Ms. Rivera, who
9 heads our audit function, does not report management. She
10 reports to the Board. And I think that's an essential
11 structure for governance.

12 Mr. Frank?

13 BOARD MEMBER FRANK: I was heartened to hear that
14 as part of the audit report that there was a review of our
15 compliance with the Public Records Act. Relatively early in
16 my tenure on the Board there was public comment, some
17 perceived dissatisfaction and claims that the Board was not
18 complying with the Public Records Act. California has
19 government in the sunshine laws that are really as exacting
20 as any in the nation, and it's both important to me, and
21 very encouraging to hear that the results of the audit is
22 that we are compliant on a full and timely basis with the
23 Public Records Act. And I think it's important that the
24 work of the Authority be transparent and fully accessible to
25 the public. And it sounds to me, based on this audit

1 report, that we're fulfilling that mission.

2 CHAIRMAN RICHARD: Thank you, Mr. Frank.

3 Mr. Jarvis, good morning.

4 MR. JARVIS: Okay. Good morning, Chairman Richard
5 and Board Members and Mr. Morales. I'm going to provide a
6 project status. I'm going to be focused on the first
7 construction segment within the Central Valley. So within
8 that I'm going to be talking about CP1, CP2-3 and CP4.

9 So just a quick update of where we're at. On CP1,
10 we have a Project and Construction Management Contract, PCM
11 contract, that was awarded in May of 2013 of \$34 million.
12 We have an ongoing design-build contract for CP1 of
13 approximately \$1 billion and as we know, construction has
14 started on that.

15 And in CP2-3, we have awarded a PCM contract
16 recently in November, approximately \$71 million. And
17 hopefully we'll get approval to award that contract today
18 and then we expect execution in the spring. And that'll be
19 approximately a \$1.4 billion contract.

20 And CP4 is also in the procurement process right
21 now. We issued the RFQ for that design-build contract in
22 November and we expect the RFP to be issued in the spring of
23 2015 and a PCM selected this summer.

24 So we have some high-level guiding documents that
25 really necessitated us to put together some program control

1 documents and some status reports, plus it's the right thing
2 to do. We're guided by Proposition 1A, Senate Bill 1029 and
3 our 2014 Business Plan. And as we drill down we have
4 documents that comply with those documents: monthly status
5 reports, performance metrics that I will go through and I'll
6 provide a right-of-way acquisition status as well.

7 So specifically, those four status reports are:
8 CP1 Monthly Status Report, CP1 Performance Metrics, a Right-
9 of-Way Acquisition Status and a State Route 99 Performance
10 Metrics. And we present these to the Finance and Audit
11 Committee on a monthly basis.

12 So the first one, the CP1 Monthly Status Report,
13 its overall purpose is to comply with the requirements of
14 SB 1029, monitor progress, schedule and budget. And we also
15 measure the status of key performance indicators in this
16 report, so it contains both quantitative analysis and
17 qualitative information. And the quantitative information
18 is on schedule, financial, contract time, change orders,
19 money expended to date, and percent growth in both cost and
20 time. And then we also provide some qualitative summary in
21 this report on scheduled activities, key topics, key work
22 accomplish and pending changes.

23 So for the performance metrics the overall purpose
24 is to measure our performance against some standard industry
25 project management objectives dealing with costs, schedule

1 and quality. And also, in addition to those project
2 management areas we measure some areas that are very high
3 in importance to the Authority. Of course, safety and
4 economics benefits as well.

5 And so within those performance measurements
6 there's five key areas: safety, cost, schedule, quality,
7 economic benefits. And then drilling down, there's nine
8 individual performance metrics within those five broader
9 areas. So I'll go ahead and touch on those right now.

10 As far as safety, as far as the Authority safety,
11 I'm happy to report that there has been no safety incidents,
12 either injuries or work-related illnesses for the Authority.
13 For the contractor, we're well within the green on that.
14 They have had an injury, but their safety report is well
15 within what's expected for the industry norms.

16 Cost, one of the aspects of cost that we do
17 measure is our support cost and our support cost is measured
18 against the design-builder's invoice amount to date. The
19 contractor's invoice amount to date is primarily driven by
20 construction. And as we are just moving into the
21 construction phase as you do that, the ratio, we are in the
22 yellow right now. But we do expect that to improve, the
23 support costs for the project as right-away delivery
24 accelerates and we move more into the construction phase of
25 this project.

1 CHIEF EXECUTIVE OFFICER MORALES: Mr. Chairman,
2 can I just -- I just want to reinforce a point on this.
3 We've set up these metrics for the Board and for the public
4 to be able to, on a dashboard basis, see how we're
5 proceeding on the program with these key indicators, which
6 Scott noted are standard. At this stage, because we are so
7 early in the major construction we can't draw any
8 conclusions from any of these yet. But what we wanted to do
9 was set up the baseline, establish the reporting mechanism,
10 so that the Board and the public would be familiar as we go
11 forward. But I would just caution against anyone drawing
12 any conclusions good or bad at this point, because of the
13 small amount of data that's put into these at this point.

14 MR. JARVIS: Thank you. I --

15 CHAIRMAN RICHARD: In the modern Twitter lexicon
16 we're not trending yet at this point.

17 CHIEF EXECUTIVE OFFICER MORALES: We're not
18 trending yet, right.

19 BOARD MEMBER SELBY: Mr. Chairman, can I ask a
20 question?

21 CHAIRMAN RICHARD: Yes, Ms. Selby?

22 BOARD MEMBER SELBY: Simply, I don't understand
23 this metric.

24 MR. JARVIS: Okay.

25 BOARD MEMBER SELBY: Could you explain what this

1 means?

2 MR. JARVIS: Sure, sure.

3 BOARD MEMBER SELBY: Thank you.

4 MR. JARVIS: What it is, it's a ratio of our
5 Project and Construction Management or our PCM, their build
6 amounts to date divided by the design-build contractors
7 build amount to date. So because we are just going into the
8 construction phase the design-build invoice or build amount
9 to date is a little bit smaller than anticipated at this
10 point, thereby making that ratio, that percentage a little
11 bit larger than anticipated putting us into the yellow.

12 So it's a ratio of the PCM's support cost versus
13 the design-builder's invoiced amount.

14 CHIEF EXECUTIVE OFFICER MORALES: So essentially,
15 it's because the contractor -- the design-build contractor
16 has not yet fully ramped up and is -- this metric would look
17 as if our oversight costs are too high, in essence. And so
18 what will happen is as the invoices come in from the
19 contractor that denominator will go. And so the oversight
20 as a portion -- proportionally to the contractor's costs
21 will come down. And that's what we're monitoring.

22 CHAIRMAN RICHARD: It's basically a measure of the
23 efficiency with which we're managing the contract. How much
24 oversight effort do we have to put in to manage the
25 contract? If we're having to put in too much oversight

1 effort then these numbers will trend up into the yellow and
2 the red, but as Mr. Morales said it's too early yet to draw
3 a real conclusion about that.

4 BOARD MEMBER SELBY: Thank you.

5 VICE CHAIR RICHARDS: If I may, I think that also
6 what is helpful is when you're looking at all these metrics
7 you're wondering so why is it green, yellow or red? And
8 what you should know is that each of the metrics in each of
9 these areas, not the results but the metrics being used to
10 determine whether it's in the green, yellow or red, are
11 based on industry standards and other projects and by
12 engineering groups internationally. And that's how the
13 metrics were formed in terms of how we are evaluating
14 whether we are operating within a satisfactory range or
15 whether we're beyond that.

16 CHAIRMAN RICHARD: Thank you.

17 BOARD MEMBER ROSSI: Yeah, and I think what you
18 want to be careful here is that that's exactly what it
19 does. It just tells you how we stack up against similar
20 projects. It may not be indicative that we're doing
21 anything wrong at all. It just tells you that we're not --
22 It would tell you either we are in line or we're not in
23 line. And if we're not in line the next question is why
24 not? And it may very well be, for something that is unique
25 to this project and we have to adjust that calibration.

1 CHAIRMAN RICHARD: Okay. Mr. Jarvis?

2 MR. JARVIS: Okay. Another cost category that we
3 monitor is our contingency balance management. And to date
4 we have kept the costs very much within check and we have
5 close to a full contingency remaining in the project.

6 Another performance metric is schedule --

7 BOARD MEMBER ROSSI: Excuse me. I would just
8 suggest, by the way, if you want to look at one number I'd
9 look at this number from the point of view of costs. If our
10 contingency is rapidly depleting, something is dramatically
11 wrong.

12 CHAIRMAN RICHARD: And this one is specific to our
13 project as opposed to an industry standard, because this
14 tracks against the contingencies that we've established.

15 MR. JARVIS: We also monitor costs and similar to
16 our support costs this is affected to a later than
17 anticipated start to construction. This measure the
18 contractor's earned value versus the plan value. And to
19 date, the earned value is less than what we had originally
20 planned. Earned value is just essentially the amount of
21 construction work, design and construction work, they have
22 accomplished. But similar to the other cost category as far
23 as support cost, we do expect this to improve as
24 construction accelerates thereby improving this metric, so.

25 Quality, our quality is based upon non-conformance

1 reports in construction. And we have had none to date, so
2 we are clearly in the green here. But, of course, we are
3 early on in the construction phase.

4 Economic benefits, we are doing very well in the
5 economic benefit areas. There's three economic benefit
6 performance metrics that we do measure. One, is our
7 disadvantaged small business enterprise usage and to date,
8 we are at approximately 29 percent of the contract value
9 where TPZP has entered into subcontractors of disadvantaged
10 or small business enterprises. And we certainly expect that
11 to exceed 30 percent as we continue to move into
12 construction and have additional subcontracting
13 opportunities.

14 In addition, we track the percentage of national
15 targeted workers as part of our community benefits policy
16 and we're doing very well in this area. We have a 30
17 percent goal and we are, you know, around 80 percent. So
18 we're doing very well in this area. And then we also track
19 disadvantaged workers, which are a subset of those national
20 targeted workers and so the overall goal is 10 percent. And
21 again, we're doing very well in this area as well with the
22 46 percent of the national targeted workers are
23 disadvantaged workers.

24 Now, moving into right-of-way, I'll provide a
25 status on right-of-way. As we know there has been some

1 challenges with right-of-way, but performance is improving.
2 We are very close to executing eight additional right-of-way
3 consultant contracts. And we have seen improvement in
4 right-of-way for various reasons: better work quality,
5 increased staffing both by the Authority and other state
6 departments that are involved in our right-of-way process.
7 And we've also been working on focusing on parcels needed to
8 construction with our design builder. We also have regular
9 meetings with other stakeholders, again that are involved in
10 the process, including Department of Finance and Department
11 of General Services.

12 So for CP1 there are 523 needed and most of those
13 are, we call it the pipeline of right-of-way procurement:
14 512 appraised, 471 first written offers, 102 certified for
15 the contractor. Again, these change weekly, so next week
16 these numbers will be a little bit different.

17 CP2-3, even though we don't have an awarded or
18 executive design-build contract yet we've gotten a good jump
19 on the right-of-way procurement with CP2-3. And one of the
20 changes is that we are focused n grouping the right-of-way
21 parcels to facilitate construction. You know, having areas
22 of land enough for the contractor to move in and begin
23 work. And so there's 538 parcels needed, and again we've
24 gotten a good jump, 406 have been appraised and 189 first
25 written offers. So we are ahead of schedule for right-of-

1 way procurement for CP2-3.

2 So this is just a bar chart just kind of
3 summarizing what I just said. I think really kind of the
4 key for that is if you look in the middle, the FWO, that's
5 the first written offers, you see that of the total number
6 of parcels needed, which is the far-left pictogram -- if you
7 look at that FOW, first written offers, we have a
8 significant amount of first written offers. So those
9 parcels are moving through the process and have resulted
10 into 102 turned over to the design-builder to date for CP1.

11 CHIEF EXECUTIVE OFFICER MORALES: Mr. Chairman,
12 just two points to underscore Scott's statement that the
13 situation to change. I think, in fact, since this
14 presentation was prepared the number is now up to 111 --

15 MR. JARVIS: Yes.

16 CHIEF EXECUTIVE OFFICER MORALES: -- I think based
17 on the last, so we are continuing to acquire those. The
18 other is when we talk about CP2-3, because much of that was
19 included in the Fresno-Bakersfield EIR we cannot begin the
20 right-of-way process until certification of the
21 environmental document. So we could not begin that process
22 until we had an alignment identified and certified and
23 approved by the Board and the federal government, which
24 happened over the summer. So the progress you see on 2-3
25 has all happened since the summer, so it's a very positive

1 trend.

2 CHAIRMAN RICHARD: Ms. Schenk?

3 BOARD MEMBER SCHENK: Thank you. Yes, Scott is
4 positive in terms of the acquisition. My concern is what
5 you have heard hear as an anecdotal recounting of how some
6 of the right-of-way agents deal with some of the citizens.

7 MR. JARVIS: Yes.

8 BOARD MEMBER SCHENK: And, you know, sometimes
9 where there's smoke there's fire. And I, and I know a
10 number of my colleagues, were quite concerned about these
11 complaints. So these right-of-way agents that are
12 consultants that have been brought on board, what training
13 do they get to ensure that people are treated with respect.
14 And that they understand that they represent this Commission
15 and we respect the citizens with whom we are dealing?

16 MR. JARVIS: Right. Our Director of Real
17 Property, Don Grebe, as well as our Central Valley Regional
18 Director, Diana Gomez, jointly work together and develop
19 training for the right-of-way consultants. And they've
20 given that training to the right-of-way consultants that we
21 have under contract. And the issue that you just brought up
22 as far as courtesy and respect and how you communicate with
23 the property owners was part of that training program.

24 BOARD MEMBER SCHENK: And is there follow-up --

25 MR. JARVIS: Yes.

1 BOARD MEMBER SCHENK: -- sort of independently to
2 find out, you know, sending a survey or making a phone call
3 and asking people how they were treated?

4 MR. JARVIS: Yes, I mean that's something that we
5 continue to monitor. I mean Diana is very, very close to
6 the action there in the Central Valley as far as, you know,
7 how those property owners are being treated. We also are
8 pursuing a manager, a right-of-way manager position within
9 the Central Valley to provide a little bit closer management
10 to the consultants and the team there as well for the issue
11 that you brought up and others as well.

12 BOARD MEMBER SCHENK: Okay. Well, I'd like to --
13 in your reports continually hear feedback, the good and the
14 bad.

15 MR. JARVIS: Okay, sure.

16 BOARD MEMBER SCHENK: Thank you.

17 MR. JARVIS: You're welcome.

18 CHAIRMAN RICHARD: Ms. Selby, you had a question?

19 BOARD MEMBER SELBY: Yeah, this is just kind of a
20 general comment and it has to do with I really appreciate
21 all this information. I think it's really helpful. But
22 what I can't tell from it is what effect -- you know, where
23 we are with right-of-way and what effect it might have on
24 the overall scope of the project. And so I'm wondering if
25 there's something we can add to this report that might

1 indicate more sort of, not just with right-of-way, but any
2 kind of either bottle-neck points or tension points, what
3 those points are and then what we're doing to maybe
4 alleviate the risk a little bit? Because I'm not clear, it
5 looks to me like CP2-3 is going gangbusters and CP1 is still
6 a little bit slow. And I'm not sure since CP1 proceeds CP2-
7 3 if there are any effects on the project in terms of
8 timeliness or anything like that?

9 CHIEF EXECUTIVE OFFICER MORALES: Yeah, I mean we
10 do look at that and there is some information in the reports
11 that speaks to the overall project status. Right-of-way is
12 one of the key factors obviously in the pace of the project.
13 It's not the only factor. And part of what we are doing and
14 are able to do under a design-build process is adapt the
15 pace of the project and where the contractor will proceed
16 based on availability of right-of-way.

17 We're working with the contractor to do that. And
18 one of the advantages of this program, even with CP1 it's a
19 29-mile segment and so it's really the equivalent to five or
20 six or more traditional projects. And so the contractor can
21 deploy in different places at the same time and use
22 equipment and personnel efficiently. So it's a constant
23 process of working with them to adapt their schedule, their
24 deployment of personnel and equipment to where the right-of-
25 way is available. And we are also then working with them to

1 re-baseline the entire schedule for CP1 based on the current
2 right-of-way schedule.

3 But right now what we can say is CP1, there's
4 overlap between that and CP2-3, 4 and ultimately 5. And so
5 what we are not seeing is any impact on the overall program
6 schedule as a result of some of the early challenges with
7 right-of-way. We're managing them, but they do not have an
8 overall programs impact.

9 CHAIRMAN RICHARD: Mr. Jarvis?

10 MR. JARVIS: Also within CP1 we have contracted
11 with Caltrans for the realignment of State Route 99. So for
12 that project the California High Speed Rail Authority is in
13 an oversight role. And so overall that project is going
14 well. Right-of-way is approximately 50 percent complete,
15 design is on schedule and major construction is anticipated
16 to begin in the spring of 2015.

17 Similarly, we have performance metrics, five key
18 performance metric areas that are the same as with CP1. And
19 then nine individual performance metrics and I'm not sharing
20 those, but I can say overall that all of the performance
21 metrics are satisfactory except for the small business,
22 disadvantaged business usage. And the reason for that is
23 this is what's called a CMGC, Construction Manager General
24 Contractor contract.

25 And so what Caltrans has done is they've hired a

1 construction contractor to provide constructability reviews
2 during the design phase. And so they hired this contractor
3 for their expertise, so there's really not opportunities to
4 do subcontracting at this phase of the delivery. However,
5 once the project gets into the construction phase there will
6 be much more opportunity for subcontracting and that
7 percentage will grow of the small business and disadvantaged
8 business usage.

9 BOARD MEMBER PEREZ-ESTOLANO: May I ask a
10 question?

11 CHIEF EXECUTIVE OFFICER MORALES: Yeah, let me
12 just quickly, this is similar -- you may have noted for --
13 for our overall program it's important to note the 30
14 percent goal applies and we fully expect to meet it. Small
15 business participation is not a straight-line function as
16 the project goes on. And so, for instance, for our program
17 we're at just under 20 percent currently. That will change
18 dramatically as full construction gets underway, because on
19 the major contract, for instance, trucking will be a big
20 item for small business participation. That has not yet
21 kicked in.

22 So this metric is a little tricky one, because you
23 might look at it and say we're not at the 30. Well, we
24 don't expect to be at the 30 at this point, because most of
25 the resources are in the design phase and by the prime

1 contractors we'll see it all ramp up and get up to the 30
2 percent as we go through the program.

3 CHAIRMAN RICHARD: Ms. Perez-Estolano, did you
4 have a question?

5 BOARD MEMBER PEREZ-ESTOLANO: Thank you for
6 clarification, Mr. Morales. That wasn't exactly my
7 understanding in terms of our 30 percent, that it would -- I
8 understand the ebbs and flows. But I also think it's
9 important for our primes to really work hard to cultivate
10 the small business and DBE meet those requirements. And I
11 understand that there's fluctuation in the marketplace in
12 terms of being able to procure those folks. I get that, but
13 I still think it's an important standard that we need to
14 push our primes to meet throughout the whole of the
15 contract.

16 And some of my colleagues may not agree with me,
17 but I understand that at different points we may have more
18 than 30 percent available DBE, S/DBE but I still think it's
19 important for the primes to know that that is an important
20 criteria. That while it's easier in other parts of the
21 overall project and it's harder in other parts, it's still
22 important to this Commissioner that we still strive to meet
23 those goals. So I just would like to be clear about that.

24 And in terms of the -- I'll go back to one of my
25 earlier questions, Scott. We talk about small business

1 utilization progress and we talk about invoices eligible
2 total. And we've got 310 million and then we have SB total
3 actual of 48 million. Is that what is available versus what
4 is actually being spent on small business? So that was
5 going to be one of my follow-up questions, but since you've
6 brought it forward in terms of the Route 99 I wanted to
7 bring it up. Because it seems to be a constant issue of us
8 being able to meet our goals. And I just want to know if
9 that's where we're at?

10 MR. JARVIS: Yep. That was in Russ's portion and
11 I'll let him respond to that.

12 BOARD MEMBER PEREZ-ESTOLANO: Yeah.

13 MR. FONG: Yeah, that's a good question. So the
14 numbers that you see on your slide? Those are eligible
15 invoices, so how we totaled the 15.7 percent is the number
16 of actual dollars invoiced, not the total contract amount.
17 So the three -- I'm going off my head, but I think it's the
18 300 --

19 BOARD MEMBER PEREZ-ESTOLANO: 310.6.

20 MR. FONG: -- 6, yeah. That's what we currently
21 have invoiced of all the active contracts that we currently
22 have today. And the smaller figure, the second figure, is
23 actually what's small business.

24 BOARD MEMBER PEREZ-ESTOLANO: 48.8?

25 MR. FONG: Correct. Correct, and that will

1 fluctuate monthly depending on how we receive invoices on a
2 monthly basis.

3 BOARD MEMBER PEREZ-ESTOLANO: All right, thank
4 you. And Scott, thank you for the information. Did you do
5 the -- who did audits? Was that Paula?

6 CHAIRMAN RICHARD: Yeah, Paula and Ms. Rivera.

7 BOARD MEMBER PEREZ-ESTOLANO: Yeah, I should've
8 asked as we were going through, I apologize. I do have a
9 question for Paula later. But in terms of, I know you
10 didn't provide the information and perhaps -- and I
11 understand maybe in terms of in interest of keeping the
12 PowerPoint tight and not to 100 pages -- and I appreciate
13 that -- maybe if you could just make it available to the
14 Board Members and to the public. Even though it wasn't
15 available here, it still would be important to me to just
16 see that information in terms of Route 99. That's an
17 important corridor project and a constituency partner that
18 we have there.

19 MR. JARVIS: Sure, I can provide all those
20 performance metrics.

21 Okay. So with that I'll turn it over to the
22 Authority's Risk Manger, Jon Tapping.

23 MR. TAPPING: Thanks, Scott.

24 Good morning, Chairman Richard and Board Members.

25 CHAIRMAN RICHARD: Good morning.

1 MR. TAPPING: It's my privilege to be before you
2 again to talk about my favorite thing, risk management. My
3 name is Jon Tapping. I'm the Director of Risk Management
4 and Project Controls. And I think it's important to note
5 that I also report directly to the Finance and Audit
6 Committee in kind of an autonomous, independent role.

7 I want to emphasize the purpose of this first
8 slide, and that is that really I consider myself kind of the
9 fourth leg of, you know, the Finance and Audit team's checks
10 and balances or project controls service.

11 We have a risk management plan and I work very
12 closely with Paula and Scott and Russ in really implementing
13 the risk management plan in an integrated fashion. We have
14 Senate Bill 1029 requirements, which require certain things
15 like expressing risk in financial terms, which we're fully
16 compliant with in our risk management plan.

17 But I think some of the novel things about our
18 risk management program is one, it's not off to the side,
19 just a report that sits somewhere. It's an integrated
20 function that helps drive risk-making decisions within the
21 Authority at the highest levels.

22 Really, the objectives are pretty simple and
23 focused. We want a regimented, disciplined, systematic
24 approach to risk management and there are five general steps
25 to risk management. It's pretty simple: you identify the

1 risk, you prioritize the risk, you quantify the risks, you
2 mitigate the risks, you monitor and control, and you repeat
3 the process. It's a dynamic process. It's not a one-step
4 process.

5 One of the benefits risk management is that in
6 talking about risk openly, whether it be in this Board
7 meeting or the Finance and Audit Committee there is an open
8 understanding of all the stakeholders of the risks
9 associated with the project. And when you encounter
10 challenges or you feel cost pressures there's early
11 identification of these during the risk management process.

12 A third, most important key, is capturing project
13 opportunities. Some of the risk-driven information, the
14 Monte Carlo Analysis that we do can drive product decisions,
15 which either save money, save -- accelerate schedule,
16 improve quality. And so we've captured many opportunities
17 as we've gone down the road. And I'll name a few in my next
18 few slides.

19 Naturally, we want to withstand the scrutiny of
20 all the regulatory authorities that oversee the Authority's
21 work and risk management processes. So we are fully
22 compliant with Senate Bill 1029 in our reporting, we have
23 semi-annual reports, to the legislature.

24 Risk management, also for risk-informed decision
25 making helps us make resource decisions. For example, if we

1 identify an early risk, which we can mitigate by adding
2 resources early in the project it's a great tool to show the
3 benefits of spending money early perhaps to save money
4 later.

5 Lastly, I've been working I think it's a state-of-
6 the-art program that we're developing here, because we're
7 also going beyond just the requirements in Senate Bill 1029.
8 But we're seeking external validation and a number of
9 external validations, in fact. I personally have been in
10 consultation with Profession Flyvbjerg from Oxford, who has
11 some interesting philosophies about risk management. And
12 we've actually incorporated some of these in our work, some
13 class references and top-down analysis that the Finance and
14 Audit Committee is well familiar with.

15 BOARD MEMBER PEREZ-ESTOLANO: Can I ask just a
16 quick question?

17 MR. TAPPING: Yes, questions.

18 CHAIRMAN RICHARD: Ms. Perez-Estolano.

19 BOARD MEMBER PEREZ-ESTOLANO: I don't want to
20 interrupt. I'd just like to make sure that I know that --
21 and I've brought this up to Mr. Morales about our peer
22 review group. That maybe in 2015 we take a look at the
23 level of involvement that we have of members and just see if
24 we could add some new membership to our peer review group.
25 That possibly could have some new folks added to it, is all

1 I wanted to say.

2 CHAIRMAN RICHARD: Yeah, I think that if my memory
3 serves me correctly, the peer review group is established by
4 the Legislature.

5 BOARD MEMBER PEREZ-ESTOLANO: They're appointed by
6 the Legislature?

7 CHAIRMAN RICHARD: Well, no. they're appointed by
8 different appointing authorities. The State Transportation
9 Cabinet Secretary has an appointment. I think Department of
10 Finance has an appointment, but I think there are also
11 legislative appointments. So but we -- if my memory serves
12 me correctly, Mr. Morales and Mr. Fellenz, I don't think the
13 High Speed Rail Authority has any appointing authority to
14 the peer review group, do we?

15 (Off mic inaudible response)

16 CHAIRMAN RICHARD: Yeah, I don't think we do.
17 Mr. Morales, did you want to add something?

18 CHIEF EXECUTIVE OFFICER MORALES: That's right, we
19 can -- I believe there's at least one vacancy on the peer
20 review group and as we -- two, okay. And we can certainly
21 make sure that the appointing bodies are aware of that and
22 get good, qualified people on.

23 BOARD MEMBER PEREZ-ESTOLANO: That's great.

24 CHIEF EXECUTIVE OFFICER MORALES: But right, we
25 don't have the direct appointing authority.

1 BOARD MEMBER PEREZ-ESTOLANO: Well, I just want to
2 make sure we have a full constituency of a peer review group
3 to work with and make sure that folks know that it's fully
4 complemented (inaudible) state.

5 CHAIRMAN RICHARD: Yeah, right. I think the State
6 Treasurer has an appointment. There's somebody in the
7 audience who might know the answer to that, but he's nodding
8 up and down -- yes. Okay.

9 BOARD MEMBER PEREZ-ESTOLANO: Thank you.

10 MR. TAPPING: All right, so this is just a quick
11 summary of really the analysis, the disciplined approach
12 that I talked about, but there's some great tools that go
13 along with it. You can see some of the examples here.
14 Basically, you start off with a risk register and we have
15 hundreds and hundreds of risks identified for this program,
16 both at the program and project level. And basically we're
17 looking at cost, schedule, quality, social risks across the
18 board.

19 We identify those risks and we prioritize them.
20 And we can do that through a simple heat map type of
21 diagram. You can see an example there. Some of the ways we
22 can use that is when we allocate risk in our design-build
23 contracts we assign it to the party that can most prudently
24 manage it and has control of it. So CP2-3, for example,
25 we've got through a checklist, we've identified all the

1 risks, and we've gone through a regimented process of
2 assigning risk contractually in the contract. And so it was
3 really a good tool, I think an improvement to CP2-3 as we've
4 moved forward with our risk management program.

5 Quantitative analysis in Monte Carlo, you can see
6 the Bell Curve there. That is tremendously useful as a
7 tool, because you're not just dealing with one estimate or
8 one number, you're dealing with a confidence level of
9 meeting either a cost or a schedule. And we've done this
10 for CP1. We're doing it for CP2. And we report to the
11 Finance and Audit Committee, for example, a confidence level
12 of getting the bid that we estimated and/or the schedule
13 that we are projecting.

14 This is just a quick history, a synopsis of risk
15 management as its progressed. And you can see that we have
16 done a lot of deliverables that have aided in risk-driven
17 decisions within the program. Estimate validation,
18 continued C analyses (phonetic) for CP1 or continuing with
19 that for CP2-3, trend analysis for CP1 in terms of like
20 right-of-way, one of our prominent risks in CP1.

21 And again, I work very closely with Scott and
22 Paula and Russ in developing these models and making
23 informed risk decisions as we move forward. I would just
24 like to say that you can see the PRG in part of this
25 timeline. We've had a series of surveillance assessment and

1 audits by regulatory authorities: Bureau of State Audits,
2 GAO, PRG. And we've had very, very good findings, in fact,
3 on all of those. And we've implemented all the
4 recommendations as we've gone forward in our most current
5 risk management plan. But it is a work in progress, we are
6 incorporating some of those other techniques, the Flyvbjerg
7 top-down analysis approaches as we move forward when it's
8 appropriate to do so.

9 So wrapping up I just wanted to reinforce that,
10 you know, this Finance and Audit team under the Finance and
11 Audit Committee's direction is a diverse set of experts.
12 And we've developed, as seen today, a robust set of checks
13 and balances, reports and project controls that we believe
14 is robust and can confidently proceed with the program.

15 The last point I'd like to make is the risk
16 management stool is really an early identifier kind of
17 thing. You know, Scott tracks his performance as he goes
18 through the contracts, Paula after the fact, Russ kind of
19 before the fact. But what I get involved in is looking at
20 well what's our risk going into this contract, let's do some
21 mitigations up front, to mitigate that as we go forward.

22 So with that I'll wrap it up and if there's any
23 questions I think our team would be happy to take them.

24 CHAIRMAN RICHARD: Members do have questions. If
25 I might, I just want to say one quick thing in advance of

1 that. I'm often asked, and I suspect my colleagues are
2 often asked, "Well, how are you going to make sure that this
3 program doesn't get out of control? How are you going to
4 avoid a situation like the Bay Bridge or the Big Dig?" And
5 I think the public has come to expect that these large
6 projects often go off the rails.

7 You mentioned -- I'm sorry, I didn't even mean
8 that -- often go awry. And it's become popular sometimes in
9 the press to quote Professor Flyvbjerg who wrote the book
10 about megaprojects and the things that go wrong with them.
11 And, you know, what I tell people all the time is, "Well, we
12 can't guarantee that there won't be problems or challenges
13 with this program. What we need to be measured on is how
14 we're addressing those."

15 And Mr. Rossi and Mr. Richards and other Board
16 Members have much more experience in this than I do, but I
17 look at what we've heard here this morning. I would
18 challenge anyone to point to a public infrastructure project
19 anywhere that has the level of transparency that we see
20 here. And I think it should be comforting to the public
21 when someone like Ms. Rivera stands up and says, "Here's my
22 audit and these are the areas where we're not in compliance.
23 These are the steps that need to be taken.

24 We are, as we go forward with this, going to be
25 completely open about how we're doing, what's working,

1 what's not working, what needs to be fixed. I think if you
2 look at the Bay Bridge or you look at some of these other
3 projects the surprise that people had after the fact that
4 things had gone wrong, the lack of insight and transparency
5 was a big factor.

6 So what this also means is as we go along, all the
7 warts will show. So if there are things that are not going
8 in the right direction any member of the public, any member
9 of the press who protects the public interest in overseeing
10 this will be able to see this information and question us
11 about it, which is exactly right.

12 So I guess I would just end by saying that I share
13 Mr. Rossi's assessment, that this a fantastic set of
14 reports. And I think it's going to serve the public well.
15 And, you know, Mike, I think people always talk about
16 wanting government to operate more like a business. I mean,
17 I think any well-run business would want to manage its
18 operations to this level. And that's what we're aspiring to
19 do.

20 So I just want to thank all the people who
21 appeared this morning and the team for what they've done.
22 so I'm sorry, with that let me turn to questions from my
23 Board Members. And I'll just go right down the list,
24 starting with Ms. Selby.

25 BOARD MEMBER SELBY: Thank you. I just have a

1 couple of questions that are sort of all around the place.
2 The first has to do with page 31 and there is one status
3 update, which is a "caution, need for corrective action now
4 or soon." And I was just wondering if somebody, whoever the
5 appropriate person is, could let us know about that. And
6 what is being done to mitigate that particular issue.

7 MR. TAPPING: Yeah, I'll turn that over to Russ.

8 BOARD MEMBER SELBY: Okay.

9 MR. TAPPING: And Scott Jarvis will handle that
10 one.

11 MR. FONG: Is that the -- I think the leasing of
12 the automobiles?

13 BOARD MEMBER SELBY: Yes, it is.

14 MR. FONG: (Inaudible)

15 MR. JARVIS: Yeah, with that we are in the process
16 with working with the California State Transportation Agency
17 and DGS going through the process of procuring those
18 automobiles. There has been some delays in that process,
19 but we are communicating and we're hopeful that that'll be
20 resolved shortly.

21 BOARD MEMBER SELBY: Okay. So the mitigation is
22 for more communication?

23 MR. JARVIS: Well, the mitigation is -- yeah, we
24 have a meeting scheduled with the State Transportation
25 Agency. And, in fact, we're getting a document over to

1 them today. The communication is going on right now and
2 then we believe we'll be able to procure the vehicles going
3 through this process that we're going. But there are other
4 options if we're not successful, but based upon the
5 communication that we've had with them we think we will be
6 successful.

7 CHAIRMAN RICHARD: Mr. Morales?

8 CHIEF EXECUTIVE OFFICER MORALES: Yeah, just
9 a little context. This is part of a government-wide edict
10 to try to hold down and reduce the number of vehicles that
11 state government has. And so when we initially requested
12 through the budget process, funds to -- I believe it was
13 initially to purchase vehicles.

14 CHAIRMAN RICHARD: Correct.

15 CHIEF EXECUTIVE OFFICER MORALES: We were pushed
16 then to look at lease options and now what we're going
17 through is the process of looking at other departments where
18 vehicles may be available that we can use, rather than
19 either lease or buy new ones. And so it's part of a
20 government-wide efficiency effort. We need the vehicles, so
21 we're working through this process and should have it
22 resolved in the next few weeks.

23 MR. JARVIS: Part of what we've gone through with
24 this process is we've worked with Caltrans to see if they
25 had any excess vehicles. We worked with the Department of

1 General Services to determine if they had excess vehicles,
2 they did not, that we were able to use. So that's part of
3 the process that we've been going through to come to the
4 conclusion now that -- as Jeff said because of the edict to
5 make sure there's a lot of due diligence before you go out
6 and lease vehicles. We're at the point now where we can do
7 that.

8 CHAIRMAN RICHARD: And Diana Gomez is hitchhiking
9 up and down Highway 99 this afternoon.

10 BOARD MEMBER SELBY: I think that -- thank you
11 very much, that's very helpful. And I think in general
12 that, to me, illustrates like whenever there is something in
13 the red or something that is yellow or whatever flashing,
14 that would be the kind of thing as a Board member that I
15 would want you to bring to our attention.

16 CHAIRMAN RICHARD: Absolutely.

17 BOARD MEMBER SELBY: And to let us know, you know,
18 what are you doing to mitigate that, because obviously it's
19 a concern enough for you to have it in the report and to
20 have it in the wrong color. And it does catch our
21 attention.

22 And the second thing, I don't know if this would
23 be you, Mr. Jarvis, or somebody else, but I see here that
24 there was a review of CP1 risks and contingency analysis
25 that was done in 2014. And I apologize, but I was just

1 wondering if just a short -- just a synopsis of what you
2 found out from that risk analysis was?

3 MR. TAPPING: Yes, we updated the CP1 Contingency
4 Analysis. And what that entailed was basically an update of
5 the risk register. You know, the earlier analysis was
6 perhaps a year-and-a-half old. And there were some risks
7 that were added. There were some risks that came away.

8 The right-of-way risk was one that we anticipated
9 during the initial assessment and actually is accounted for
10 in the continued C numbers. So it was a dynamic -- but
11 there's not a substantial change in the risk profile with
12 that analysis though.

13 BOARD MEMBER SELBY: Okay. And the risks sort of
14 -- you're trying to identify are you staying on budget, on
15 time and on scope, is that it?

16 MR. TAPPING: It's basically a measure against the
17 contingency number of the project, which was set up as part
18 of a risk approach. And we'll be doing the same thing with
19 2-3 where we bring that to this Board in the February
20 meeting to set up a risk-based contingency and the
21 methodology involved. But then you update it to trend
22 against that to see how you're doing.

23 So it's an early identifier, for example, the
24 right-of-way risk we did see some pressure to what we had
25 earlier identified. But, for example, the railroad

1 agreements risk, we see a trending positively. So there
2 wasn't a significant change in there.

3 You know, there are hundreds of risks. You run it
4 through the Monte Carlo Analysis and it gives you a
5 confidence level. And the curve is relatively the same.

6 BOARD MEMBER SELBY: Okay.

7 CHAIRMAN RICHARD: And you use this to help
8 determine whether or not the contingency is adequate, right?

9 MR. TAPPING: Yes, you trend against the
10 contingency. It's an early identifier. It's still very
11 early in the project, but when we do it we will be doing it
12 probably as needed but probably on a semi-annual basis as we
13 start, you know, identifying lower-level risks that pop up
14 at the project level and update that.

15 BOARD MEMBER SELBY: But isn't it an early
16 identifier of whether the contingency is an early -- using
17 it at too high of a rate is an early identifier of whether
18 you're on time or at least on budget, right?

19 MR. TAPPING: Exactly and that ties into Scott's
20 metrics.

21 BOARD MEMBER SELBY: Right.

22 MR. TAPPING: As you saw one of his metrics, you
23 know, it'll -- so we work together in that function.

24 CHIEF EXECUTIVE OFFICER MORALES: And that's an
25 important example of how we're using risk management, again

1 I think in a way that I'm not sure anyone has before of
2 really an active management tool. As Jon, through his
3 process identified specific risks and quantified those and
4 put the likelihood of them occurring into the equation,
5 Scott and his team then manage to try to reduce those risks
6 and avoid them from occurring.

7 And so right-of-way, an example, there was an
8 issue we identified in the contingency with a risk
9 associated with certain Buy America requirements involving
10 utilities that potentially had a significant impact on cost
11 and schedule. Our team put a lot of effort into resolving
12 that and successfully, so it really -- it's an active
13 management tool the way we're using it.

14 MR. TAPPING: Yeah, there were six. Very briefly,
15 there were six primary --

16 BOARD MEMBER ROSSI: Jon, hold on a second. It
17 isn't about measuring whether or not we're going through the
18 contingency too fast, right? What it's about is measuring
19 whether or not our estimates were correct and whether or not
20 the contingency was large enough or not large enough.

21 CHAIRMAN RICHARD: Right.

22 BOARD MEMBER ROSSI: So it is a different -- the
23 Monte Carlo really tells you about whether or not your
24 scenarios were correct. That will ultimately translate into
25 whether or not you need more or less contingency. It will

1 also allow you to decide, as you look at a series of
2 scenarios to address a problem, which are the most likely to
3 occur, what those costs will be and how that fits into your
4 overall budget.

5 But so you just want to be -- this is probably the
6 most technical aspect of what we do from the perspective of
7 financial issues. And Jon is -- I spent a good part of my
8 career overseeing Monte Carlo models. Jon is one of the
9 best in the business and his efforts, as Jeff was just
10 saying, you can run Monte Carlos and decide here are the
11 potential probabilities for X. What's really good about it
12 is that Jon, as part of the team, can then discuss with
13 people like Scott who's going to have to negotiate
14 contracts, "You really ought not to negotiate this, because
15 the likelihood of that happening is so unlikely that you
16 really should be focused over here."

17 And so as he runs through his scenarios the
18 important part will be his participation as one of the major
19 drivers, as part of the team, to ensure that we don't go
20 down rabbit holes. "Well, let's build over here." "Oh, no
21 we'll build over here." You can run those probabilities and
22 have a much better understanding whether or not there's any
23 real likelihood of that happening, of being successful at
24 doing that.

25 CHAIRMAN RICHARD: Ms. Selby, other questions?

1 Okay.

2 Mr. Frank, did you have a question?

3 Okay, Ms. Schenk?

4 BOARD MEMBER SCHENK: Yeah, just on the theme of
5 making this more business-like where will cyber-security
6 risk fall on this risk management scenario?

7 MR. TAPPING: Well, it is identified on our risk
8 management plan.

9 BOARD MEMBER SCHENK: Yes.

10 MR. TAPPING: And we have assigned a risk owner to
11 look at that. I don't have the details of what the
12 mitigations are, but I can look into that, Lynn, and get
13 that to you.

14 BOARD MEMBER SCHENK: Okay. I mean right now if
15 we get hacked, I mean we're so transparent what will they
16 get? I mean, we're already all out there, but going forward
17 obviously that's going to be a very important issue.

18 MR. TAPPING: Yeah, well we can get more
19 information.

20 CHAIRMAN RICHARD: We, I presume, will not be
21 hiring the IT Director from the U.S. Central Command though
22 for the -- right, yeah.

23 Okay. Other questions?

24 Vice Chair Hartnett.

25 VICE CHAIR HARTNETT: Thank you, Mr. Chair, it's

1 actually just some comments rather than questions at this
2 point.

3 First, in terms of the reporting to the full Board
4 I do -- I'm pleased with the nature of the reports and the
5 fact that they're quarterly.

6 I'm also pleased actually with the minutes of the
7 monthly meetings of the Audit and Finance Committee. (sic)
8 I think it's important that those minutes be fulsome and not
9 a summary as Board meetings are. I think I like the Board
10 meeting minute style, but for the Audit and Finance
11 Committee meeting I like the depth that is provided in those
12 minutes, because it gives us a real flavor of what is going
13 on. And so I'd encourage that continued approach.

14 I also want to express my appreciation for Mr.
15 Rossi and Mr. Richard in terms of their participation and
16 devotion to this cause, because I know that it is an
17 extraordinary effort beyond what others of us are able to
18 contribute in our service on the Board.

19 It reminds us however, that as we move forward in
20 the years to come, and we're going to be going through
21 design-build for years to come, that as Board Members come
22 and go a recognition of the diversity of experience is
23 really important down the line. And I'm speaking years down
24 the line as compared in the short term.

25 So I feel very confident in our Audit and Finance

1 function, both because of the expertise and devotion of the
2 Board Members who are on that committee and the systems that
3 have been put in place by Mr. Morales and his team. But to
4 me it's really important that we have that Board committee
5 devotion for years down the line and expertise. And so I
6 just bring that up as a cautionary tale more than anything
7 else.

8 In terms of a specific concern, I don't have one
9 in terms of how the reports are done. I just have a
10 qualitative comment relative to the right-of-way issue and
11 CP1. We have known for a long time that the right-of-way
12 acquisition is going to be an issue and that we're going to
13 have to make extraordinary efforts on CP1 for a variety of
14 reasons. And so in that regard, first of all I am quite
15 pleased with the CP2, CP3 focus on that whether it's lessons
16 learned or just because of the timing we're able to do it
17 more quickly.

18 But I think it's really important that that right-
19 of-way manager be in place in the Central Valley to
20 coordinate the right-of-way consultant work. I think it's
21 important that that's been identified as something that
22 should happen. I just don't think there's a satisfactory
23 replacement for somebody on the ground that's devoted to
24 that and coordinating this. It's a difficult and sensitive
25 subject and I really think that hands-on management that's

1 located there is real important.

2 And there's limitations in term of time, if
3 nothing else, of other people who are attending to it. So I
4 think that is just really important that we have that
5 management on the ground, I think. Thank you.

6 CHAIRMAN RICHARD: Thank you, Mr. Hartnett. I
7 think those were just excellent comments all around and
8 certainly appreciate your calling out the work of our
9 colleagues on the Finance and Audit Committee. I was going
10 to do that, but you did it much more eloquently, so thank
11 you.

12 Mr. Rossi?

13 BOARD MEMBER ROSSI: I would just like to close by
14 saying this, this team is as good a team as I've worked with
15 when it comes to putting together the data, understanding
16 the risk reporting. I think anyone who wants to look at
17 these reports can get a fairly good feel about where we are
18 and what needs to be done to go forward. So I'd like to
19 thank them. I mean, it's a tremendous job that they've
20 done, Jeff and his team.

21 And the other thing, Mr. Chairman, is if we're
22 going to do this quarterly, is there any other way you'd
23 like to do it? Anything else you'd like to see for the
24 Board or Board Members should let us know as soon as
25 possible.

1 CHAIRMAN RICHARD: Okay. I think you spent a lot
2 of time today revisiting the structure of these. Probably
3 in the future that can be touched on lightly, so that we can
4 delve into the metrics themselves. But I think that that
5 review for us at this point of the structure was very, very
6 important and instructive.

7 And I guess I would just add one other thing too,
8 to the comments that Mr. Hartnett made. What's really
9 important to me, Vice Chair Hartnett mentioned that we have
10 this system in place, but I think we're also creating a
11 culture where people can stand up here in public and talk
12 about things that need to be addressed and need to be fixed.

13 And I would just add, if I could to your remarks
14 Mr. Hartnett, that I think this Board wants to continue to
15 make sure that we are encouraging that culture among our
16 staff as we go forward. And that it's part of our
17 responsibility as Board Members to listen to these things
18 dispassionately and to always encourage people to bring
19 forward those issues to us and to the public. That's what's
20 really going to protect this project going forward. And I
21 certainly applaud the professionalism of the staff people as
22 they've shown it today.

23 So without other questions, again thank you all
24 for your hard work, and for your presentations today.

25 We will move to the next item on our agenda, which

1 is item four, the consideration of the award for the
2 design-build contract for Construction Package 2-3.

3 I need to say at this point, that in reviewing the
4 materials for this construction package approval before the
5 Board, one element of the award is not just a proposed award
6 to a construction consortium, but also to flow through that
7 contract dollars that would go to Pacific Gas and Electric
8 Company for the reimbursement for relocation of utilities.

9 I have been an executive of PG&E and received
10 income PG&E and therefore it is appropriate for me to recuse
11 myself from the discussions or deliberations or decisions on
12 this matter. So I'm going to hand the gavel to Vice Chair
13 Hartnett who's going to conduct this. I'm going to excuse
14 myself from the meeting during the pendency of this dialogue
15 and I will have no part in the decision itself.

16 BOARD MEMBER PEREZ-ESTOLANO: Hello, Chair. I
17 need to also recuse myself from this vote and this matter.
18 Our firm while not engaged with PG&E at this time is only
19 considering a possibility of joining maybe a team in
20 responding to a proposal by PG&E. We have not done so at
21 this time, but in light of the fact as Chairman Richard,
22 that there is money flowing through to PG&E out of interest
23 of being careful and cautious I also recuse myself from
24 participating in the discussion.

25 VICE CHAIR HARTNETT: Thank you, very much. And

1 Chair Richard, don't go too far, because we will have to
2 reach you once we're done this session. So I know it's not
3 quite lunch time, so please don't go to lunch yet.

4 So colleagues we have item four. Mr. Morales, do
5 you want to introduce it? I know it's scheduled for Mr.
6 Jarvis to talk about, but could you just do a first
7 introduction?

8 CHIEF EXECUTIVE OFFICER MORALES: Certainly, yes
9 thank you.

10 This obviously is we are seeking the Board's
11 approval to proceed to negotiate the contract for the second
12 design-build package. It's obviously an important milestone
13 in the program. With approval of this we will have 90 miles
14 of the system under contract, under design and under
15 construction. So we are truly on our way through this.

16 We are very pleased through the process. I think
17 that this procurement -- you know, we talk about lessons
18 learned and applying them? I think that this procurement
19 really was a showcase for how the process can work and work
20 well. It turned out a great result for the state in terms
21 of cost savings and in producing world-class competition.

22 And now a world-class team will be on board and we
23 do have representatives of the joint venture. The Dragados-
24 Flatiron-Shimmick Joint Venture here who would, I think
25 after the Board acts assuming the Board acts, would I think

1 be happy to just say a few words on it. And Scott will talk
2 more about the process, but I think this is how the
3 design-build process should work. It's how the design-build
4 procurement process should work. And we're very pleased to
5 present this to the Board today.

6 VICE CHAIR HARTNETT: Thank you, Mr. Jarvis?

7 MR. JARVIS: Okay. Thank you, Mr. Morales, and
8 Board Members. I'll try to make this a little bit briefer
9 than the previous presentation.

10 Yes, just for some background information to set
11 the context the First Construction Segment, FCS, of the
12 California High Speed Rail System, it runs through the
13 Central Valley and includes the counties of Madera, Fresno,
14 Tulare, Kings and Kern. And so the FCS consists of
15 construction packages one through five, which will
16 ultimately be the backbone of our system. And specifically
17 for Construction Package 2-3 that follows Construction
18 Package 1 to the south, continues construction for
19 approximately 65 miles. And it includes 36 grade
20 separations in the counties of Fresno, Tulare and Kings. It
21 also includes viaducts, underpasses and overpasses.

22 And so the CP2-3 procurement process is now
23 complete and staff is prepared to award the contract pending
24 board approval. And so the purpose of this presentation is
25 to seek Board authorization for the CEO, our qualified

1 designee, to negotiate and execute the design-build services
2 contract for Construction Package 2-3, with Dragados-
3 Flatiron-Shimmick or DFS.

4 So the design-build procurement seeks to obtain
5 the overall best value, as Mr. Morales mentioned, for the
6 project owner. And as such, both price and technical merit
7 are considered. And the approach for selecting and awarding
8 the CP2-3 design-build contract was similar to CP1,
9 specifically a two-phase process was used.

10 And so, in the first phase of the CP2-3 selection
11 process, the request for qualifications or RFQ was issued.
12 And each of the submitting teams was evaluated for their
13 qualifications to perform the work. So in the second phase,
14 the request for proposal or RFP was issued to each qualified
15 design-build team and proposals were evaluated to determine
16 the best value proposer.

17 So the RFP was issued on April 2nd, 2014. And
18 three proposers submitted proposals on October 30th of
19 2014. They were Dragados-Flatiron-Shimmick, as I mentioned,
20 Golden State Rail Partnership and
21 Tutor Perini/Zachary/Parsons.

22 And so the review of the proposals, it took place
23 in three phases. One is the pass-fail and responsiveness
24 evaluation and that ensures that all of the administrative
25 requirements of the proposals were met and that there had

1 been no material changes in the financial positions of the
2 teams since they submitted their statement of
3 qualifications, which might negatively affect their ability
4 to deliver CP2-3.

5 The second stage is the technical proposal
6 evaluation by the Technical Advisory Committee for analysis
7 of the technical responses.

8 And then the third is a final evaluation of the
9 technical proposal by the Evaluation Selection Committee.
10 And that committee ultimately had responsibilities for all
11 aspects of the evaluation process.

12 So the Pass/Fail Committee, they reviewed the
13 three proposals and they found that each was responsive and
14 met all of the administrative requirements. The Committee
15 also reviewed the financial capabilities of the three
16 proposers and found that none had material changes in their
17 financial status, which would affect their financial
18 capability to design and construct CP2-3.

19 So a little bit more information on the technical
20 proposal evaluation, the proposals of the teams were
21 evaluated against the technical criteria that was described
22 in the RFP to develop the technical proposal score. And
23 that comprised 30 percent of the total proposal score.

24 So after extensive review of the proposals, the
25 Evaluation Selection Committee scored the three proposals in

1 four evaluation areas. And those four areas were project
2 management, design and design oversight, construction and
3 construction oversight and small business participation.

4 So upon the conclusion of that technical review,
5 an evaluation on the price component of the proposals took
6 place. And that took place on December 11th, 2014, so the
7 Chairman of the Evaluation Committee and Authority staff
8 supported by Legal Counsel and a Department of Finance
9 representative retrieved the sealed price proposal envelopes
10 from their locked location. And the envelopes were opened
11 and the contents reviewed and the results were documented.

12 So each proposer's price proposal is based upon
13 the total proposal price it submitted. So the total
14 proposal price consisted of both a fixed bid price and a
15 variable bid price. The fixed bid price will be included in
16 the contract price as a lump sum payment for the design and
17 construction work. The variable bid price will be used to
18 establish unit pricing for any hazardous waste remediation
19 activities that are added by change order during the term of
20 the contract.

21 So once the price proposals were open the
22 determination of apparent best value based on a 70 percent
23 price, 30 percent technical score point scale was
24 calculated. And the total proposal score could be a maximum
25 of 100 points. So the results were the top rank proposer

1 was Dragados-Flatiron-Shimmick at 96.67. Second was Tutor
2 Perini/Zachary/Parsons at 76.29 and third was Golden State
3 Rail Partnership at 67.31.

4 So Authority staff, we are pleased to note that
5 the highly-qualified team of DFS had the highest technical
6 proposal score and the lowest total proposal price. So the
7 bid was below the engineer's estimate of \$1 1/2 to \$2
8 billion for CP2-3 and it utilized significant savings
9 through alternative technical concepts or ATCs. So
10 accordingly, this contract is consistent with the cost
11 projections contained in the 2012 and 2014 business plans.

12 So the DFS Joint Venture Team combines significant
13 resources and expertise in high-speed rail. The projects
14 built by Dragados are recognized by their sheer size,
15 technical intricacy, use of the latest technologies in
16 innovation to resolve technical challenges. Flatiron
17 provides extensive California civil construction experience
18 and local personnel, equipment and material resources to
19 execute the work. And Shimmick also has extensive
20 California construction experience and resources and is
21 recognized throughout the state for delivering some of the
22 most challenging construction projects while maintaining an
23 excellent safety record.

24 So the selection procedures allow the Authority to
25 review the proposals of the apparent best value proposer and

1 to conduct limited negotiations with them. So during these
2 limited negotiations with DFS elements of the proposal can
3 be clarified and minor elements of work can be added or
4 deleted from the contract as we go through that negotiation
5 process.

6 So I'm going to talk a little bit about the
7 calculation of the contract value. So you have in your
8 package an updated term sheet that details the key contract
9 provisions. The contract issued for design-build services,
10 it also included the 30 percent small and disadvantaged
11 business participation goal. And DFS proposal reaffirms
12 that that team is, "Committed to meeting the goal of 30
13 percent small business participation and will implement a
14 thorough and ongoing small business outreach and performance
15 plan."

16 So the total contract allotment of the CP2-3
17 design-build contract will be comprised of various
18 components. So the total contract allotment of the CP2-3
19 design-build contract will be comprised of various
20 components. So the total contract value includes the
21 proposer's fixed bid price, provisional sums, hazardous
22 materials unit prices, and ultimately a contingency amount.

23 So the key components to the bid and contract are
24 as follows, there's the fixed bid price and this is the lump
25 sum contract fixed bid price for the apparent best value

1 proposer. And DFS's fixed bid price was approximately \$1.20
2 billion. A variable bid price for hazardous waste, so the
3 variable bid price will be used to establish unit pricing
4 for any hazardous waste remediation. And as I mentioned,
5 that would be implemented through a change order and so the
6 variable bid price of DFS was approximately \$29 million.

7 So the total proposal price is the sum of the
8 proposer's fixed bid price and the total variable price.
9 And so the fixed bid price is the lump sum price for the
10 design-build contract and that's what will be included in
11 the contract price. So in summary for CP2-3 the fixed bid
12 price and the variable bid price for hazardous waste
13 resulted in a total proposal price of approximately \$1.23
14 billion. And that's what was used to evaluate the bids for
15 the 70 percent component.

16 And then as Chairman Richard said, this contract
17 also includes provisional sums. And provisional sums, they
18 are frequently included in major infrastructure projects to
19 provide an allocation for items of work that must be
20 performed, but cannot be accurately quantified in advance.
21 So we know the work has to be done, but we can't expect a
22 proposer to submit an accurate price on that. So in the
23 case of CP2-3 the RFP provides a provisional sum in the
24 amount of \$160 million for the costs of the design,
25 construction, labor and materials of third-party facility

1 work self-performed by PG&E.

2 Then there is a contingency amount. The
3 contingencies are typically included in large contracts of
4 this nature, but are not included in the contract price. So
5 a contingency analysis for risks related to this contract
6 will be presented to the Board at a subsequent meeting.

7 So to summarize the items above for contract
8 purposes, the total contract price includes the fixed bid
9 price, and the PG&E provisional sum. Thus the CP2-3 design-
10 build total contract price is approximately \$1.36 billion
11 dollars. And the total variable bid price for hazardous
12 waste remediation and contingency is not included in this
13 original contract price.

14 And no protest from an unsuccessful design-build
15 team was received by the Authority.

16 So it is the recommendation of the Authority staff
17 that the Board confirm the finding of the Evaluation
18 Selection Committee and the recommendation of the CEO that
19 Dragados-Flatiron-Shimmick is the apparent best value
20 proposer for CP2-3 design-build contract. The Board is
21 further requested to authorize the CEO or a qualified
22 designee to negotiate and enter into a design-build contract
23 with DFS for the total contract price amount of
24 approximately \$1,365,000,000 for a term of approximately
25 four years or until project completion.

1 And I would now be happy to take any questions
2 that you might have.

3 VICE CHAIR HARTNETT: Mr. Frank?

4 BOARD MEMBER FRANK: A couple of questions, Scott.
5 The proposed price submitted by DFS is substantially below
6 that estimate at the outset of the bidding process by staff
7 and its consultants. So in a sense that's very good news,
8 but I guess it could also be bad news. And I just was
9 wondering to what does staff attribute that disparity and is
10 there a concern about potential underbid that could come
11 back to haunt the Authority in the long term?

12 CHIEF EXECUTIVE OFFICER MORALES: Let me. This is
13 a very important point and I think it really speaks to the
14 procurement process and this team in particular taking full
15 advantage of the opportunity to propose alternative
16 technical concepts or ATCs throughout the process. Each of
17 the three bidding teams proposed ATCs. And in fact the
18 total value, and this again I think is good news for the
19 public, through the process and by paying stipends to the
20 unsuccessful bidders we own all of their work product. And
21 so we, at the end of this process assuming it plays out, for
22 \$4 million in stipends we obtained over \$600 million of
23 design improvements through the process all told, from the
24 three bidders.

25 They are allowed to -- essentially what the team

1 did was took -- in the procurement process took the 15
2 percent design, which was the basis for the procurement and
3 took it to approximately 30 percent. And in doing that so
4 identified opportunities to do some things differently, do
5 some things better that resulted in cost changes. And they
6 are allowed as part of that process then to capture those
7 savings in their bid.

8 We review those through the process. Each of the
9 teams submits the proposed ATCs. They have to be looked at
10 to ensure that among other things they conform to
11 environmental conditions of the environmental approvals,
12 that they also meet design criteria, other things. And so
13 that's -- so what was included by the three teams all have
14 gone through a review process by the Authority staff.

15 As you said it's good news. It's also a challenge
16 on one side, I mean so great news that we are receiving the
17 benefit of that work. One of the things now we are looking
18 at is, you know, to what extent should maybe we have found
19 some of these things earlier. Some of that's a function
20 again of the level of design done that as you get into it
21 you can identify these changes.

22 But one thing we can do now certainly going
23 forward is where any of the three bidders identified better
24 ways of doing things. We can incorporate those into our
25 future procurements and into our future designs. So we

1 think it's a very positive -- very much a positive from that
2 regard.

3 BOARD MEMBER FRANK: Okay. And then my other
4 question relates to I just saw a passage near the top of
5 page 5 of your staff report, Scott, where you indicate that
6 the DFS Joint Venture has expertise in high-speed rail,
7 which is quite encouraging. But I was just wondering, which
8 of the companies' part of that joint venture has that
9 experience. And I see that Shimmick has worked in
10 California on a variety of heavy and commuter rail systems,
11 but I assume those are conventional rail?

12 MR. JARVIS: Yeah, Dragados primarily is the team
13 that has the international high-speed rail experience. And
14 we're going to introduce them in a moment and they can
15 elaborate a little bit more. But yeah, we felt like it was
16 a very well-rounded team as I explain from many areas. You
17 know, essentially this is a civil infrastructure contract
18 and that team included Flatiron and Shimmick certainly have
19 that expertise as well.

20 BOARD MEMBER FRANK: Okay. Thank you, Scott and
21 Jeff.

22 VICE CHAIR HARTNETT: Thank you, Mr. Frank. Yes,
23 Mr. Rossi?

24 MR. JARVIS: May I just elaborate on the ATCs just
25 a little bit more for Mr. Morales?

1 VICE CHAIR HARTNETT: Sure, briefly.

2 MR. JARVIS: Because I did want to mention that
3 our team did do an extensive analysis and essentially, you
4 know, normalized that based upon the engineer's estimate.
5 And so really looking at those savings through the ATCs and
6 then bringing it back to the engineers' estimate we did it
7 two different ways. One is just focus on the ATCs
8 themselves and then one is looking at the savings for the
9 major items of work.

10 And in one area just analyzing the ATCs it brought
11 it to within 9 percent of the engineer's estimate, 9 percent
12 less than the engineer's estimate. And then really looking
13 at the savings in the various quantities of the items of
14 work, which were primarily concrete and reinforcing steel
15 for the elimination of viaducts. It brought us within 3
16 percent of the engineer's estimate.

17 So as Mr. Morales explains I think that we feel
18 comfortable that taking into consideration the ATCs, that
19 these were responsible and reasonable bids.

20 VICE CHAIR HARTNETT: Thank you. Mr. Rossi?

21 BOARD MEMBER ROSSI: Scott, you use the term
22 "apparent." Do you mean apparent or actually?

23 MR. JARVIS: Well, it's not actual until we
24 execute the contract, so --

25 BOARD MEMBER ROSSI: No, no. But you said it's

1 "the apparent lowest." As it stands it's the lowest?

2 MR. JARVIS: Yes, it is the lowest.

3 BOARD MEMBER ROSSI: Okay.

4 MR. JARVIS: Yes, but if for some reason --

5 BOARD MEMBER ROSSI: Different issue, I just want
6 to stay with the recommendation, all right?

7 MR. JARVIS: All right.

8 BOARD MEMBER ROSSI: It is the lowest or it isn't
9 the lowest.

10 MR. JARVIS: Yeah, it is the lowest at this time.

11 BOARD MEMBER ROSSI: Yes.

12 VICE CHAIR HARTNETT: Yes, Ms. Selby?

13 BOARD MEMBER SELBY: A quick question on, it says
14 "for a term of approximately four years or until project
15 completion." Are there any incentives to finish the project
16 four years or before?

17 MR. JARVIS: This contract, it does not contain
18 incentives or disincentives from a contractual standpoint.
19 What it does contain what are called liquidated damages, so
20 if the contractor exceeds the number of contract working
21 days then there is a liquidated damages amount per day that
22 they would pay to the Authority and essentially that is to
23 reimburse the Authority for our overhead costs for
24 administering and overseeing the contract.

25 Now, but on the other hand all contractors, they

1 just by the free enterprise system they have incentive to
2 finish the job as quickly as they can, get paid and move on,
3 so I mean all -- I'm sure this contractor has an incentive
4 to finish as quickly as they possibly can even though there
5 weren't technically incentives or disincentives as part of
6 the contract itself.

7 CHIEF EXECUTIVE OFFICER MORALES: I think most
8 contractors would consider liquidated damages as a
9 disincentive, so I think there is some disincentive. But
10 one reason we don't have a pure incentive to finish earlier
11 is because this is one piece of a number of contracts that
12 all fit together in the Central Valley piece. So from a
13 program perspective other than the obvious fact time equals
14 money there's not really an advantage to finishing this
15 piece any earlier than we otherwise needed, because we still
16 have to finish the other pieces. So we didn't want to pay
17 extra without any real gain.

18 VICE CHAIR HARTNETT: Yes, other questions, Mr.
19 Vice Chair?

20 VICE CHAIR RICHARDS: Yes, thank you. But there
21 are potential incentives with regards to cost savings and
22 then sharing on a 50/50 basis in the contract. And how in
23 this contract are we dealing with the Buy American, Buy
24 California?

25 MR. JARVIS: Well, with federal money the Buy

1 America provisions apply.

2 VICE CHAIR RICHARDS: Right.

3 MR. JARVIS: And so there's those Buy America
4 requirements for the steel in this contract, yeah those
5 boilerplate provisions.

6 VICE CHAIR RICHARDS: And California?

7 MR. JARVIS: Tom, do you?

8 MR. FELLEENZ: There is some legislation that is
9 incentive-based for using California businesses, which would
10 include materials etcetera. So that is a statute that we
11 must attempt to follow. And so to that extent it's
12 incorporated in this contract.

13 MR. JARVIS: Okay. Thank you.

14 CHIEF EXECUTIVE OFFICER MORALES: We are, just to
15 be clear, Buy America to a large degree precludes local
16 preference in it. And so the Buy California legislation is
17 structured to recognize that and it really is about
18 encouraging contracts, and specifically in our program, to
19 provide the greatest benefit. And we're doing that through
20 a number of ways contractual and otherwise. And the small
21 business goal is an important element of that, because
22 almost by definition a small business will be a local
23 business. That's certainly what we're seeing in practice,
24 so I think our commitment to making sure that California
25 benefits not just from the end product, but during

1 construction I think is captured in this contract.

2 VICE CHAIR RICHARDS: And then the parameters
3 within the contract itself, Scott, are pretty consistent
4 with generally conditions found in other contracts of this
5 type around the country?

6 MR. JARVIS: Yeah, the general provisions are
7 similar to other large design-build contracts.

8 VICE CHAIR RICHARDS: Including in profit and
9 overhead, those are pretty common numbers, 10 percent and
10 then 7 percent if there's a subcontractor?

11 MR. JARVIS: Correct, yes.

12 VICE CHAIR RICHARDS: I'm just wondering with
13 regards to issues where we're turning over property that may
14 have environmental issues is there any protections for the
15 Authority with regards to the limits of our exposure?

16 Normally, as you know if you -- what I don't know
17 is when you buy a piece of property typically you're
18 identifying what environmental issues there may be and more
19 often than not, then the seller becomes responsible for
20 those. In this instance we become also -- we're the owner,
21 so is there any protections that we have through the right-
22 of-way process and the acquisition of right-of-way?

23 CHIEF EXECUTIVE OFFICER MORALES: We do. I'll ask
24 Tom to elaborate, but in the process of us acquiring the
25 property we can do and do, in fact, perform analysis to

1 determine if there's contamination. And depending what we
2 find either the purchase price can be adjusted to then
3 reflect the cost of cleanup or we can conceivably not
4 purchase the property and try to find a different way of
5 addressing it. So we're protected on that frontend. Once
6 we take possession then, Tom, could you talk about that?

7 MR. FELLEENZ: Sure. By taking ownership and
8 becoming the owner we're not displacing any legal
9 requirement the previous owners would have for the
10 contamination that they caused under the federal and state
11 hazardous waste laws. So if we have a property that we
12 acquired and we added contamination to it we would be
13 responsible for that proportional share of the cleanup cost,
14 but preexisting? It would be the previous property owner's
15 or operator's legal responsibility.

16 How that plays out with the particular regulatory
17 agencies that manage the cleanup of hazardous waste would be
18 a function of whether they decide to issue orders and the
19 measurement of the contamination that might be there and the
20 types of remediation that are appropriate. So but as Jeff
21 mentioned, if we participated in some cleanup of preexisting
22 hazardous material we could make an adjustment to the sales
23 purchase price to reflect the costs associated with that
24 cleanup.

25 VICE CHAIR RICHARDS: Okay. Thank you. Thank

1 you, Mr. Chairman.

2 VICE CHAIR HARTNETT: Thank you, Mr. Vice Chair.
3 Any other questions or comments?

4 And just before the motion I'd be remiss if I
5 didn't make some comments about the significance of this. I
6 mean, I think it's apparent to us how important CP2-3 are,
7 but this is a really big deal. It was really big to do CP1
8 and this is just another tremendous milestone in the
9 production of a high-speed rail system as part of the state-
10 wide transportation system in the State of California. We
11 really are on the move, it's not just symbolism and a
12 groundbreaking. It is real, concrete steps forward to
13 fulfill the vision of high-speed rail in California.

14 So I think as technical as some of the contract
15 issues are that we deal with and as comprehensive as the
16 process is for evaluating the design-build proposers I think
17 we should not lose sight of the true significance to the
18 vision of high-speed rail of this.

19 And so with that I'll be happy to entertain a
20 motion to adopt a recommendation of staff and approve the
21 resolution as stated in the packet.

22 BOARD MEMBER SCHENK: So moved.

23 BOARD MEMBER FRANK: Second.

24 MR. FELLEENZ: Mr. Vice Chair?

25 VICE CHAIR HARTNETT: Yes?

1 MR. FELLEENZ: Can I make a comment and a
2 suggestion? And Scott, please pay attention to make sure
3 that I'm doing this correctly or I'm not doing something --

4 VICE CHAIR HARTNETT: Sure, just as you do that,
5 and the motion may be amended, but I just wanted to note
6 that Director Schenk and Director Frank moved and seconded
7 the motion.

8 MR. FELLEENZ: As I look at the resolution --

9 VICE CHAIR HARTNETT: Yes?

10 MR. FELLEENZ: -- Mr. Vice Chair and Board Members,
11 I'm recognizing that it asks for approval for the
12 \$1,365,890,000. What's not included in that number is the
13 \$29,232,000 figure for the hazardous waste cleanup. So
14 although that may not be part of the contract that we're
15 signing up with, with the Dragados Group, this staff needs
16 authority from you to spend those monies for the purposes
17 set forth in the memo here, which is for hazardous waste
18 cleanup.

19 VICE CHAIR HARTNETT: So can we then as part of
20 the resolution, amend the resolution to indicate further
21 authorization, budget authorization, for that hazardous
22 waste removal based upon the recommended contract or the
23 recommended (inaudible)

24 MR. FELLEENZ: That would be my recommendation,
25 that we add another paragraph to the resolution stating

1 that. And I'm happy to answer any questions, but I think as
2 I look at this I'm realizing there's a lack of authority to
3 spend that 29 million, which we need. It's a budget.

4 It's based on -- and I would suggest we put in the
5 resolution paragraph that we're adding that we lock in the
6 two unit prices that we received as part of the proposal for
7 Class I and Class II hazardous waste, the first being the
8 \$73 per ton and the other, \$65 per ton. So that you're
9 directing staff to use the bid unit prices that were
10 submitted. And that the quantities would be up to the limit
11 of the total 29 million, whatever that works out to be.

12 BOARD MEMBER SCHENK: Does that need a separate
13 motion or can it be included in the resolution?

14 MR. FELLEENZ: We can add it. Yeah, we can put
15 that in the resolution as a separate paragraph.

16 BOARD MEMBER SCHENK: Okay. So I will (inaudible)

17 VICE CHAIR RICHARDS: May I ask a question about
18 that for a moment?

19 MR. FELLEENZ: Sure.

20 VICE CHAIR RICHARDS: So will that be written in
21 such a way that is a time and materials against a maximum
22 price on that number? On the 29 million is that time and
23 materials against -- not to exceed a maximum price?

24 MR. FELLEENZ: Yes, it's a unit price value times
25 whatever the market --

1 VICE CHAIR RICHARDS: Right, I understand unit
2 price, but I'm trying to clarify -- I understand the unit
3 price, but are we also saying that this is a -- this is
4 composed of those unit prices, but with the total cost not
5 to exceed 29, whatever the number?

6 MR. FELLEENZ: Yes, and the time and material is
7 within the unit price.

8 VICE CHAIR RICHARDS: Yes, I understand now.
9 Thank you.

10 BOARD MEMBER ROSSI: It's a not to exceed figure.

11 VICE CHAIR RICHARDS: Right, thanks (inaudible)

12 VICE CHAIR HARTNETT: Yes?

13 BOARD MEMBER HENNING: Mr. Chairman, could you
14 repeat the motion that is on the table for clarity, because
15 I don't think this is chump change here.

16 VICE CHAIR HARTNETT: Sure, it would be -- and Mr.
17 Fellenz correct me if I'm wrong -- the motion on the table
18 is to adopt the resolution, including additional language to
19 the resolution that authorizes the two unit prices stated
20 for hazardous waste that are reported in our report. And
21 have been articulated by Mr. Fellenz for a total price
22 authorized up \$29 million. And what's the 29 million and
23 what?

24 MR. FELLEENZ: 232.

25 VICE CHAIR HARTNETT: 29 million and 232.

1 BOARD MEMBER HENNING: Okay.

2 VICE CHAIR HARTNETT: And I take it the mover and
3 the second are comfortable with that language?

4 BOARD MEMBER SCHENK: Yes, I accept it.

5 BOARD MEMBER FRANK: Yes.

6 VICE CHAIR HARTNETT: Any further questions with
7 respect to the resolution and motion?

8 (No response)

9 Hearing none, if we can have a roll call, please?

10 MS. NEIBEL: Ms. Schenk?

11 BOARD MEMBER SCHENK: Yes.

12 MS. NEIBEL: Vice Chair Richards?

13 VICE CHAIR RICHARDS: Yes.

14 MS. NEIBEL: Vice Chair Hartnett?

15 VICE CHAIR HARTNETT: Yes.

16 MS. NEIBEL: Mr. Rossi?

17 BOARD MEMBER ROSSI: Yes.

18 MS. NEIBEL: Mr. Henning?

19 BOARD MEMBER HENNING: Yes.

20 MS. NEIBEL: Mr. Frank?

21 BOARD MEMBER FRANK: Yes.

22 MS. NEIBEL: Ms. Selby?

23 BOARD MEMBER SELBY: Yae.

24 VICE CHAIR HARTNETT: It passes.

25 So Mr. Morales, did you want to make some

1 introductions of the team?

2 CHIEF EXECUTIVE OFFICER MORALES: Please, and I
3 appreciate the Board's action. And as you noted this is
4 hugely significant.

5 VICE CHAIR HARTNETT: Yeah, if we can have someone
6 retrieve our Chair and fellow Board Member?

7 VICE CHAIR RICHARDS: Yes.

8 (Colloquy between Board Members)

9 VICE CHAIR HARTNETT: It'll be just a minute
10 before they come back in. And just so the members know, we
11 have one additional public agenda following this and then we
12 will be going into closed session pertaining to litigation.
13 And then after that there will be a report out of action, if
14 any from the closed session.

15 CHIEF EXECUTIVE OFFICER MORALES: And I don't
16 think the remaining item should take very long. Obviously,
17 we'll entertain whatever questions or comments the Board
18 has, but I think as far as certainly the presentation that
19 can be quick.

20 VICE CHAIR HARTNETT: Good, sure.

21 CHIEF EXECUTIVE OFFICER MORALES: We should not
22 have too much more time.

23 BOARD MEMBER SCHENK: Yeah, Mr. Vice Chair, thank
24 you for making those comments about the import of this. We
25 tend to get bogged down in the details and the important

1 trivia. But we also need to step back and acknowledge and
2 so thank you for doing that.

3 VICE CHAIR HARTNETT: Thank you. Thank you for
4 being in on the founding of all of this.

5 So we'll give the wayward Chair another 30
6 seconds.

7 So Mr. Morales, if you could start the
8 introductions as the Chair is on his way in. And we'll let
9 him know that he is now resuming the control of the Board
10 meeting. And we sold the system.

11 CHAIRMAN RICHARD: Did you get a good price?

12 VICE CHAIR HARTNETT: Yes. So we're now doing --
13 we've passed the resolution with some amendments on item
14 four. And Mr. Morales is going to make some introductions
15 of the team and some comments. And then after that we'll be
16 on to the next item.

17 CHIEF EXECUTIVE OFFICER MORALES: Mr. Chair, I
18 think Director Hartnett spoke to the significance of what
19 the Board has just done and what we're doing and it is
20 hugely significant.

21 And we are very pleased that we now have on board
22 with the execution of this contract, you know, two world-
23 class teams designing and building the program both on CP1
24 and now on CP2-3. And as we discussed this team, I think
25 showed a tremendous commitment to the program, with the work

1 that it put in, in its proposal and developing its
2 alternatives. And so we look very much forward to working
3 with them in partnership and I believe on behalf of the
4 team, they might want to just say a quick word.

5 We have with us Ricardo Martin de Bustamante, the
6 CEO of Dragados. I don't know if you want to speak or if
7 someone else wants to on behalf of the team, but just a
8 quick word maybe?

9 MR. BUSTAMENTE: Well, first of all thank you very
10 much for your confidence. I am not going to speak. Who is
11 going to speak is Mr. Alejandro Canga is the President of
12 Dragados USA on the West Coast. But the only thing I want
13 to say to Mr. Frank when he asked what Dragados has done
14 internationally about highway speed, we have built more than
15 300 kilometers of highway in Spain from the (inaudible) to
16 the top of the facility. So we are very expertise in that
17 area and we did (inaudible) and we think that we have a
18 strong team and we are not going to fail, for sure.

19 Alejandro, please?

20 MR. CANGA: Good morning Mr. Chairman Richard,
21 Board Members, Mr. Morales. Our team, Dragados-Flatiron-
22 Shimmick is very excited to be here today. We are bringing
23 international experience on high-speed rail combined with a
24 strong local knowledge and local workforce to deliver this
25 important part of California's future. California is

1 leading the way to bringing high-speed rail to America,
2 which will serve the community very well for many years to
3 come.

4 Our team enjoys working in close cooperation with
5 the Authority's team to develop (inaudible) alternative
6 technical concepts, which enhance the performance and future
7 operational costs of the project while also saving a
8 substantial amount of the contract price for the benefits of
9 the Authority and the tax payers.

10 We look forward to continue the collaboration as
11 we advance the design and work with the local community to
12 bring this important project to the reality. Having worked
13 with the Authority during the (inaudible) on the CP1 project
14 we applaud the Authority in their practical approach of
15 working with the design-build teams in improving the
16 procurement process and relationship, building process.

17 We anticipate working with the Authority on many
18 future procurements and hope to continue building more high-
19 speed rail projects for the Authority and the people of the
20 great State of California, who is leading this more
21 efficient transportation to America. Thank you.

22 CHAIRMAN RICHARD: Thank you. Well, I just want
23 to say that we are -- I'm sure I'm echoing what Mr. Morales
24 said and our colleagues said, we are delighted and
25 appreciative of the excellent concepts and ideas and the

1 very aggressive pricing that the Dragados-Flatiron-Shimmick
2 team brought to this. And we wish you great success and we
3 look forward to a long and productive working partnership
4 with you.

5 VICE CHAIR HARNETT: Mr. Chair, I would not call
6 it aggressive pricing, I would call it meaningful pricing.

7 CHAIRMAN RICHARD: Thank you.

8 VICE CHAIR HARNETT: Consistent with the ATCs that
9 were presented and incorporated within the design-build
10 concept.

11 CHAIRMAN RICHARD: For the second time this
12 morning, you have said things more eloquently than I have
13 and so thank you for that. That's good.

14 Jeff, did you want to add anything?

15 CHIEF EXECUTIVE OFFICER MORALES: No.

16 CHAIRMAN RICHARD: Well, thank you very much and
17 you know we really have an international flavor for our
18 high-speed rail program this morning, with the presentation
19 from Japan Rail East, and now this international team that
20 is joining us for this very important construction through
21 the Central Valley. It's a very exciting time.

22 CHIEF EXECUTIVE OFFICER MORALES: I wanted to say
23 Mr. Chairman, so the Board knows, we will move very quickly
24 to negotiate and execute the contract consistent now with
25 this approval, so that we can maintain our progress.

1 CHAIRMAN RICHARD: Absolutely. And I don't know
2 if it's been said. It probably was, but Jeff,
3 congratulations to you and your team. This looks like it
4 was a very well run process that engendered very strong
5 competition, good ideas. And I think that the efficiency
6 with which your team both evaluated the proposals and
7 reached a conclusion really served the project very well.
8 So it's a nice day for you and your team for this as well.

9 Okay. Colleagues, I guess we're now moving to
10 item five, which is the consideration of approval of a
11 request of a proposals for the Fresno to Bakersfield Habitat
12 Mitigation Services.

13 Mr. McLaughlin -- or Mr. Morales did you want to
14 introduce --

15 CHIEF EXECUTIVE OFFICER MORALES: Mr. Chairman,
16 just this is an important issue, but it's one that the Board
17 has dealt with before. We're taking a slightly different
18 approach, I think one that you'll find appropriate and I
19 think beneficial. But I think I would ask Mark to try to
20 move through this fairly quickly in recognition of the time
21 everyone has put in today.

22 CHAIRMAN RICHARD: Right. And I did read through,
23 I'm sure my colleagues did, the materials that you provided.
24 Mr. McLaughlin, good morning.

25 MR. MCLAUGHLIN: Thank you. Good morning, Chair

1 and Members of the Board, I'm Mark McLaughlin, the Director
2 of Environmental Services for the Authority and happy to
3 bring this to you, following the award of the construction
4 project. This habitat mitigation RFP will support that
5 effort and I'd like to thank the project team who put it
6 together.

7 As we all note, permits are required for
8 construction and our resource agencies require mitigation
9 assurance as they issue the permits. And we must have this
10 mitigation in place, or in the process, commensurate with
11 construction and impacts. And we've set up this RFP to be
12 competitive and provide innovative approaches to achieving
13 the required mitigation. The proposers propose a scope of
14 work corresponding to milestones that we have set to ensure
15 fulfillment of all the required mitigation by the regulatory
16 deadlines that we've set up in our permits.

17 For one, the proposed scopes of the work must
18 identify the amount of mitigation that's required and
19 satisfy our mitigation needs. And also the mitigation
20 properties proposed to achieve the habitat requirements for
21 each specific habitat.

22 Also, the final mitigation plan will be identified
23 before permits are issued. And concurrently the way the RFP
24 is set up we will have a timely integration with our
25 regional consultant, this mitigation services provider, to

1 complete our permit package and ensure the final mitigation
2 plan.

3 The successful proposer will meet the minimum
4 qualifications and receive the highest combined technical
5 score with 30 percent on technical and 70 percent on cost.
6 And so also the technical score will focus on the scope and
7 the proposed work experience of the team. The anticipated
8 amount of the contract for the RFP and the duration will be
9 roughly five years. And with a total budget of roughly
10 between \$44,116,200 to \$53,919,800 so a plus or minus range
11 there based upon the properties that would be provided.

12 Also to note the project this cost is in line as
13 expected for larger infra-structure multi-year projects like
14 high-speed rail. It's a large project. It's unlike a small
15 one and allows a longer planner period to integrate the
16 mitigation with the other planning efforts.

17 So the environmental measures for CP2-3 are
18 included in this funding plan also. And it's also to note
19 this maximum estimate of the contract is about 2.7 percent
20 of the \$1.2 billion of CP2-3, and a rough amount of about
21 700 to 900 million of CP-4.

22 So the overall mitigation of including
23 agricultural mitigation, traffic mitigation for the project
24 RVIRA (phonetic) for air quality, is it will total between f
25 and 7 percent. National average is about 8.5 percent.

1 And with that, I'll take any questions at all.

2 CHAIRMAN RICHARD: Questions for Mr. McLaughlin?

3 VICE CHAIR RICHARDS: Just one, Mr. Chairman.

4 CHAIRMAN RICHARD: Vice Chair Richards?

5 VICE CHAIR RICHARDS: Yes, thank you. Mark, is
6 the 44 to 54 not to exceed band consistent budgeting that
7 we've got for the project?

8 MR. MCLAUGHLIN: Yes.

9 VICE CHAIR RICHARDS: It's not in excess of
10 anything that we've budgeted before?

11 MR. MCLAUGHLIN: Yes, the dollars that we've
12 allocated are within the construction budget and within the
13 initial operating section.

14 VICE CHAIR RICHARDS: Thank you.

15 CHAIRMAN RICHARD: Okay, pleasure of the Board?

16 BOARD MEMBER FRANK: Move to stamp recommendation.

17 CHAIRMAN RICHARD: All right.

18 BOARD MEMBER SELBY: Second.

19 CHAIRMAN RICHARD: All right, it's been moved by
20 Director Frank, seconded by Director Selby.

21 Would the Secretary please call the roll?

22 MS. NEIBEL: Ms. Schenk?

23 BOARD MEMBER SCHENK: Yes.

24 MS. NEIBEL: Vice Chair Richards?

25 VICE CHAIR RICHARDS: Yes.

1 MS. NEIBEL: Vice Chair Hartnett?

2 VICE CHAIR HARTNETT: Yes.

3 MS. NEIBEL: Mr. Rossi?

4 BOARD MEMBER ROSSI: (No audible response.)

5 MS. NEIBEL: Ms. Perez-Estolano?

6 BOARD MEMBER PEREZ-ESTOLANO: Yes.

7 MS. NEIBEL: Mr. Henning?

8 BOARD MEMBER HENNING: Yes.

9 MS. NEIBEL: Mr. Frank?

10 BOARD MEMBER FRANK: Yes.

11 MS. NEIBEL: Ms. Selby?

12 BOARD MEMBER SELBY: Yes.

13 MS. NEIBEL: Chairman Richard?

14 CHAIRMAN RICHARD: Yes. Thanks, Mark.

15 MR. MCLAUGHLIN: Thank you.

16 CHAIRMAN RICHARD: Okay. With that, the Board
17 will now enter into closed session to discuss matters of
18 litigation as described in the agenda.

19 We will report back after that.

20 (The Board convened into Closed Session at 12:02 p.m.)

21 (Having no new items to report from Closed Session,
22 Chairperson Dan Richard adjourned the Public Meeting of
23 The High-Speed Rail Authority
24 at 1:15 p.m.)

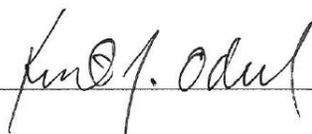
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I do hereby certify that the testimony in the foregoing hearing was taken at the time and place therein stated; that the testimony of said witnesses were reported by me, a certified electronic court reporter and a disinterested person, and was under my supervision thereafter transcribed into typewriting.

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IN WITNESS WHEREOF, I have hereunto set my hand this 28th day of January, 2015.



Kent Odell
CER**00548

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Terri Harper
Certified Transcriber
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