

CALIFORNIA HIGH-SPEED RAIL AUTHORITY

BOARD OF DIRECTORS MEETING

May 11, 2023
9:00 a.m.

LOCATION

California High-Speed Rail Authority
Department of Food and Agriculture Auditorium
1220 N Street
Sacramento, CA. 95814

Public Comment by Zoom:
<https://hsr-ca-gov.zoom.us/j/84709042370>

Webcast available at www.hsr.ca.gov.

Pursuant to Government Code section 11133, the California High-Speed Rail Authority's May 11, 2023, board meeting will be conducted in-person and via webinar. Board Members will participate in the meeting from The Department of Food and Agriculture, 1220 N Street, Sacramento, CA, and individual remote locations. Members of the public can view the board meeting either in-person or online at <https://hsr.ca.gov/>.

Reported by:
M. Nelson

APPEARANCESBOARD MEMBERS

Tom Richards, Chair

Nancy Miller, Vice Chair

Lynn Schenk

Martha Escutia

Anthony Williams

Ernest Camacho

James C. Ghielmetti

Henry Perea

Emily Cohen

EX OFFICIO BOARD MEMBERS

Assembly Member, Dr. Joaquin Arambula

Senator Lena A. Gonzalez

STAFF

Brian P. Kelly, Chief Executive Officer

Brian C. Annis, Chief Financial Officer

Alicia Fowler, Chief Counsel

Bill Casey, Chief Operating Officer

Daniel Horgan, Deputy Chief Operating Office

Ben Ruiz, Project Manager

Britton Snipes, Board Secretary

Christine Inoyue, Chief Engineer of Strategic Delivery

APPEARANCES (Cont.)

PRESENTERS:

Tom Richards, Chair, Board and Finance & Audit Committee

Brian P. Kelly, Chief Executive Officer

Bill Casey, Chief Operating Officer

Chrstine Inoyue, Chief Engineer of Strategic Delivery

Alicia Fowler, Chief Counsel

PUBLIC COMMENT:

David Schwegel, North America for True High-Speed Rail

Roland Lebrun, Self

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| • Burbank-Glendale-Pasadena Airport Authority v. California High-Speed Rail Authority (Sacramento Superior Court Case No.34-2022-80003821) | |
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P R O C E E D I N G S

9:01 a.m.

PROCEEDINGS BEGIN AT 9:01 A.M.

CALIFORNIA, THURSDAY, MAY 11, 2023

CHAIR RICHARDS: Good morning, ladies and gentlemen. And welcome to our Board Meeting here on May the 11th, 2023. This morning we will start out with asking the Secretary to call the roll. The meeting is called to order.

MR. SNIPES: Thank you, Mr. Chair.

Director Schenk.

BOARD MEMBER SCHENK: Present.

MR. SNIPES: Chair Richards.

CHAIR RICHARDS: Here.

MR. SNIPES: Director Camacho.

BOARD MEMBER CAMACHO: Present.

MR. SNIPES: Vice Chair Miller.

VICE CHAIR MILLER: Here.

MR. SNIPES: Assembly Member Arambula.

EX OFFICIO BOARD MEMBER ARAMBULA: (No audible response.)

MR. SNIPES: Director Perea.

BOARD MEMBER PEREA: Here.

MR. SNIPES: Okay. Director Escutia.

BOARD MEMBER ESCUTIA: Here.

1 MR. SNIPES: Director Williams.

2 BOARD MEMBER WILLIAMS: Here.

3 MR. SNIPES: Senator Gonzalez.

4 EX OFFICIO BOARD MEMBER GONZALEZ: (No audible
5 response.)

6 MR. SNIPES: Director Cohen.

7 BOARD MEMBER COHEN: Here.

8 MR. SNIPES: Mr. Director, we have a quorum.

9 CHAIR RICHARDS: Thank you, very much. And if we
10 could ask Director Camacho, if you would lead us in the
11 Pledge of Allegiance.

12 (Whereupon the Pledge of Allegiance was recited.)

13 CHAIR RICHARDS: Thank you, Ernie.

14 Ladies and gentlemen, before we move into public
15 comment and you get the background on what you need to do
16 in order to address us today, first of all it's great to
17 have all nine members in one place at one time. And it's
18 not on tiny little screens, so this is great. I hope this
19 is a new beginning.

20 I wanted to mention something that happened the
21 Saturday before last, and Director Perea and I were there.
22 But for some Board Members who weren't here at the time
23 when we were involved in the litigation with Kings County
24 years ago on environmental and other issues, we worked
25 towards a resolution which included mitigation. And in

1 terms of we had an interest in how the money was going to
2 be used for mitigation. This is environmental mitigation
3 and other things.

4 And so I was contacted by one of the members of
5 the Board of Supervisors who is a veteran of the United
6 States Marine Corps. And at the time, he was a member.
7 Today he's the Chairman of the Board. His name is Richard
8 Valle. Anyway Richard called and said, "You know, I would
9 wonder if High-Speed Rail would support the use of some of
10 the mitigation for an idea that we have," for one of the
11 small towns in his district. He told me about it. And I
12 talked with our Chair and the Chair was talking to the
13 Chair of Kings County, Board of Supervisors and ultimately
14 an agreement was struck. And that agreement was that \$1
15 million of mitigation would be used to develop and build a
16 Veteran's Memorial in a new park in Corcoran, California.

17 Corcoran is like -- it's what you dream about
18 with an all-American town. There's a lot of underserved
19 people. That's not what you dream about, but people who
20 have great pride in their community and pride in being a
21 citizen of the United States of America. And interestingly
22 also, but not surprisingly, a large number of veterans in
23 Corcoran, California.

24 So two Saturdays ago, Director Perea and I were
25 there while they opened and commemorated the Veterans

1 Memorial, which is called "Five Pillars of Freedom." It
2 was absolutely -- it was amazing. And Richard Valle had a
3 stunning list of veterans who spoke. What they did with
4 this money is something that each and every one of us here
5 can be very proud of. And what we did for that community
6 touches your heart.

7 So I put in front of each of you these
8 commemorative coins, which I hope you would realize how
9 important they are to the people who were responsible for
10 putting it together. But -- and Richard Valley was a
11 prince if anything.

12 At the end by the way, were two F-15s. I don't
13 know which following designation from Omar, Naval Air
14 Station they (indiscernible). Well, okay. What were they,
15 Henry? At any rate, they were amazing. And it went so
16 incredibly well I don't know if you want to add anything,
17 any more to it. But they've got great leadership. Not
18 only that, but with the Vice Mayor Nolen whose husband
19 recently passed away and who was a veteran, this was a
20 mission of hers also.

21 So for all of us on this Board there's lots of
22 things to be proud of. This is something that you can be
23 very, very proud of. So anyway, thank you.

24 So beyond that we will -- I'm going to announce,
25 I had hoped to have a conversation briefly with the members

1 on the Finance and Audit Committee. As you noted, we put
2 the Board Meeting first today. What I would like to do
3 with your permission if you -- is that we will not have a
4 Finance and Audit meeting, but what I will do is I'll just
5 present the high points that I've gone through and you've
6 all seen in the packages you've got. So rather than having
7 that after this meeting and closed session, we will convene
8 the next Finance and Audit meeting next month. Is that
9 acceptable? (No audible response.) We've got two. Jim?
10 Okay, great.

11 Okay with that, then we will turn to public
12 comment, and Mr. Secretary, please allow our visitors and
13 guests to know what they need to do to address us.

14 MR. SNIPES: Thank you, Mr. Chairman. Good
15 morning, everybody.

16 Before we begin public comment for the California
17 High-Speed Rail Board of Directors meeting I would like to
18 go over some important information.

19 For members of the public who have joined us in
20 person and wish to provide public comment, you will be
21 called upon in the order that we have received your card.
22 If you are joining us via Zoom and wish to provide public
23 comment, please use the "raise your hand" feature located
24 at the bottom of your screen. Or if you are dialing in by
25 phone, pressing the number two will raise your hand and put

1 you into our queue.

2 Speakers will be called upon in the order their
3 hands are raised. Once you are in the queue, your name
4 will be called. Please click the prompt on your screen to
5 allow your microphone to be unmuted. If you're joining by
6 phone, we will call upon you on the last four digits of
7 your phone number. At that point, you will hear a message
8 that you are being unmuted.

9 Each speaker will be given two minutes to speak.
10 I will remind you when you have 15 seconds remaining. When
11 it is your turn to speak, please slowly and clearly say
12 your first and last name and if applicable, state the
13 organization you are representing.

14 Mr. Chair, we will begin with the in-person
15 speakers. Our first speaker is Roland Lebrun.

16 MR. LEBRUN: Good morning, Chair Richards,
17 Members. It's really nice to be back with you in person.
18 And thank you for the segue, because what I want to talk
19 about is resolution to mitigation.

20 I'm looking at your Item Number G today. These
21 are closed session items. And believe it or not, what is
22 most remarkable is what's missing. I'm not seeing a single
23 lawsuit between San Jose and Merced. And the reason why
24 that happened is that five and --

25 CHAIR RICHARDS: Mr. Lebrun, are you able to

1 speak a little bit closer to your mic?

2 MR. LEBRUN: Is that better?

3 CHAIR RICHARDS: That's much better, thank you.

4 MR. LEBRUN: -- is that five years ago, I was
5 able to meet with Mr. Roy Hill. And we discussed the
6 situation between San Jose and Gilroy. And you were headed
7 -- facing massive lawsuits from both cities, which were
8 about to be destroyed by High-Speed Rail. The eventual
9 outcome was Alternative 4. This is what we got in the 2018
10 Business Plan, and the Mayor of Gilroy actually came over
11 and thanked you for that alignment.

12 The reason I'm approaching you today is that you
13 have got four lawsuits in the Peninsula. You've got two
14 from Millbrae and another two from Brisbane. And with your
15 permission I'm reaching out to you to schedule a meeting
16 with Foster in Partners (phonetic) in Arup to discuss
17 alternative designs for Millbrae with an objective of
18 actually improving the station as it stands now.

19 And also to resolve the situation in Brisbane --

20 MR. SNIPES: Fifteen seconds.

21 MR. LEBRUN: Arup is essential in this
22 conversation, because they were the designer for the Temple
23 Mills Depot, which is seven miles east of St. Pancras. And
24 no they don't need half of the Bay lines to get the job
25 done. Thank you.

1 MR. SNIPES: Thank you.

2 CHAIR RICHARDS: Thank you, Mr. Lebrun.

3 MR. SNIPES: Our next speaker is David Schwegel.

4 CHAIR RICHARDS: Good morning, Mr. Schwegel.

5 MR. SCHWEGEL: Good morning, Board Members, and
6 outstanding support to the Board Members as well. Let me
7 see if I can get through to Joe Biden. Can you hear that?

8 "I can only get texts at this number, but if you
9 want to call the White House it's (202) 456-1414, (202)
10 456-1414. Looking forward to hearing from you."

11 You got that down? So you need to go through Joe
12 Biden to get a tour of the White House. And you also have
13 to go through your own congressional representatives to get
14 the tour of the White House, but let's talk Washington D.C.
15 for a bit.

16 Next week, May 16th through the 17th, the US
17 High-Speed Rail Association is putting on a phenomenal
18 conference at the Sidley Austin Conference Center right
19 there in the heart of Washington D.C., a few blocks away
20 from the White House. People have a variety of reasons for
21 wanting to go to this event. For me, I cannot afford not
22 to go. Because this is a once-in-a-lifetime opportunity to
23 try to bring the State of California and the federal
24 government closer together, and on the same page.

25 Here in California we've been going green very

1 aggressively. But I kind of feel like there's too much oil
2 money and the Koch brothers in transportation planning in
3 US politics. They have a lineup of around 60 speakers, and
4 some are going to go for hearing those 60 speakers. Others
5 are going to go for the round trip Acela ride between
6 Washington D.C. and New York scheduled for Friday after the
7 conference, Friday May 19th.

8 Some, get this, are going to go there to see Mr.
9 Andy Kunz, the President/CEO of the US High Speed Rail
10 Association give me a big whipping, take me out behind the
11 bar with the hose. Because he's told me twice, "David, we
12 don't want you to come to the conference. No, wait for us
13 to come to California." I said, "Andy, I'm not missing
14 this for the world."

15 So we'll see you in D.C. on the 16th and 17th of
16 May next week. It'll be fun. Byebye.

17 CHAIR RICHARDS: Thank you, Mr. Schweigel.

18 MR. SNIPES: Mr. Chair, we will now move to the
19 Zoom participants.

20 Once again if you are joining the meeting via
21 Zoom and wish to participate in public comment, please use
22 the "raise your hand" feature located at the bottom of your
23 screen. Or if you are dialing in by phone, press the
24 number two. This will raise your hand and put you into the
25 queue. Speakers will be called upon in the order that

1 their hands are raised.

2 Once you are in the queue and your name is
3 called, please click the bottom -- please click the prompt
4 at the bottom of your screen to allow the microphone to be
5 unmuted. If you are joining by phone, we will be calling
6 upon you on your last four digits of your number. At that
7 point you will hear a message that your phone is being
8 unmuted.

9 Each speaker will be given two minutes to speak.
10 I will remind you when you have 15 seconds remaining. When
11 it's your turn to speak, please slowly and clearly say your
12 first and last name, and if applicable, state the
13 organization you're representing. (No audible response.)

14 Mr. Chairman, at this time, we don't show any
15 speakers from Zoom or phones.

16 CHAIR RICHARDS: All right, thank you very much,
17 Mr. Secretary.

18 So we will now move on to the agenda items for
19 today. The first is consideration of approving the March
20 16th '23 Board --

21 BOARD MEMBER CAMACHO: Move approval.

22 BOARD MEMBER WILLIAMS: Second.

23 CHAIR RICHARDS: -- Meeting Minutes. Yes, by
24 Director Camacho and a second by Director Williams, all in
25 favor? Oh, call the roll if you will.

1 MR. SNIPES: Director Schenk.

2 BOARD MEMBER SCHENK: (No audible response.)

3 MR. SNIPES: Chair Richards.

4 CHAIR RICHARDS: Here. Yes.

5 MR. SNIPES: (Indiscernible)

6 CHAIR RICHARDS: Too many people are talking to
7 me.

8 MR. SNIPES: Vice Chair Miller.

9 VICE CHAIR MILLER: Aye.

10 MR. SNIPES: Director Perea.

11 BOARD MEMBER PEREA: (No audible response.)

12 MR. SNIPES: Director Ghielmetti.

13 BOARD MEMBER GHIELMETTI: (No audible response.)

14 MR. SNIPES: Director Escutia.

15 BOARD MEMBER ESCUTIA: (No audible response.)

16 MR. SNIPES: Director Williams.

17 BOARD MEMBER WILLIAMS: Aye.

18 MR. SNIPES: Director Cohen.

19 BOARD MEMBER COHEN: Aye.

20 MR. SNIPES: Mr. Chairman, the measure passes.

21 CHAIR RICHARDS: Thank you. And now on to Item
22 Number Two, the Construction Update. We'll start out with
23 our CEO, Mr. Kelly. Good morning.

24 MR. KELLY: Good morning, Mr. Chairman and
25 members. Brian Kelly, Chief Executive Officer of the

1 California High-Speed Rail, reporting. I have with me here
2 today, Ben Ruiz, who is our Contract Manager for our
3 Construction Package 2-3 in the Central Valley. Of course,
4 you guys know Daniel Horgan. He was our Deputy CEO -- COO
5 on the project, and so was Bill Casey. Bill Casey, our
6 current COO on the project. And as we go through this they
7 may step up and walk through a couple of issues or help
8 answer some of your questions.

9 But as the Board may recall, every November and
10 May, I walk through an update on where we are in
11 construction. And May being upon us, it's time to do it
12 again. So we'll walk through each of the challenges and
13 opportunities on the Construction Packages 1 through 4.

14 I think one thing I just want to say as an
15 overview on this, because the challenges for each package
16 are the same, the difference is the magnitude of the
17 challenge. And the nearly singular challenge is moving the
18 utilities, doing the third-party agreements, and moving the
19 utilities so we can get to full construction.

20 We are well through this on CP4, which we will be
21 concluding later this summer. But there's more to do and
22 higher levels of -- thank you. Okay. More to do and
23 higher levels of challenges on CP1, for example that goes
24 right through downtown Fresno, and on 2-3.

25 But all of this is about moving utilities. And

1 typically in a project, and as we've stated before, as we
2 go forward into the next construction projects, we are
3 working to make sure we sequence this correctly so that
4 these kinds of things are out of the way before we start
5 construction. That's going to be really important for us
6 going forward.

7 BOARD MEMBER SCHENK: Brian?

8 MR. KELLY: Anyways -- yes?

9 BOARD MEMBER SCHENK: Just a quick question. Are
10 the slides that we have --

11 MR. KELLY: Yes.

12 BOARD MEMEBR SCHENK: -- in our Board book the
13 same as what's up here --

14 MR. KELLY: Yes.

15 BOARD MEMBER SCHENK: -- and if there's going to
16 be any update, if you would just point it out --

17 MR. KELLY: I will.

18 BOARD MEMBER SCHENK: -- because it's sort of
19 hard to --

20 MR. KELLY: Yeah, I will.

21 BOARD MEMBER SCHENK: Okay, thank you.

22 MR. KELLY: Okay. So let's move to the next
23 slide, and I'll jump right into this.

24 Just to orient the public and all of you, the
25 initial operating segment that we're proposing to build is

1 the 171 miles between Merced and Bakersfield. It is all
2 100 percent environmentally cleared, 119 miles currently
3 under construction. We are in advanced design on 52
4 additional miles. We're in design now on the Central
5 Valley stations. And we're looking forward to coming back
6 to the Board later in the year for advancement on the track
7 and systems procurements, and ultimately a train
8 procurement in 2024. Initial operations between 2030 and
9 2033, as we indicated in the Project Update Report. Next
10 slide.

11 BOARD MEMBER PEREA: Brian, I have a question for
12 you, please.

13 MR. KELLY: Yes.

14 BOARD MEMBER PEREA: Could you go back to that
15 previous slide?

16 MR. KELLY: Sure. Could we go back to the prior
17 slide? Thank you.

18 BOARD MEMBER PEREA: Just using that map as our
19 guide, the Brightline Project, where was it originally
20 going to come and where is it going to be now? Do you have
21 a pointer or a light that we could --

22 MR. KELLY: Yeah, I don't have a pointer. But
23 let's use that map and I will -- I'll kind of walk you
24 through it.

25 BOARD MEMBER PEREA: Okay.

1 MR. KELLY: Initially Brightline was going from
2 Victorville, which is about 50 miles east if you look at
3 the Palmdale dot on this map. There you go.

4 Moving about 50 miles to the east is the town of
5 Victorville. And initially they were going to do an
6 operating segment between Victorville and then going
7 directly east, through mostly desert area into Las Vegas,
8 on the Nevada side of the border. I think the entirety of
9 that stretch is on the order of 160, 170 miles. And about
10 140 of those miles are on the California side. But it's
11 directly east from that -- that Palmdale dot is what you're
12 looking at. Victorville is slightly to the right of that.
13 And then their initial segment was Vegas to Victorville.

14 Now, Brightline has had some challenges on
15 selling their --they started out as a wholly private
16 entity. And so they had some challenges in selling their
17 bonds to begin construction on that ridership level there.
18 And I think also troubled by COVID and other things that
19 upset the marketplace. But now Brightline is looking to go
20 still to Victorville, but then turning a bit south to go to
21 Rancho Cucamonga. And that extends their trip up out to
22 roughly 200 miles. Rancho Cucamonga is slightly east of
23 downtown LA. And so their goal is to go there and then
24 ultimately, they'd like to reach the LA Union Station. But
25 their initial segment at this point is coming in from the

1 east into Rancho Cucamonga. And there you see it, Rancho
2 Cucamonga to Victorville, and then they turn right or east
3 to Las Vegas.

4 BOARD MEMBER ESCUTIA: Brian, if I may?

5 MR. KELLY: Yeah.

6 BOARD MEMBER ESCUTIA: I think this discussion on
7 Brightline is critical, and one that we have to have
8 amongst us Board Members as well as the public. But I
9 don't want it to interrupt your report on Construction
10 Update, but through the Chair, you know, maybe this is a
11 discussion, Mr. Chairman, in terms of Brightline and its
12 impact on High-Speed Rail that we need to have as a Board.

13 I think this is an opportunity for us to look at
14 Brightline as a potential partner. But at the same time,
15 we need to figure out, as I was discussing with some Board
16 Members yesterday, how was it that Brightline was able to
17 get rights of way for free in California, and that we in
18 California approved that? That to me is absolutely
19 stunning. And it is what it is. But you know, there's an
20 opportunity here to perhaps remedy that. But it's
21 definitely an example of how can we make this a win-win
22 situation for both Brightline as well as for High-Speed
23 Rail. But I don't want it to interrupt your Construction
24 Update Report, but it's definitely something that we need
25 to discuss like now.

1 BOARD MEMBER PEREA: Could we agenda-ize that for
2 later?

3 BOARD MEMBER ESCUTIA: Mr. Chairman --

4 CHAIR RICHARDS: Yes, I'll work on putting that
5 on the agenda.

6 BOARD MEMBER PEREA: Okay.

7 CHAIR RICHARDS: Okay. Thank you.

8 BOARD MEMBER SCEHNS: Yeah.

9 CHAIR RICHARDS: Yes, Director Schenk.

10 BOARD MEMBER SCHENK: Yeah, I agree. There was
11 just something that our CEO just said that had a little red
12 flag, that they didn't do well on their bonds. So are they
13 going to be a competition with us for public dollars? And
14 so again, I agree with Martha, we don't want to divert you
15 from your report. But that's something that we ought to be
16 talking about.

17 MR. KELLY: I don't know if you want me to
18 respond to any of that or just get back to the report. But
19 I mean I would just say that Brightline has redefined
20 themselves. And at one time, they were going to be a
21 private only entity running a private only operation. They
22 could not sell bonds to achieve that. That is not unusual
23 in Texas. They tried to go all private on high-speed rail.
24 They have not advanced the ball very far.

25 Brightline is now seeking public funds for -- to

1 start their operations. Some of that, in my view, I see
2 some opportunity. In my view, electrified high-speed rail
3 throughout California is a positive. And we can and should
4 find ways to work with them. And so I'm hopeful that
5 through that discussion we can get there. Because I also
6 think there's great opportunity for economies of scale on
7 things like equipment and other things that can help us
8 both. But it's a conversation for another day.

9 Just a last point, they did get what I would call
10 a deal that I'm envious of on right-of-way. But in part
11 it's because they're building their system totally within -
12 - almost totally within the highway right-of-way of
13 Caltrans. And part of their deal is that they're making
14 certain improvements to some of that Caltrans right-of-way,
15 but they access that and --

16 BOARD MEMBER ESCUTIA: So Caltrans gave them the
17 rights-of-way for free?

18 MR. KELLY: No. Well, there was an agreement. I
19 -- there was an agreement with the Department that involved
20 how they got it. They did not have to spend volumes of
21 dollars, but they do make some commitments to improving
22 some of the assets that Caltrans now owns. And that's part
23 of their agreement.

24 BOARD MEMBER WILLIAMS: Mr. Chair? Mr. Chair?

25 CHAIR RICHARDS: Okay. Yes. Yes, Director

1 Williams.

2 BOARD MEMBER WILLIAMS: No, I appreciate that
3 this has come up. And I wholeheartedly support the notion
4 that we have that conversation. And I guess I would say a
5 friendly amendment to that is that we not limit ourselves
6 to just a discussion of Brightline. I think as a Board, we
7 should be thinking about what all of our options are with
8 all of our potential partners are to move this system
9 forward. So I think if we could think about -- maybe the
10 initial conversation is with Brightline, because they are
11 further along in terms of their presence here in
12 California, and a future potential presence here in
13 California. But I don't think we should limit ourselves to
14 just a discussion of Brightline, I think we should think
15 about all of our expanded partners -- potential partners.

16 CHAIR RICHARDS: Thank you.

17 BOARD MEMBER GHIELMETTI: Mr. Chairman?

18 CHAIR RICHARDS: Yes, Director Ghielmetti.

19 BOARD MEMBER GHIELMETTI: Wouldn't this be
20 appropriate to have a workshop to talk about it.

21 CHAIR RICHARDS: Yes, I think so. I think that
22 what we'll do is Brian and I will get together and we'll
23 decide the best way to get the most information out as soon
24 as possible, and have that discussion.

25 BOARD MEMBER GHIELMETTI: We can have a better

1 exchange.

2 CHAIR RICHARDS: Yes, I agree. Okay.

3 BOARD MEMBER ESCUTIA: As well as having the
4 benefit of legal advice in this workshop. Because as I was
5 discussing with some -- with Lynn last night. And
6 obviously, I'm coming here at this as a lawyer. The
7 question for me is we have a private corporation that
8 received rights-of-way for free from our own transportation
9 agency, and does that amount to a gift of public funds?
10 You don't have to answer that right now. It's a legal
11 question. But it's something that needs to be briefed.
12 You know, I would love to get a legal brief on that one, in
13 preparation for this type of a workshop.

14 CHAIR RICHARDS: Thank you. I think what we can
15 do is -- to each of the Members of the Board, any items
16 that you want to have discussed when we get this put
17 together, please make sure you let me know. Just send me a
18 text or an email and we'll get back to you. And we'll work
19 towards incorporating all the things that would be
20 appropriate for a workshop type of environment. Okay.

21 MR. KELLY: Thank you, Mr. Chairman, and Members.

22 CHAIR RICHARDS: Thank you.

23 MR. KELLY: Next slide if we can get back to
24 that? Okay. So generally on the Central Valley Update, you
25 know, what are our objectives and goals as we go forward?

1 We're achieving strong construction management in 2023.

2 The first part of that, as we've discussed
3 before, is completing entirely the full project definition.
4 And as we've talked about before on this Board, and what we
5 put in prior business plans and project update reports, is
6 getting all of the past agreements defined. Put them in
7 the contracts and put them into our budgets and that's what
8 we're doing. Twelve out of thirteen outstanding major
9 commercial issues have been settled. And the one big one
10 that's outstanding is now in arbitration. And that's where
11 we are on that.

12 Completing right-of-way. This has been one of
13 our better success stories here is when we started back in
14 2018 we had about 1,400 parcels done, we needed 2,300.
15 Today we're up to 2,222 delivered to the contractor.
16 That's about 97 percent. We'll be at 98 percent by the end
17 of 2023.

18 And then importantly as you'll see in the
19 presentation, going forward, our efforts to finalize third-
20 party approvals and agreements so we can move utilities.
21 This is a big part of what we're working on now. We have
22 formed both a taskforce on this and reshuffled some
23 management to oversee the third-party agreements. And we
24 have very focused work on this.

25 We were tracking 67 different utility relocations

1 that were escalated to me through work with our staff; 65
2 of those have been resolved. And we're working to conclude
3 the final two. Again, that number will move as we have new
4 challenges. But again on the initial set we're making
5 great progress.

6 And then updating design and construction
7 activities, working with the design build contractors to
8 resequence work and mitigate schedule impacts where we can,
9 and we're doing that now through negotiation with them as
10 we get the final schedule set for CP1 and 2-3. Next slide.

11 Right-of-way status, I'll move through these
12 pretty quickly but as you can see here between 2018 and
13 2023, we added 141 parcels to the contractor, 410
14 additional parcels were added. And they were added,
15 because we were finally finalizing prior design changes.
16 Those are now done. And then you can see on the right
17 we're now at 2,222 parcels delivered on that pie chart.
18 That's 96.6 percent. And the parcels required has actually
19 dropped a little bit, it's down to 2,293, which makes our -
20 - puts us at about 97 percent complete with right-of-way.
21 Next slide.

22 This is just a graphic that shows the process of
23 right-of-way, the different colors around the ring, our
24 steps in the process to gain private property for a public
25 works project. And without going into too much detail on

1 that, I'll just say that in September 22 we had 160 parcels
2 remaining. Today, we're down to 71 remaining. So again
3 we're moving right-of-way pretty efficiently. Next slide.

4 I want to start with Construction Package 4,
5 because this is the one that is the furthest along. The
6 definition of this project is the southernmost 22 mile
7 stretch on the 119 construction segment in the Valley, that
8 includes at-grade retained fill and aerial sections of the
9 high-speed rail alignment. Substantial completion is
10 expected this summer in 2023. And I'm going to talk about
11 the most recent risk involved with that schedule in just a
12 moment. Next slide.

13 This is something that we report each month to
14 the F&A Committee. The bottom yellow dotted line would
15 show sort of an underperformance, the red line would be a
16 preeminent performance in terms of schedule and cost and
17 how we're moving this through, the blue line is where we
18 are. We're scheduling a July -- right on this -- July, end
19 of July completion date. And we're in a July-August
20 schedule right now on that. And again I'll talk about
21 what's affecting the schedule on CP4 next. Next slide.

22 Oh this is the scorecard that we typically use to
23 go through the status of each project. Again, all the
24 design on CP4 is completed, 96 percent of the right-of-way
25 parcels had been delivered. Utility relocation is 84

1 percent done. And then all the structures and all the
2 guideway are either completed or in progress. But right
3 now the overall contract is through about 90 percent. Next
4 slide.

5 So the biggest single issue on CP4, and this is a
6 theme you'll hear on each of them, but it is moving the
7 utilities that we have to get out of the way to complete
8 the work in the guideway. Our goal is to get the guideway
9 completely open and clear, so we can talk about getting the
10 track installed as soon as we can.

11 So the last remaining issue here really is
12 there's a series of conflicts that we have with an
13 irrigation district down there called Semitropic Irrigation
14 District. And it's been -- over the course of several
15 years we've gone through difficult negotiations to get
16 agreement on how we would review the work and execute the
17 work. The good news is we're at the end of that review
18 process, they've approved virtually all of the designs for
19 the utility relocation here. And we're coming to the last
20 ones on this.

21 The risk to the schedule at this point is tied to
22 the rainfall that we've had in 2023, because these
23 irrigation districts are now moving a lot of water. And
24 again you'll hear more about this at the end of the
25 presentation. But on CP4, that means that Semitropic is --

1 has a little less ability to shut down certain flows where
2 we would need to move that work. And so our team is
3 working with them now on a schedule and a coordination of
4 how we can do that to stay on schedule, and get this work
5 moved.

6 But because of the volume of water, there's a lot
7 of things that they're doing on the water policy side that
8 requires them to keep water moving. And so we're working
9 with them on each location we can shut down, move the
10 pipes, and have them still achieve what they're trying to
11 achieve in moving water. And again it's a big water year.

12 So we're working through that. And that's really
13 the last issue. I would just say this, CP4 is 22 miles
14 long, 20 to 21 miles of this are either complete, all those
15 structures, the guideway is complete, or in progress and
16 close to completion. Now the issue that's holding up is
17 that last mile, which is about the -- it's about the --
18 it's not one continuous mile, but each conflict we have
19 with Semitropic equals about one mile in total. And so
20 it's getting these things done so we can move this utility
21 line to complete CP4. That's where we are.

22 I'm happy to answer any questions about that, or
23 move on. Okay.

24 Director Perea had asked us to include in both
25 the F&A Committee reports and in the presentation here,

1 sort of a scorecard on the utility relocations that are
2 involved on each of the CPs. So if we go to the next
3 slide.

4 This is the high-level summary of what's needed
5 to advance CP4. You see there's 143 total utilities that
6 need to be moved down there. They're mostly split between
7 Electric, Gas, Telecom and Water. And thus far on CP4, we
8 have 120 of the 143 have been relocated or are in progress
9 now. And we have 23 that are yet to start. Most of those
10 are related to the Semitropic utility issue. Next slide.

11 Again just breaking this out further by each
12 category, you can see that total electric utilities in this
13 area is 62. Most of those are completed, only two have not
14 started yet. Gas, all of those have been moved. Telecom,
15 33 are needed. They're all moved or in progress. And the
16 last is the irrigation, and that's the not started, you see
17 21, that's really tied to the Semitropic issue that we
18 outlined. But again, the teams are working constructively
19 with Semitropic on that schedule in coordination to move
20 those. Next slide.

21 BOARD MEMBER PEREA: So Semitropic was the only
22 issue on CP4?

23 MR. KELLY: It really is the last remaining issue
24 that we have to get solved. I mean, there's a lot of
25 things that we've done in recent months. For example,

1 we're about -- we've just concluded a series of agreements
2 with the city of Wasco, to complete the work in downtown
3 Wasco. And that's with Garth Fernandez, powered through
4 some tough negotiations with North Kern Water District.
5 But that's mostly behind us. It's really now about the
6 timing of being able to move the Semitropic equipment and
7 that's really what's left. Okay.

8 VICE CHAIR MILLER: Hold on, just quickly. But
9 that's not affecting your schedule, this slide that you
10 went through before, you don't think?

11 MR. KELLY: Well, the issue that -- we are on
12 schedule to complete in the summer of 2023. The question
13 that's a little outstanding, is we have to work with
14 Semitropic on the volume of water that they are now moving.
15 And how and when we can coordinate the closure of certain
16 elements so we can move the pipes. And generally, it's a
17 48 hour closed period we need to move the pipes and we're
18 going through that process with them now.

19 The volume of water has upped their business.
20 And so, they're moving water more continuously now. And so
21 we have to work with them on that schedule, but that's
22 where it stands right now.

23 VICE CHAIR MILLER: So we don't know? Your
24 answer (indiscernible) --

25 MR. KELLY: No, I mean, we don't know. But

1 again, at this -- today as I'm standing here right now
2 we're on a summer 2023 schedule, and we're just working
3 through with them how we can move each one of those. And
4 again, as the water volume changes and anything changes
5 we'll come back and say this is where we are. But it's the
6 last issue remaining on CP4.

7 Construction Package 1. This is the 32-mile
8 stretch that is the northern part of the 119 miles. It
9 goes right through urban Fresno. Unlike some of the other
10 construction areas that are mostly rural, this goes right
11 through the downtown Fresno area. There is 19 grade
12 separations, 3 viaducts, and 2 trenches. Our estimated
13 substantial completion date is 2026, as we indicated in the
14 project update report. Next slide.

15 Scorecard here is again we've made a lot of
16 progress in the last couple of years on this. We've
17 approved all of the design here. The right-of-way handed
18 to the contractor is up to 98 percent on CP1. Utility
19 relocation, there are a ton of utilities to move through
20 the downtown Fresno area. Seventy-eight percent are done
21 or are in progress. But just to give you an order of
22 magnitude, we need 992 utilities to be moved just in
23 downtown Fresno just through this stretch here. So there's
24 a lot to move. But again, we're making good progress. And
25 I'll get to that in just a minute.

1 Structures complete or in progress, about 80
2 percent. Miles of guideway complete or in progress 63, and
3 the contract is 65 percent through. Next slide.

4 Again, this is just a snapshot of where we are on
5 the structures. There are 33 total structures that need to
6 be completed, 17 of those are done, 9 are underway, and 7
7 are remaining to be started. Next slide.

8 The guideway, again for the 32 miles of guideway:
9 2 miles is totally complete, 18 miles are underway, and the
10 last 12 miles are remaining. Next slide.

11 Again, like with CP4 it's all about moving the
12 utilities. Here there are more utilities and different
13 kinds. That first issue is our ability to work with the
14 City of Fresno to approve road closures so we can advance
15 work. But I'm happy to report again, mostly due to the
16 work of Garth Fernandez, our Regional Director working with
17 the Mayor's Office in the City of Fresno they just agreed
18 to a two-and-a-half-year road closure on Church Avenue,
19 which is very helpful to keep us on schedule. And so that
20 we are now moving utilities on Church Avenue because of
21 that.

22 The other risk is construction progress due to
23 spring snow melt impacts on the Fresno Irrigation District.
24 And again this is the same issue with Semitropic. They're
25 all moving a lot more water these days. And so we have to

1 work with him very closely on coordinating when we can shut
2 down various pipes to move and continue our work. And so
3 that's what we're doing.

4 We have had a lot of conversation with the
5 railroads, UP, and mostly UP in this area, about getting
6 approvals for where we're touching their assets or crossing
7 their applications. And again, our third-party team is
8 working better today with UP than I've seen in some time.
9 And the good news is they've recently approved a couple of
10 things including the design of the intrusion protection
11 barrier, and that work is now moving quickly. And then we
12 have significant utilities that require these third-party
13 approvals that I talked about before.

14 So we have a lot of risk mitigations underway to
15 deal with those risks, including partnering with the City
16 of Fresno on Church Avenue, a close coordination with the
17 Fresno Irrigation District to understand the flows and
18 develop a mitigation plan to move those facilities. And
19 we're conducting and have conducted partnering meetings
20 with the executive engagement of UPRR to advance and
21 enhance that relationship. And that's going well.

22 And also we're engaging all the third-party
23 executives and management teams where we need them from
24 AT&T, PG&E and others to get approvals of things we need to
25 get approved to move the utilities. So all of that is work

1 that we have underway. Next slide.

2 Again, the summary here on utilities is large.
3 This mostly is through urban Fresno. You need a total of
4 relocations of 992 utilities. We have relocated or have in
5 progress about 774 of those. So we have left about 218 to
6 get started, but that's where we are.

7 And just to give you a magnitude of how we have
8 moved this this ball, between 2015 and 2020, the Authority
9 -- and that was six years -- the Authority relocated a
10 total of 523 utilities. And in the last three years, '21
11 and '22, and what we're doing in '23, we're moving about
12 700. So our pace has gone up significantly. And we have
13 to keep that pace and in fact increase that pace to make
14 sure we complete the schedule. But the work and the
15 magnitude of utility relocations is up significantly. Next
16 slide.

17 Again, further scorecard that Director Perea
18 asked about and again, here it is. We'll also be reporting
19 this each month through F&A Committee by utility. But you
20 can see here between Electric, Gas, Telecom and the
21 irrigation districts you see what's left. And again, of
22 the 992, we have about 218 that need to start. The others
23 are either done or in progress. Next slide.

24 Construction Package 2-3, this is --

25 **BOARD MEMBER PEREA:** Mr. Chairman, I have some

1 questions on that. Do we want to wait until the end of the
2 report and then ask questions?

3 MR. KELLY: I can take them now if they're about
4 CP1.

5 CHAIR RICHARDS: No, let's just do it at the time
6 you've got them, after all of the numbers. Go ahead, Jim -
7 - or Henry.

8 BOARD MEMBER PEREA: Yeah, going back to that
9 chart.

10 MR. KELLY: Yes.

11 BOARD MEMBER PEREA: First, thank you for putting
12 that in the packet. And you and I understand that I asked
13 him with information, but it's a Board issue. It's not
14 just one Board Member's issue, we should all be focused on
15 what's happening here.

16 And I met with Garth this week to reconcile this
17 format versus the format he gave me in February, it was
18 different. So we probably spent most of our time just
19 trying to figure out where, what numbers the boxes were in.
20 But he did talk about some success you've had in the last
21 few months in clearing out more of the things that have
22 been outstanding.

23 But my question is focused -- or concern is
24 focused more around the thing going back, what Board Member
25 Schenk said in January about, our absolute highest priority

1 should be finishing that 119 miles. And if we're doing
2 everything that we can to accomplish that one, and have the
3 money to pay for that 119. We have to get that done.

4 Now, in my mind asking for this report, after
5 about a year and a half, I know staff did a lot of work in
6 preparing the new critical path to get things done. And
7 when you presented a few months back saying CP1 would be
8 completed December of '25 well that was 36 months from the
9 beginning of this year. We're six months now into that.

10 So what makes these numbers -- or what will make these
11 numbers more meaningful to me when I look at 218 or 13 that
12 have yet to even be started versus what's in progress, is
13 how does our critical path for each of those 218 line up to
14 that 36 months?

15 And Garth did mention to me that there is a
16 critical path for each of these that say by the end of this
17 year you pretty much know what is going to be completed
18 this year, and then on. Which makes sense to me.

19 But as a Board Member I think, at least I've
20 experienced in my short time here, but also watching it
21 over the last eight, nine, ten years, there just always
22 seems to be slippage. And slippage costs time and money.
23 And I mean, we don't even tell people anymore when they
24 would be riding a train. We can't tell them that. But I
25 think the reason is because we as Board, I think need to be

1 engaged a lot sooner, in terms of if there is going to be
2 slippage that we pivot sooner, as opposed to saying --
3 being told now it's going to be December of '27.

4 So you know, what I'd like Brian -- and first I
5 want to compliment staff. I think they've done a great job
6 in moving things. I know this is the challenge. But if we
7 can't figure out CP1, it's just going to be a challenge all
8 the way down the line.

9 So what I'd like is, whatever the critical path
10 is for those things that are in progress, or those have not
11 yet been started, if this Board could have that, copies of
12 that. Because by the end of this year if we're not
13 achieving whatever the goal is that you have to complete
14 these pieces, we need to pivot, if not sooner. But we
15 can't know that if we don't have the information.

16 So I'm just trying to get my hands around how we
17 can, with 99 percent certainty, know that in December 2025
18 we're going to pass the substantial completion of CP1?

19 MR. KELLY: I want to be clear about the dates.
20 Because the thing that, you know -- I want to give the
21 Board everything you need as soon as I can get it to you.
22 But the other thing that I am not doing is I am not putting
23 out dates that I can't deliver on. And so I'm working
24 closely -- and we and we are in the challenge of moving
25 utilities after construction started.

1 BOARD MEMBER PEREA: Understood, right
2 understood.

3 MR. KELLY: Right. And so yeah, there's a lot of
4 mess and movement involved in that.

5 BOARD MEMBER PEREA: Understood.

6 MR. KELLY: Now all of -- and none of us control
7 that. That's the world we're in. What we control is the
8 future. And so the ones that we do next, we will get in
9 the right order. Utilities will be moved before
10 construction starts.

11 But in this case -- the other thing I wanted to
12 say here is, we are -- on CP1, we have a good handle on
13 what's in front of us. We have moved 130 utilities last
14 year. There's a goal to move no less than 100 in this
15 section this year. There's 218 left. And our completion,
16 our substantial completion date that the contractor
17 submitted was initially December '25. But we're in
18 negotiations.

19 And because there are issues of flooding and
20 water, as I said in the project update report, we have a
21 2026 date. And the reason we're saying the 2026 date is
22 because we want to deliver against that risk. And so, as
23 we're seeing things like flooding and water moving through
24 the irrigation districts, and we have to deal with that,
25 and we have to adjust for that, and we have to finish the

1 negotiations on the time impact analysis, you know, I think
2 it's going to move into '26. But I've said that in the
3 project update report. I said that to this Board in
4 February of this year. And that is that's where we are on
5 CP1.

6 And so as we complete our negotiation on the time
7 impact analysis, as we get a handle on the coordination of
8 the new water issues to move these wet utilities we will
9 update the schedule. But that -- 2020 -- the reason I am -
10 - if you look back a couple of slides, when, whether we
11 read substantial completion on this, I'm saying 2026. And
12 the reason I'm saying 2026 is, I believe that's when we're
13 going to get it done. To get the specific month and
14 quarter on that we need to drive home a couple of these
15 issues. And that's what we're working on now. So by the
16 time we complete the negotiation on the time impact
17 analysis, get the full accounting of the water issues, we
18 will lay out a specific date. I'm telling you today it's
19 2026. And I believe it will be in 2026. And then we will
20 strive to meet that.

21 But that's where we are. And the difficulty is
22 just us getting through some of that uncertainty that's
23 there now. But I'm confident that 2026 is the date we will
24 meet. And I think our team is confident on that.

25 And so but we didn't plan for the biggest flood

1 since 1968 to hit the Valley. But it's hit, and so it's
2 causing us some movement on CP4. We're still going to
3 complete CP4 in 2023. And we're going to complete CP1 in
4 2026. But we have to adjust these things. And I'm trying
5 to give you guys, and the public, the most specific dates
6 that I can, with all that I know, so that we can meet those
7 dates.

8 And then the difference to me as in my role, is
9 the definition of what we have to do, the definition of
10 what's in front of us, has never been as clear as it is
11 now. And that's because we had a lot of things that were
12 uncertain when I got here. But we've defined those things.
13 We now know what it looks like. And we can drive two dates
14 that I believe we can meet. And that's what I'm offering
15 the Board.

16 BOARD MEMBER PEREA: Okay. Thank you, Brian.
17 But if I remember correctly when we did finally get our
18 update a few months back, we were told December '25.

19 MR. KELLY: Well, I told -- I said that's what
20 the contractor submitted to us. And then we were going
21 into the time impact analysis negotiation. And I said at
22 that time --

23 BOARD MEMBER PEREA: So as I understand it's '26,
24 so when in '26 --

25 MR. KELLY: (Overlapping colloquy.) I said that

1 in the project update report, and we said that --

2 BOARD MEMBER PEREA: When in '26?

3 MR. KELLY: We don't have the date yet, because
4 we have not finished the time impact analysis negotiation.
5 So we will conclude that and come back with a specific
6 quarter or month, but we have to finish our work. And the
7 work involves -- now that we've got these settlements on
8 commercial disputes settled, the project defined, now we go
9 through the time impact analysis, and we finalize the date.
10 And that's the work we have underway right now.

11 BOARD MEMBER PEREA: So if I understood staff
12 correctly, though, we do have a critical path --

13 MR. KELLY: Yes.

14 BOARD MEMBER PEREA: -- for what's in progress.

15 MR. KELLY: Yes.

16 BOARD MEMBER PEREA: -- and for what has not been
17 started?

18 MR. KELLY: Yes.

19 BOARD MEMBER PEREA: Can this Board get a copy --

20 MR. KELLY: Yes.

21 BOARD MEMBER PEREA: -- of the critical path?

22 MR. KELLY: Yes.

23 BOARD MEMBER PEREA: Okay.

24 MR. KELLY: So that -- just to be clear with the
25 Board, the critical path on the utilities are mostly tied

1 to the critical path on the structures that have got to get
2 done by that date. So a long pole in the tent. The
3 structures that are the last to be done to pull into that
4 date. Church Avenue, for example, has got a lot of utility
5 needs. And those would be those would be the critical path
6 utilities that have got to get done, so that we can meet
7 the Church Avenue date.

8 And so that -- but I'm happy to give to you all a
9 analysis of those structures and those utilities that have
10 got to get done, and by what date.

11 BOARD MEMBER PEREA: Yeah, because in my mind
12 again I don't have the construction background that some
13 folks in here may have. But it just seems to me that if
14 your path is saying, based on all these criteria you just
15 mentioned that we're going to have the other 25 percent of
16 these things done by December of this -- end of this year.
17 And (indiscernible)

18 MR. KELLY: We should have --

19 BOARD MEMBER PEREA: Say we get to the end of the
20 year and it's only 10 percent (indiscernible)

21 CHAIR RICHARDS: One thing to keep in mind,
22 Director Perea, is that it's not linear in the sense of
23 completion. I mean, you can have a year where you --
24 because of the size of the work that you're undertaking in
25 terms of the complexity and the time it'll take, you may

1 end up with 10 this year and 30 next.

2 But what you're asking for -- your comments are
3 very reasonable and noted, and the information should be
4 applied. But what you should see is a schedule as to when
5 they are scheduled to be done. But you can't just say if
6 there's 100, and it's four years, you're going to get 25 a
7 year, it won't work that way.

8 BOARD MEMBER PEREA: No, I understand that. I
9 get that.

10 I'm just saying that if you're saying by December
11 we're going to be -- this is where we need to be to get to
12 the finish line.

13 MR. KELLY: Yes.

14 BOARD MEMBER PEREA: Fine. But if we're not
15 there, and if it's substantial in terms of its impacting
16 now the '26 date, whatever that might be, this Board needs
17 to pivot. Too many times we sit here and we're just told
18 it's too late, can't do anything but now it's going to be
19 two more years. No. This Board has to take responsibility
20 for what we're charged for.

21 MR. KELLY: I agree with that.

22 BOARD MEMBER PEREA: And if we say we're going to
23 get something done by a certain time, then it's going to
24 get done. And you as our staff, I mean, I think we give
25 you the full authority and support and approve things that

1 you bring to us so you can get it done. But we got to hold
2 staff accountable.

3 MR. KELLY: And look -- listen.

4 CHAIR RICHARDS: Thank you.

5 MR. KELLY: In my view, no question about that,
6 in terms of holding staff accountable. The other thing I
7 just say is, again, we have not had project definition
8 until we got to this project update report.

9 BOARD MEMBER PEREA: Let me jump in.

10 MR. KELLY: And so now that we've got that, and
11 we can lay out -- and the schedules that are in the project
12 update report, I believe we're going to meet. And you
13 should hold us accountable to that. Absolutely.

14 BOARD MEMBER PEREA: Yeah.

15 CHAIR RICHARDS: And it's most reasonable that we
16 should get the detailed information. So I think what I
17 said before, your points are all well taken and noted in in
18 the information. And Director Ghielmetti. Thank you very
19 much.

20 BOARD MEMBER GHIELMETTI: I build things. I
21 think that this Board's frustration is built around the
22 fact that this thing is a design build project. And I
23 equate it -- it would be like me building a house on plans
24 that I don't have, on land that I don't own, and I don't
25 know what it's going to cost. And so we've thrown out

1 numbers that are just anticipated numbers. And I think
2 that's Henry, why you get frustrated. But until we have
3 all the completed plans and we have all the right-of-way,
4 and we have all the utilities done, we're still going to be
5 frustrated.

6 This started in the wrong direction. And we're
7 here, we inherited this, we've gotten -- and Brian and his
8 staff inherited it. We're trying our best to get back on
9 track. But literally, this was the wrong way to get this
10 thing started. And now we're trying to fix it. I'm hoping
11 that the extensions are not going to be a design build. At
12 least I couldn't vote for it and those extensions are going
13 to have to be a design bid build.

14 CHAIR RICHARDS: Yeah. Thank you, Director
15 Ghielmetti.

16 BOARD MEMBER ESCUTIA: Mr. Chairman.

17 CHAIR RICHARDS: Director Escutia.

18 BOARD MEMBER ESCUTIA: Yes, I think you know --
19 not that I'm trying to explain what Director Perea was
20 saying, but I think that what Henry has been saying is very
21 accurate, especially with regard to the need for the Board
22 to pivot. You know, because if we don't meet those
23 timelines then what do we do? And we need to have already
24 that plan in place in terms of options if timelines are not
25 met, or even federal funding.

1 If we don't get the federal funds that we
2 allegedly expect to get sometime in October? What happens
3 if we don't get that money? I think what you're seeing
4 here, Brian, is that the Board would like to get obviously
5 more information. But at least from my perspective, I
6 would love to see what's plan B, and what's Plan C. If we
7 don't meet this timeline what happens next? If we don't
8 get this money, what happens next?

9 Because last time I checked, it's going to take
10 almost what, tens of billions of dollars to drill through
11 the Tehachapi and the Pacheco Pass? Last time I checked I
12 have not found a money tree that's going to give me that
13 money that I need to drill through those mountain ranges.
14 So then what happens next, what do we do? And I think
15 that's what you're seeing Brian, that maybe, you know, it's
16 time for this Board to really, really analyze this very
17 objectively.

18 I realize that the project did not get started
19 the right way. I understand that. But you know what? It
20 is what it is, and that's the hand that we have been dealt
21 with. So now I am just trying to figure out, okay what do
22 we do next if this doesn't happen? What do we do next if
23 that doesn't happen? That's the way I think.

24 I hate to be such a negative person, you know,
25 but the way government works I'm not too sure that money is

1 there, you know? And if money's not there, how can we even
2 release contracts, RFQs or RFPs, if the money is not there.
3 As a lawyer I would say that's a misrepresentation. But
4 you're shaking your head, Brian, why?

5 MR. KELLY: Well, I mean, because we're not
6 operating that way.

7 BOARD MEMBER ESCUTIA: Okay, no.

8 MR. KELLY: And look, if I've failed in the
9 project update report to describe our priorities, or to in
10 the numerous reports to this Board, not describe the steps
11 that are in front of us that we're doing that's on me.
12 Okay, that's on me. But the project update report is
13 extremely clear on our priorities. If we don't get federal
14 funding, we finish the 119 miles, we finish the
15 environmental work, and we're done. Because there's
16 nothing else to do.

17 But what we've said to the federal government --
18 and we just had the FRA out with us for a whole week last
19 week. And we reiterated the point to them, and we said it
20 in the project update report. The 119 miles does not
21 represent a very good railroad operating run. What this
22 Governor and this Board set us on a path to do was get an
23 operating run that's better than the 119. That's 171.

24 Now it is true that we need federal money to get
25 that completed. This year we're asking for a lot of

1 federal money: 3 billion in this grant, and an \$8 billion
2 partnership over the next five years. And that's what
3 we've requested.

4 As I testified to the Legislature two weeks ago,
5 if the federal government doesn't step up this year, we
6 should do the 119, finish the environmental work and go
7 home, because there's nothing else to do. Unless the
8 Legislature and the state want to fund it itself and that's
9 a separate question.

10 But I'm telling this Board, we put it to the
11 project update report, I testified to the Legislature, if
12 we don't get the federal money there is nothing else to do
13 beyond the 119. The sad part is, and I'm happy to show you
14 a picture of it, the 119 miles ends in an orchard. Okay,
15 that is not where a rail should go. And that's why this
16 Board made the right call, this Governor made the right
17 call to get into the cities, Bakersfield, Fresno, Merced,
18 as the starting unit.

19 Now the concerns about what it's going to take or
20 the cost to get to L.A. and San Francisco, you're right, we
21 don't have that funding. And we've been very clear about
22 that. But what are we trying to do? Get an operating run
23 going in the Central Valley where we started construction
24 on 171 miles. If we have federal help, and we will know it
25 this year, if we have federal help, we should do that.

1 Then everywhere else is advance the environmental
2 work through 30 percent design, so the whole state, every
3 policymaker, and all the Board Members, will know what it
4 will cost to get to San Francisco and L.A. And that's what
5 we're doing. So we are trying to get the minimal work done
6 that we owe the federal government, 119 miles, and the
7 environmental documents. And we're trying to get an
8 operating run that makes sense.

9 That map shows it all. On the right is the
10 termination points of 119 miles. On the left is a
11 termination point of getting into the cities. And even the
12 federal government who gave us money for the first 119
13 miles, they agree with us that you've really got to get
14 into the cities.

15 And so when they say they agree with us that's
16 one thing. But they've got to show us. And when they show
17 us this year, if we get funding, we'll be off and running
18 on the Merced to Bakersfield extensions.

19 And I'll just say one other thing to the Board
20 Members because I believe this, and it was stated in a
21 legislative hearing. Lou Thompson, the Chair of the Peer
22 Review Group who I've worked with my entire time here, sat
23 next to me at the committee in the Legislature and said,
24 "You know, you really shouldn't just build the Merced to
25 Bakersfield thing unless you're serious about doing all of

1 Phase 1. Phase 1 is San Francisco to LA."

2 I agree with him. I agree that we have never
3 said Merced to Bakersfield is the end. We've said Merced
4 to Bakersfield is the beginning. And then we advance
5 everything and we've got to go back and get state funding
6 and federal funding. And we've got to make it work segment
7 by segment. But for me that's not so unusual.

8 You know, when the BARD system was created in the
9 Bay Area, it covered three counties: Contra Costa, Alameda,
10 and San Francisco. And they built a limited system. And
11 then they've been adding on for years, adding on for years.
12 And it became one of the most efficient transit systems in
13 America with a 70 plus percent revenue, farebox revenue.
14 And they now cover virtually every county in the Bay Area,
15 except for the North Bay. But that doesn't happen
16 overnight, it takes time.

17 And what I've tried to indicate to the Board and
18 push the Board to do, and the policy I believe in is get
19 trains operating as soon as we can. Because I think the
20 project has been too ethereal or too abstract for the
21 public, until they see, feel, touch and can ride trains.
22 And so for us let's get something going in the valley where
23 we started construction. And then let's work on how we get
24 out of there and into the Bay Area and LA.

25 We put that in the project update report. We put

1 that in the Business Plan. I testified to that in the
2 Legislature. When this Board adopts the Business Plan, to
3 me that's the policy we want to do. And that's what your
4 management team is working on.

5 And again I'm for all the information you guys
6 need. And I'm absolutely for management being held
7 accountable to deliverables. And I'm just telling you guys
8 that the project update report for me was the first time I
9 could lay out a series of things, because we had enough
10 definition where I feel like I can be held accountable to
11 those goals. And I think the Board should hold us
12 accountable to those goals.

13 BOARD MEMBER ESCUTIA: I thank you for the
14 clarification. Because I got to be honest with you this
15 presentation right now, what you just said right now in the
16 last five minutes, has been the most clear assessment of
17 our policies for High-Speed Rail. So I appreciate that.

18 MR. KELLY: Thank you.

19 BOARD MEMBER ESCUTIA: I also appreciate the
20 practical notion that if we don't have enough money to do
21 the add-ons, then we've got to finish the 119 miles and be
22 done with it. We've just got to finish the 119 miles and
23 be done with it. I can live with that. I can live with
24 that. But we got to show something to the taxpayer.

25 MR. KELLY: No doubt.

1 BOARD MEMBER ESCUTIA: And I think that that will
2 help us in a way, rehabilitate our image. So that people
3 are not going to say like, oh my god, High-Speed Rail, we
4 don't want to deal with them. But rather, people would
5 want to deal with us. And if Brightline is a potential
6 colleague of ours, let's do it. And I know we'll have that
7 discussion later on.

8 But I appreciate the clarity, because this is the
9 first time I really have heard it very clear that it's 119
10 miles for right now. And if and in essence we're done with
11 it, because me, Martha the doubting Thomas, I just don't
12 see the money coming from the Feds on this issue in order
13 for us to do the "addons."

14 And I'll be honest with you, Brian, I would love
15 even just dealing with LA County and the transportation
16 issues of LA County as an add-on. I understand that there's
17 probably not going to be enough money in this world to
18 drill through the mountains in order for us to connect.
19 That's okay. As a Los Angeleno I can live with doing
20 something for LA County in terms of, you know, upgrading
21 our transportation arteries within the county, especially
22 in preparation for the LA 2028 Olympics. I can live with
23 that.

24 You know, but I'm glad to hear that -- and thank
25 you, Henry, for forcing this discussion. Thank you.

1 Because I'm glad to see that basically, Brian has basically
2 said that if we don't have the money in, we do the 119
3 miles and be done with it. That's what you said.

4 MR. KELLY: Unless the state funds it another
5 way, (indiscernible) have to do.

6 BOARD MEMBER ESCUTIA: You know very well, and
7 I'm a State appointee, I'm a legislative appointee, that we
8 cannot expect any money from the state Legislature. We can
9 probably get some money from the Cap-and-Trade, but that's
10 not going to be enough. And we know that those Cap-and-
11 Trade funds will disappear by the year 2030.

12 You know, hopefully by the year 2030 there might
13 be another source. Maybe we can convince the federal
14 government to take an outside role in financing this, but
15 right now I don't see it. But I'm glad that at least in
16 our minds, in your mind as the head of the management team,
17 Brian, that you are already seeing the many ways that this
18 can unfold and obviously the actions that we need to take
19 as a Board. And whether that means we need to pivot or not
20 I guess we shall cross that bridge when we have to. Thank
21 you.

22 CHAIR RICHARDS: Thank you, Director Escutia.
23 Please go forward, Mr. Kelly.

24 MR. KELLY: Sure. I just I will just say --

25 CHAIR RICHARDS: Did you have -- hold on, we're

1 going to do one more and then we want to get moving. Go
2 ahead, Director Camacho. I'm sorry.

3 BOARD MEMBER CAMACHO: I just wanted to make a
4 comment that, perhaps we -- the reluctance from, and we
5 need to look at this on all sides, reluctance for the Feds
6 to reinvest more money to us which they didn't give us last
7 time. That that they look at the daunting number of \$100
8 billion that we're going to need to complete this. When we
9 look at the -- and if we look at most of those costs, those
10 costs are related to only the Pacheco Pass and the
11 Tehachapis, and then whatever we're going to do from
12 Burbank to Palmdale.

13 But I think that one of the things that we've
14 always looked at is that number is scary. No matter if
15 they gave us the \$8 billion that we asked for. That is not
16 going to buy us anything. That's going to allow us to
17 finish 171 miles, maybe. So maybe that number is so
18 daunting to them as well, but we haven't presented another
19 plan. We haven't looked at perhaps why are we only looking
20 at tunneling? Maybe there are other ways. Maybe we if we
21 took -- we went -- if we got to Bakersfield and we took 58
22 to the 14 and maybe it's a long way around, but have we
23 talked about those plans? There are other ways of getting
24 from Bakersfield to LA, or from Bakersfield to San
25 Francisco, without spending \$100 billion.

1 So, you know, I just think that when the Feds
2 look at us they're saying, okay if I give them 8 billion is
3 it going to be a stranded asset? Because that's not enough
4 to finish the project. And where are they going to get the
5 \$100 billion to finish that?

6 So to me it's just we've not thought about those
7 things. And that's one of the things that I'm hoping that
8 we can begin to talk about is some alternatives. Thank
9 you.

10 CHAIR RICHARDS: Thank you, Director Camacho.

11 VICE CHAIR MILLER: I just want to add one thing
12 just because there's -- we've had three speakers on this
13 issue. And I just wanted to say a couple things about a
14 more optimistic view about this project. I don't know,
15 when you talk about the Feds who are taking this long view,
16 that's not my understanding at all. For the first time in
17 years we have both the Speaker and the Pro Tem supporting
18 our ask to the federal government. We did not have that in
19 the past.

20 We also have the head of both those
21 transportation committees asking for this money, which we
22 did not have in the past. We also had an administration
23 under Trump that was very, very antagonistic towards this
24 project. And I'm surprised at all of you because given
25 your experience in politics, you know how things can change

1 on a dime in terms of projects, revenue, tax issues.

2 And we've done a remarkable job I think of
3 bringing this project to a place where we had to pivot from
4 planning design on a design build that was not successful,
5 to a project that is actually under construction fully -- I
6 mean, not fully permitted, but fully permitted in terms of
7 our environmental and our federal involvement. And we're
8 actually building. So now we're talking about our
9 construction project here now, which is far from where we
10 were when you and I came on the Board, Ernie, and
11 definitely with you, Lynn, when you started with this
12 Board.

13 So I am very hopeful that we have actually a
14 federal government that spent a week out here. We have the
15 head of our Transportation Committee, both Assembly and
16 Senate, I think heading back to Washington next week. So
17 honestly we have a lot of things that are in the hopper
18 that are very positive right now. There was a move, I
19 think, last week to take away our Cap-and-Trade money,
20 which was shut down immediately by all the Democratic
21 leadership, even those that aren't necessarily completely
22 on board.

23 And we do have a good plan. We know what we're
24 going to do if we don't get the 100 billion. But honestly
25 that is years away. And a whole different Board will be

1 probably dealing with that. And it's actually an exciting
2 project that is still looked at by the world in terms of
3 how have we done this? It certainly isn't easy.

4 And I do admire and respect my colleagues here to
5 ask these tough questions. Because when I go to talk about
6 High-Speed Rail, I'm like the least liked person in the
7 room, right? I mean it's so frustrating, number one. We
8 don't have the money, number two. We've had a lot of
9 political criticism, number three. But despite all of that
10 we are building this thing. And we just opened another
11 structure, and how many miles is that too, just last month.
12 So I don't share the pessimism, I think of the three of
13 you. Because I do think we're at the cusp of moving the
14 project forward.

15 And I've been involved in a lot of construction
16 projects, High-Speed -- sorry -- Light Rail here in
17 Sacramento, Light Rail in San Diego. It's never fully
18 funded at the beginning, ever. What you have to start with
19 is you start. In government that's kind of how we do
20 things. Is it the most efficient? No, it's terribly
21 inefficient. But it is the way we have to do things,
22 because we have so many constraints and things get put
23 together bit by bit. And I do think that's where we are
24 with this project.

25 I am very optimistic about the federal government

1 and the federal funds coming. I do appreciate that we're
2 going to have this discussion about Brightline, because I
3 think that's a good idea. But I do think we need to just
4 stay the course a little bit here and realize that we have
5 made a lot of progress. Thank you.

6 BOARD MEMBER PEREA: Mr. Chairman, let me just.
7 I'm sorry. I apologize, I'm going to have to respond or I
8 want to respond to that. Member Miller, you may have
9 misunderstood the nature or tone of my questions. But I
10 don't think there's a thing that Brian said that I didn't
11 agree with. He was right, okay. And I know in the last
12 five years since he's been here, he's accomplished a lot in
13 terms of getting us to a position of getting things done.

14 But as the Board, and as we sit here, we're not
15 done. And the question, really the one question that I
16 asked -- and let's just assume we get all the money that we
17 asked from the feds this year, they give it to us all,
18 okay? We still can't come back to CP1 is where it started
19 and Member Ghielmetti is right about the design build
20 process. And it's tough to build a house when you don't
21 have the plans. I get all that. We all get all that. My
22 question is just real simple. We have now a list of what
23 structures are in progress, and which ones have not been
24 started yet. The question is just simple. When are they
25 going to get done?

1 Don't -- let me finish. And what we, and what
2 I'm asking for, and I think what this Board needs, is that
3 timeline of when they are going to get done. Understanding
4 that it doesn't mean -- it's not a real simple thing of oh
5 this one's done, this one. There's pieces that get done
6 based on what's being built, I get that.

7 But if we get that money from the Feds and we're
8 -- if this same Board is sitting here a year from now, and
9 we're having a discussion of structures that are not done,
10 we can't finish building because we're still dealing with
11 right-of-way, we're still dealing with third-party issues
12 then we're not serving the public. We're not doing our
13 jobs.

14 All I'm saying is we need that information, so
15 that if we are not reaching whatever milestones we have to
16 reach, whatever date it is in '26 that were supposed to be
17 substantially completed, that we can pivot in time to get
18 it done. That's what I am asking for.

19 VICE CHAIR MILLER: And I --

20 BOARD MEMBER PEREA: And if you think that's
21 pessimistic, then I'm going to have to disagree with you on
22 that.

23 VICE CHAIR MILLER: Well, no.

24 BOARD MEMBER PEREA: I want to get the job done.

25 VICE CHAIR MILLER: I think we need to move on.

1 I didn't mean to say that your comments about asking that
2 question of Brian was pessimistic, because I think that is
3 entirely appropriate. We need to know the schedule and we
4 need to know when there is slippage. It was just the
5 larger question of what do we do if we have --

6 BOARD MEMBER PEREA: I think we all want to get
7 it done.

8 VICE CHAIR MILLER: We all want to get it done.
9 And that is our charge. So I agree with you.

10 (Overlapping colloquy - multiple people.)

11 BOARD MEMBER SCHENK: Mr. Chairman. I'm sorry.

12 CHAIR RICHARDS: What I'd like to do is I think
13 everybody -- I want to finish with Director Schenk, so we
14 could move on. But all of your comments are all directed,
15 I think frankly, all in the right direction. You're saying
16 in many ways some of the same things.

17 I think Henry was talking less about money and
18 talking about completion of things that we already have the
19 funds for, and are under construction. But you were really
20 talking about from a more macro level. And so I think we
21 get it. I think that's it's a good conversation. It's
22 explaining the reason why a Board -- I wish it could be a
23 retreat -- Board work session is going to be very helpful
24 for all nine people here.

25 Director Schenk?

1 BOARD MEMBER SCHENK: Well, I just very quickly
2 you said what I wanted to say. I thought this was one of
3 the best discussions that we have had in a very long time.
4 I mean, the tone has been just right. Everything that
5 everyone has said from Ernie saying, you know, are there
6 other alternatives that we need to look at to the idea that
7 let's wait and see if we even get this first tranche of
8 money. Because if we do that puts us in a different
9 mindset with the public, I believe.

10 So I just think this was excellent and I endorse
11 what Member Ghielmetti has said, that we should have a
12 workshop on this work where this is all that we talk about.
13 And we have the time to go back and forth, as we just did
14 today. And this is the importance of being in the same
15 room to do it.

16 CHAIR RICHARDS: Thank you, Director Schenk.

17 Can we move -- do you need to update your report
18 now or can we -- are the numbers (indiscernible).

19 MR. KELLY: Hang on

20 BOARD MEMBER SCHENK: And in conclusion.

21 MR. KELLY: We got a Henry chapter, a Martha
22 chapter, an Ernie chapter (indiscernible).

23 I do want to say one thing Mr. Chairman, and I do
24 want to move on. But I didn't hear anything from anybody I
25 disagree with. Does the management team need to be

1 accountable to the dates we give you? Yes. Do you need
2 information to hold us accountable? Yes. Martha, you and
3 I are on the same page if we don't get the federal money,
4 okay?

5 Ernie, my only thing about new alternatives is
6 remember, and the Board should remember, much of what we
7 are doing is already dictated in statute by the voters who
8 approved a bond bill that included the alignment. It's
9 hard to get off in this one. But you guys have done a
10 remarkable job in approving the environmental documents
11 that we can move.

12 So I just -- again, there's a lot coming in. I
13 appreciate all the comments and again our from a management
14 perspective it's definition, so we can get to
15 accountability, so we can get to completion. And that's
16 what we're trying to do. Okay.

17 If we could just quickly I want to jump -- if
18 it's all right with the Board Members unless you want me to
19 cover anything else, I would jump to slide 32. I do want
20 to just cover this issue, because I think it's important
21 for the Board Members to know and talk about introducing
22 some of the additional risk. I'm sorry, if you could go
23 back to 31?

24 As the Board Members are all aware this was a
25 very wet 2023. The water and snowpack affecting the

1 Central Valley and particularly some of the area where we
2 work, according to the Department of Water Resources, is
3 the most severe wet season since 1968. So we've seen a lot
4 of water in the area.

5 That significant weather really built up in March
6 of 2023, 30 miles of our alignment are impacted in some
7 way. We had 11 different construction sites that we had to
8 shut down for a period of time. Not that our assets are
9 damaged or impacted, but that the water was at such a level
10 we couldn't work in that area. And so we had to shut down
11 about 11 sites.

12 It's the most significant rainfall and snowfall,
13 I mentioned, since 1968. Our structures are above this
14 waterline. I want people to understand that part. And in
15 fact, in a very short period of time, we pivoted from a
16 construction entity into an emergency response entity. And
17 I'm proud that the Authority during this time -- if we can
18 go to the next slide, just to give you a graphic image --
19 you could see the flooding there. That's our construction
20 site on the grassy area there, where we're building a
21 viaduct. But this is what the flooding came to here.

22 And again we had to shut down because of
23 construction activities, but we did do things like use our
24 assets to evacuate livestock in the area. We -- our
25 contractor, DFJV, Dragados Flat Iron, helped build a road,

1 repave a roadway so folks can get in and out of Corcoran.
2 And we used a bunch of dirt that we had for one of our
3 structures to raise the elevation of another roadway, so
4 that there was ingress and egress from the City of Alpaugh
5 down in that area. So we pivoted quickly from a
6 construction entity to an emergency response entity. And
7 I'm very proud of the team for that. Next slide, just to
8 show again, some of the impact here.

9 This is Deer Creek, an area where we're building
10 the viaduct, you can see the viaduct right in the center
11 there. If you look toward the left of that screen, you can
12 see that flooding impacted State Route 43, which is
13 partially flooded in that segment. That railroad track
14 that is in between the construction area and the highway is
15 the BNSF Railroad who they were never flooded out there,
16 but it was close. Our structures are a bit higher than
17 theirs in this area. We have a viaduct there, so again
18 we're well above the waterline. Next slide.

19 You can see that the water started to abate about
20 a month after it came. You see here that the highway is
21 now clear. The water has come down from the BNSF system.
22 And of the 11 construction sites we're now starting to get
23 back to work at several that were shut down. I have the
24 stats on the next slide, I think.

25 Again, 11 sites were halted or delayed due to the

1 flooding. One site has resumed construction, 6 sites will
2 be back in construction in June. And then 4 more sites
3 will come back to full construction in September.

4 There are 7 irrigation facility relocations that
5 were impacted. Coordinating with -- we coordinated with
6 local water agencies on available work windows and
7 mitigations to resume the construction and reduce delays.

8 And again, this is now the issue of we are
9 working closely with DWR to monitor the snowpack issue and
10 the volume of release or melt from that, and how it will
11 impact this area. And with that, getting a sense of that
12 we are working with the cities and the local irrigation
13 districts on scheduling when we can move some of those
14 facilities to complete our guideway.

15 xx

16 So this is a new issue that we're working with.
17 But again as of right now we are not impacting any long-
18 term schedule issues. But we have to coordinate with folks
19 to make sure we can advance our work. And we're doing
20 that, so there was some impact to us here. Next slide.

21 Again on CP1 no significant impact to the
22 construction sites. On CP4, as I mentioned earlier, the
23 biggest impact is now working with Semitropic on moving
24 their equipment. Next slide.

25 Again CP2-3 is where we saw most of this. And

1 again this is just a list of some of the assistance that we
2 provided to Tulare and Kings County during the flooding.
3 We worked closely with the opposite of emergency services
4 to do this, but there were several things we did here.

5 And I do want to complement our local team, Ben
6 Ruiz and his team, as well as the contractor the Dragados
7 Flat Iron. And their team did a lot of important work to
8 reopen roads, move dirt and use their equipment to help
9 with flood response, and that should be recognized. I
10 think that's probably it. Next slide.

11 That's all I got. Mr. Chairman, sorry it took so
12 long.

13 CHAIR RICHARDS: Sit down before there's any
14 other questions, please.

15 BOARD MEMBER WILLIAMS: Mr. Chairman, I'm not
16 going to belabor this issue. But I do want to commend the
17 staff and the Board for starting what I think is the kind
18 of discussion and conversation that we should be having.

19 And I agree with you, Director Escutia, that it
20 is both the responsibility of the staff and management to
21 inform us but it's our responsibility to ask the questions
22 and to read the responses. And so, it's on all of us to
23 make sure we deliver this for the public. So I appreciate
24 that.

25 CHAIR RICHARDS: Thank you, Director Williams.

1 Brian, are you sure you want to take this on?
2 Come over here for a second. I just want to give you one
3 of these magic coins.

4 (Audio issues.)

5 MR. ANNIS: Good morning --

6 CHAIR RICHARDS: Brian, just CEO Kelly really
7 wants to talk some more, so. He wants to he wants to read
8 into this for you.

9 MR. KELLY: No, I just want -- I got some
10 questions from members during the briefings about why we
11 are presenting the benefit cost analysis that Brian is
12 about to present. And I just want to say that as we're
13 applying for federal funds, the FRA has laid out a
14 methodology to determine the cost benefit of your project.
15 And so this is in response to the FRA ask here.

16 And Brian and our KPMG team has done this work,
17 and this was part of our submittal that went to the federal
18 government with our grant application. So, they have a
19 methodology and a score that we have to achieve, and under
20 that methodology we submitted -- we exceed that score.

21 So, Brian will get into the details, but I just
22 want to inform the members why this is relevant to what
23 we're doing, okay.

24 CHAIR RICHARDS: Thank you, Mr. Kelly.

25 Brian, you're on.

1 MR. ANNIS: Yeah, good morning. I did, as Brian
2 said we utilized our financial advisor contract to do this
3 work to bring in some specialty expertise in economic
4 modeling. And I have from KPMG, Gabriel Catapang here.
5 Gabe, if you could say hello. So Gabe is one of the
6 consultants that has been very devoted to the project since
7 2015. He's changed employers a couple of times, I think,
8 to stay on the project. So we really appreciate Gabe and
9 other folks on our consultant team that do good work for
10 us.

11 So if we can go over to the next page. In this
12 presentation, we're going to talk a little bit about the
13 methodology of benefit cost analysis, which is different
14 than the economic impact reports we present to the Board
15 annually. I'll go through the benefits, which are a bit
16 different. I'll talk about the costs, which are unknown,
17 because of the 2023 project update report. And then
18 finally get to the results in the conclusions. Next slide.

19 So, skipping to the end here I just want to
20 highlight the conclusion that Phase 1 high-speed rail
21 benefits are very substantial, and they far exceed the cost
22 at a number of ranges and different analysis levels, on
23 discounting and so forth.

24 We did use for this analysis, the guidance from
25 the US Department of Transportation and Federal Railroad

1 Administration. They direct that we look at construction
2 and operations for the first 30 years of service. And then
3 after that they allow us to look at a residual benefit
4 beyond 30 years. But they set a number of directives on
5 how we do this. And really, the reason for that is they
6 use it for comparing different grant applications. So they
7 want all applicants to use a similar type of analysis, so
8 it's easier to compare. Next slide.

9 So what a benefit cost analysis is, simply is a
10 systematic process for identifying and quantifying and
11 comparing expected societal benefits and cost of a project.
12 And it -- a couple of the methodological features of this
13 is one that tried to exclude indirect taxes, for example.
14 Some of our construction costs ultimately go in indirect
15 taxes. They try to exclude transfer payments. So, it's
16 really looking at the benefits in terms of the societal
17 benefits, and again exclude those things that might be a
18 benefit transferred from one individual or one entity to
19 another.

20 It does differ from the economic impact analysis,
21 as mentioned, where we do include things like wages and
22 localized economic benefits, the BCA is broader. One thing
23 it differs from, from a financial analysis, is we're not
24 just looking at bottom line dollars coming into and out of
25 the authority, we also consider externalities like

1 environmental benefits and things like that that might not
2 directly be a benefit in dollars, but are estimated as
3 benefits here in the analysis.

4 And then finally the kind of the end result of
5 this is to have a benefit and cost number that's adjusted
6 for inflation and adjusted or discounted for the future.
7 And then we compare the benefits to the cost, the benefits
8 of course you hope to be greater than the cost. Benefits
9 divided by cost produce something called a benefit cost
10 ratio, and you want that ratio to be greater than one. And
11 in our case it's well above a one. Next slide.

12 I think I've covered most of these already. We
13 did use KPMG to bring in the expertise. We used the FRA
14 and DOT standards. And we will show as we go through this
15 the benefit and cost in a couple of different bases.
16 There's a bases of nominal or Year of Benefit, Year of Cost
17 number. There's also a number of 2021 dollars, to take out
18 the effects of inflation.

19 And then we discount by 7 percent, which is an
20 FRA direction to basically value the short term more than
21 the long term, because of the time value of money. And
22 also the fact that there's the short term is generally more
23 desirable. And let me expand on that a bit with the next
24 slide.

25 So just to show you the impacts of our

1 adjustments on costs and benefits, it's just an
2 illustration on this page. We look at a million dollars
3 coming in in 2021, 2030 through 2060. And that million
4 dollars (indiscernible) quite a bit just for inflation. A
5 million dollars today, you don't discount for inflation
6 because we're looking at today's dollars, but when you go
7 out as far as 2060 and looking at inflation over the next
8 40 years, that value is brought down when you look at 2021
9 dollars to about \$315,000. So about a third overall is --
10 two, I say two-thirds of a benefit is cut when you look at
11 adjusting for inflation to 2021 dollars.

12 When you discount in this case 7 percent every
13 year going forward, that reduces the benefit even more
14 dramatically. Such that in the 2060 case, a million
15 dollars received in benefit in 2060 is valued only at
16 22,000 today, so about 2 percent. And that's just sort of
17 background, because that discount does end up being
18 significant to the numbers. Next slide.

19 So this is a summary of all the project benefits
20 in nominal dollars. And it's really huge. It's \$850
21 billion. And we'll compare that to our nominal cost of
22 about 106 billion. But again in nominal dollars the
23 benefits are substantial, and they're spread across several
24 areas here. And I'll touch on all of the major ones as we
25 go forward. Next slide.

1 So first we start with benefits for those that
2 ride the high-speed rail trains. So over the 30 years
3 we're looking at -- we expect about a billion dollars of
4 total hour travel time savings. So for the most part,
5 people are shifting modes from automobiles to high-speed
6 rail. They're significant. They're saving hours and hours
7 of time. And again, cumulatively over 30 years it's about
8 a billion dollars of travel time savings. And that equates
9 to about \$141 billion of future benefits, again in each
10 year going forward in nominal terms.

11 Reliability is also a major benefit. High-speed
12 rail is more reliable in travel time than traveling by car
13 when you don't know what kind of congestion you might face
14 on the roads, or planes that have delays due to weather and
15 other factors that don't impact high-speed rail to those
16 degrees. So that's a \$59 billion benefit.

17 Stations and amenities, those accrue to all the
18 users, not only those that travel on the High-Speed Rail,
19 but those that might visit our stations for other
20 connecting transit or things like that. That's a \$51
21 billion total benefit.

22 And then on this slide, we end with induced
23 ridership. So these are folks that choose not to travel,
24 because there's not a safe convenient way to go to where
25 they want to travel. But if high-speed rail exists, more

1 trips would be induced and that's a \$27 billion benefit.

2 Next slide.

3 So there's some other transportation benefits
4 that mostly accrue on highways and roads, because of the
5 mode shift to high-speed rail from auto trips. There's
6 about a \$96 billion -- or excuse me -- 96 billion mile
7 reduction over the study period. And that has a multitude
8 of benefits. It reduces automobile cost of operations and
9 maintenance by about 98 billion.

10 Highway crash reductions, so based on mileage,
11 death and injury rates, 1,346 fatal crashes would be
12 avoided over this period. About 24,000 injury crashes
13 etcetera, resulting in about 56 billion in total benefits.
14 Auto and air emission reduction, that comes in at about \$8
15 billion. And on the next slide, there's a couple more in
16 this category.

17 The reduced congestion on the roadways, saving
18 travelers time, so that's at 12.5 billion. Airports see
19 some reduced delay because of reduced plane trips versus a
20 no-build high-speed rail scenario, 1.2 billion. And noise
21 and pavement cost of \$0.2 billion in total benefits. Next
22 slide.

23 So this is getting at the wider economic benefits
24 of high-speed rail. Studies do show that when good inter-
25 regional transportation exist those regions tend to grow

1 faster economically. Because of things like easier access
2 of employees to employers, better chances to coordinate,
3 cooperate with other firms, other workers. And that
4 efficiency gain mostly accrues to workers in the modeling,
5 so worker wage uplift, about 197 billion. Firm
6 productivity uplift measured in higher commercial values
7 near the High-Speed Rail Station, 16 billion. Next slide.

8 Rounding out the benefits here and the
9 adjustments, we also eliminate I believe about 100 at-grade
10 crossings of cars passing over rail. And eliminating those
11 crossings has benefits in terms of travel time savings, but
12 also it reduces delays for emergency response like
13 ambulance and fire. And those benefits collectively add up
14 to 90 -- excuse me \$68 billion.

15 Freight and passenger rail efficiencies again
16 versus the no-build scenario, we are reducing burdens on
17 existing freight rail lines and that has an \$18 billion
18 benefit.

19 The last two, residual value. Again the Federal
20 methodology has this cutting off the benefits at 30 years,
21 for all those things we've gone through so far. But they
22 do allow us to assign a residual value for what would come
23 after the first 30 years of operation. And in this case
24 it's 177 billion in total benefits.

25 And lastly, the operation and maintenance, repair

1 and rehabilitation cost. Those are items that are in this
2 case of the model counted as sort of negative benefits. So
3 they offset the benefits we've gone over, so it's a
4 negative 82 billion. But it's important to make sure we
5 cover those in the analysis. Next slide.

6 So the cost as I mentioned, no surprises here
7 really, we pull in the cost from the 2023 project update
8 report. I'll mention we also used the ridership and other
9 data consistent with the 2023 per, so the base cost of the
10 Phase 1 program \$106 billion. In a later slide we'll
11 adjust that to take out the indirect taxes. But that's the
12 cost number. Next slide.

13 So to get to the final numbers, the final
14 comparison, again, we convert everything to a base 2021
15 dollar and we also apply the discount rate. I did want to
16 mention that while DOT and FRA direct a 7 percent discount
17 rate be used, that is a bit of a subjective thing. You
18 know, it's an input for consideration of the government.
19 But the government could choose to use a zero0 discount
20 rate or a 4 percent or 12 percent. The 7 percent discount
21 rate ties to what pension funds, for example, tend to
22 target in their annual earnings. So some investments may
23 target a higher rate and look for net present value that
24 would be higher based on a higher discount rate.

25 But other -- and as I said, governments may

1 choose to look at investments that also would be built on a
2 lower discount rate of 0 or 4 percent. Meaning that
3 government in that case is valuing future generations
4 equally to how we're valuing the current benefits to this
5 generation. And so at times certainly governments have
6 decided to invest more now so future generations see
7 benefits.

8 So again this is a tool. High-speed rail does
9 very well under a 7 percent discount rate. But a few
10 slides from now you'll see that the difference in depending
11 on the discount rate is somewhat dramatic as well. Next
12 slide.

13 So on this slide we're just showing for you each
14 of those items we went through. We started with the \$850
15 billion total benefit in nominal terms, when we adjusted
16 for inflation and 2021 dollars, that takes us to 364
17 billion. A 4 percent discount rate would shift that down
18 further to 133 billion. And at the 7 percent rate, it
19 shifts the benefits to a rate or level of \$70.6 billion.
20 Next slide.

21 So doing the similar thing on the cost slide, we
22 take our cost from the "per." We exclude the indirect
23 taxes from that number. That gets us to 98.4 billion in
24 nominal terms and adjusting to 2021 dollars, we're at 76.9
25 billion, and so forth. At a 4 percent rate, that would be

1 62 billion cost at a 7 percent rate, about \$54 billion of
2 adjusted cost. Next slide.

3 So to kind of wrap it up here, we show these
4 different values, again comparing nominal costs and
5 benefits. High-speed rail has net benefits of about \$442
6 billion. If we adjust for inflation, that would be about
7 270, excuse me, 287 billion in net benefits. Applying the
8 various discount rates net benefits would be 71, or about
9 17 billion based on a 7 percent discount rate. Again
10 benefits exceed costs in all cases significantly.

11 One thing I just note here, for any analysis of
12 this work is it's very important, of course, not to mix and
13 match your cost and benefits. You know if you're if you're
14 looking at nominal terms, you want to use the nominal
15 numbers. If you're looking at the discounted 7 percent
16 rate, it's important to use that cost and that benefit.

17 And I just maybe for this page mentioned for what
18 the FRA was looking for in their numbers for what we
19 submitted again we have this net benefit and cost number.
20 Net present value is a metric that comes in 16.9. And the
21 ratio of 1.32 is the rate -- it is the ratio which the
22 benefits exceed cost.

23 So those are the key metrics that FRA looks at
24 when they'll analyze the applications. They do have their
25 own experts that look at all the applications and the

1 various applicants' benefit cost ratios to make sure our
2 applicants are doing it on a fair basis. And so we feel we
3 had a good team with KPMG too, who does this all the time,
4 not just once a year, once every few years. But they have
5 a dedicated team of economists that are very familiar with
6 this and familiar with the DOT metrics. And so we feel we
7 got a good result here.

8 I did want to mention the other reason we're here
9 today is there was some interest in this data from the peer
10 review group, and it came up in the state senate hearing in
11 March. So, we wanted the Board as well to be aware of this
12 output of this analysis as I think it'll probably be more
13 widely discussed over time.

14 CHAIR RICHARDS: Thank you, Mr. Annis.

15 Director Escutia?

16 BOARD MEMBER ESCUTIA: Thank you.

17 Thank you, Brian. The first question that I have
18 is with regard to your slide dealing with high-speed rail
19 user benefits. And basically in all your modeling my
20 question is very simple. Does your modeling assume a
21 decrease in ridership?

22 MR. ANNIS: Yes, it does. So it's based on the
23 2023 per ridership numbers.

24 BOARD MEMBER ESCUTIA: All right. Now, the thing
25 about a discount rate is something that took me by

1 surprise, I have never heard of that. So the question that
2 I have for you is obviously the figures without a discount
3 are obviously very high as compared to the figures with a
4 discount, they are lowered substantially. Is this discount
5 rate a -- what is it? Is it a universally accepted
6 accounting principle?

7 MR. ANNIS: Well, it's a standard for this type
8 of an analysis. I mean, the basic principle is if I give
9 you a million dollars today, you know what that is. If I
10 say I'll give you a million dollars in 30 years, it's worth
11 less to you, right? Because you don't have value of that
12 of that full amount of money today. So that's the
13 principle of discounting. I think another interesting
14 example maybe is the lottery. Lottery winners, sometimes
15 they get to choose from a stream of revenue or they get a
16 discounted amount all up front.

17 And so the basic concept is that time value of
18 money, that money in pocket now is worth -- or benefit in
19 pocket now is worth more than a benefit in 10 or 40 years.
20 But as I mentioned as a society you know that's not the
21 only thing policymakers may consider. They may look at
22 preschool. Does preschool have a good net present value at
23 a 7 percent discount? I don't know. You invest now, see
24 the benefits later.

25 BOARD MEMBER ESCUTIA: So as the federal

1 government is discussing whether they're going to give us
2 federal funds or not, do they go into this analysis of this
3 discount analysis?

4 MR. ANNIS: They do, they do. So they'll look at
5 all the applicants, and they'll compare the ratios that
6 different projects have. So all else being equal a project
7 with a 1.5 or 1.0 they would consider the 1.5 to be
8 stronger than the one at 1.0 ratio. So it goes into the
9 analysis. Again not the only thing that should or is
10 considered --

11 BOARD MEMBER ESCUTIA: Well, that's good to
12 know. Then finally in one of your slides you had a column
13 that had a 4 percent discount rate and another column that
14 had a 7 percent discount rate. Which is the one that's
15 universally accepted?

16 MR. ANNIS: Well, I don't believe there's one
17 that is universally accepted. I think both are --

18 BOARD MEMBER ESCUTIA: So it's just a range?
19 Okay.

20 MR. ANNIS: It's a range. It's I think,
21 appropriate for in this case, the grant evaluator being the
22 federal government to pick a number and say use this number
23 so we can judge all of you applicants on a like basis. But
24 I think another use of net present value could use again a
25 different discount rate, just depending on the decision

1 maker, the policy maker and what their objectives are.

2 BOARD MEMBER ESCUTIA: Thank you.

3 MR. KELLY: Point of clarity on that, though,
4 Brian. The FRA is using the 7 percent, right?

5 MR. ANNIS: That's right.

6 CHAIR RICHARDS: Director Schenk?

7 BOARD MEMBER SCHENK: Thank you. You know, we've
8 talked over the years about the benefits and this I think
9 the first time that we've really seen it with such clarity,
10 and with actual dollar amounts to some important benefits.
11 I'm used to saying cost benefit, but I guess now it's
12 benefit costs, which is okay.

13 But my question is how do we use this to get it
14 out into a broader audience? For example, at-grade rail
15 crossing removal is very real in communities where you're
16 stopped for a long time trying to get across a rail, a
17 train going by for 15 or 20 minutes. These are important
18 real-life benefits that I think are not really known
19 broadly. Everybody knows the negative. Everybody has been
20 talking about the negative. What is the plan to get this
21 beyond this room and this presentation?

22 MR. ANNIS: Well, I think we can certainly
23 consider putting some of this in the next Business Plan and
24 other avenues of social media that we use.

25 MR. KELLY: I think, also there's elements of

1 this that we'll move into talking points and leave behind
2 documents that we will use in our advocacy for the federal
3 grant. Again, this is a document that has accompanied our
4 federal grant application. And so these elements now we
5 will used when we go to advocate for the grant in the
6 benefits of this project for that for that purpose.

7 So, I think you'll see it, both in talking
8 points, leave behind documents, and of course it's part of
9 the evaluation.

10 BOARD MEMBER SCHENK: Well, I don't want to
11 belabor this, but we have very few positive things going
12 for us. I would say that we should do it beyond talking.
13 I mean, it's important to do that. That's the focus right
14 now, but I'm looking at the broader community of California
15 and the public opinion. And I know we have a
16 Communications Department and we ought to come up with a PR
17 -- I don't want to -- that sounds pejorative, but with some
18 campaign that the average citizen can know that they're
19 going to get real benefits in their community. That's all.

20 CHAIR RICHARDS: Thank you, Director Schenk.

21 Yes, Emily.

22 BOARD MEMBER COHEN: I -- this is an interesting
23 meeting so far. I wanted to commend staff for this. When
24 I got briefed on this report I was excited about it. And I
25 had the exact same thoughts and I expressed that to the

1 staff, which is this is really important.

2 It's also a demonstration that despite the
3 setbacks of this project, and despite how challenging this
4 project is, it's also transformational for the state and
5 for the country. And this report -- well, that's just me -
6 - but this report shows -- to me, it's just a demonstration
7 that we can't afford not to do this project. That this is
8 aligned with the goals of the state, of the people of this
9 state. And we've got to get it done. And these are real
10 benefits.

11 One thing I'll say, representing heavy civil in
12 my day job and being a driver on our highways, a big
13 driver, the lives saved. It's easy to look over that, look
14 at climate, look at all the other things, but the lives
15 saved is real. So I just wanted to thank staff this is
16 great. And I know that this went to the federal
17 government.

18 And there was a conversation today, a good robust
19 conversation about what will happen and will we get this
20 money, will we not? I think we will. I think we should.
21 I think the state deserves it. I thought the coalition
22 that the staff put together and the information the staff
23 put together was incredibly strong, including this report.
24 And so I was really proud to be a Board Member when I saw
25 what the staff put together. And I think you will get the

1 money. You should get the money, and I believe in it, so.
2 But thank you for this report.

3 MR. ANNIS: Thank you.

4 CHAIR RICHARDS: Thank you, Director Cohen, and
5 we're happy to have you here with us also.

6 MR. ANNIS: I think that was your first time
7 speaking. Am I mistaken on that?

8 CHAIR RICHARDS: Yeah.

9 BOARD MEMBER WILLIAMS: I have a question for --

10 CHAIR RICHARDS: Yes, Director Williams.

11 BOARD MEMBER WILLIAMS: I'm just joking.

12 CHAIR RICHARDS: CFO Annis, thank you very much.

13 BOARD MEMBER CAMACHO: Wait, I think there were --

14 CHAIR RICHARDS: Ernie, did you have a question?

15 BOARD MEMBER CAMACHO: I did have a question.

16 CHAIR RICHARDS: I'm sorry. I'm sorry, Ernie, I
17 didn't see you.

18 BOARD MEMBER CAMACHO: No, I was just going to
19 make a comment about the 7 percent that we're using. Yet
20 the emissions are using -- CO2 emissions are using the rate
21 of 3 percent and I was wondering, why the difference?

22 MR. ANNIS: I'm not sure I know the answer to
23 that. You're speaking of another analysis related to
24 carbon?

25 BOARD MEMBER CAMACHO: Well, it's noted on your -

1 - on the footnotes there that --

2 MR. KELLY: Brian, I think it is --

3 BOARD MEMBER CAMACHO: -- dioxide emissions,
4 which are discounted at 3 percent. And I'm just wondering
5 why they're using a 3 percent discount and what would that
6 effect have if we use 3 percent rather than the 7 percent?

7 MR. KELLY: And I want to ask, I thought that was
8 how the FRA handled emissions. Isn't that the FRA
9 methodology? Yeah.

10 UNKNOWN SPEAKER: Yes, as we saw in the slides,
11 the 7 percent will give you a lower number versus the 3
12 percent. The FRA wants us to value the benefits that we
13 get from GHG reductions higher. It's a way for us to give
14 a higher value to the same benefits. Lower discount rate,
15 higher benefits.

16 BOARD MEMBER CAMACHO: Thank you.

17 CHAIR RICHARDS: Thank you, Ernie.

18 Thank you, Brian.

19 All right, we're going to move on to Agenda Item
20 Number Four, which is the notice to proceed on Number Three
21 for the Merced to Madera project section. CEO Kelly.

22 MR. KELLY: Thank you, Mr. Chairman. I want to
23 introduce the Board Members, somebody they've known and
24 seen before, Christine Inoyue, who is our Chief Engineer
25 for Strategic Delivery. Christine is heading up the team

1 that is overseeing the advanced design work on the Merced
2 and Bakersfield extensions and she's doing a really great
3 job.

4 What she's about to talk about, I just wanted to
5 set up a little bit with the Board Members. When the Board
6 authorized the staff to move forward on the advanced design
7 work for the Merced extension, you included in that the
8 first notice to proceed was to move the design work to 30
9 percent for the Merced extension. The second part was that
10 you wanted us to come back and report to the Board when we
11 were ready. But the second part was to extend that design
12 work to the final location of the Merced Station.

13 And that at the time was going through an
14 environmental reexam. So, we had to finish that reexam
15 before we can include that into the design work that the
16 designer is now undertaking. That reexam completed in
17 April. And with that reexam done, we're now coming back
18 into asking the board for permission to allow that designer
19 to do the design work all the way to the downtown Merced
20 station and so that's the NTP 3 that's here.

21 And with that, Christine, I'll let you present.
22 Thank you.

23 MS. INOYUE: Great, thank you. Thank you very
24 much.

25 Good morning, Chairman Richards and the Board of

1 Directors. I am Christina Inoyue, the Chief Engineer of
2 Strategic Delivery at the High-Speed Rail Authority.
3 Today, I will be presenting Agenda Item Number Four,
4 Consider Approving Notice to Proceed for the Merced to --
5 Notice to Proceed Number Three for the Merced to Madera
6 Project Section.

7 The Authority is recommending approval to issue
8 Notice to Proceed-3 for the Merced to Madera design
9 services contract. Notice to Proceed-3 will result in
10 commencing design services to advance the design and
11 establish the configuration footprint for the Merced
12 station relocation portion of the project. The
13 configuration footprint sets the baseline for future work
14 and drives alignment of critical project elements.

15 The services will include configuration footprint
16 design, a minimum of 30 percent, value engineering, cost
17 refinements, travel time enhancements, right-of-way mapping
18 and utility relocation requirements. These are the same
19 design services that are currently underway in the Merced
20 to Madera project. Next slide.

21 In August 2022, the Board authorized execution of
22 the Merced to Madera Design Services Contract, NTP-1. The
23 contract term is two years, three months --

24 (Audio stopped due to Technical Difficulties.)

25 MS. INOYUE: So I will continue on slide 5.

1 Thank you.

2 The Authority completed an environmental re-
3 examination to relocate the approved at-grade station at
4 Martin Luther King, Jr. Way to an elevated station at R
5 Street. The relocation -- thank you -- the relocation
6 facility has connections to Amtrak, San Joaquin, and the
7 Altamont Corridor Express Services as discussed in Senate
8 Bill 198.

9 The reexamination was completed in April 26,
10 2023. From the reevaluation under CEQA no major changes
11 are necessary to the final Merced to Fresno EIR. And under
12 NEPA the changes were not substantial or significant enough
13 to require a new supplemental EIS or new environmental
14 document. Next slide, please.

15 Now I'm on slide 6. The Merced to Madera design
16 milestones are shown here. The Federal FR Rail
17 Administration granted pre-award approval for the \$25
18 million RAISE grant in September 2022. Task Order 1 was
19 issued and work began in October. By January, the Project
20 Management Plan was complete. Alignment footprint will be
21 verified in June, and draft configuration footprint is
22 planned for the end of this year. Once this milestone is
23 reached, utility relocations can be completed, relocation
24 designs can be completed, and preparation for early right
25 of way acquisition can be considered. Slide seven.

1 As of April --

2 UNKNOWN SPEAKER: Christine, can you mute that
3 computer maybe? Thank you.

4 MS. INOYUE: As of April --

5 VICE CHAIR MILLER: Mr. Chair, we only have two
6 slides left on this presentation. I said we only have two
7 slides left on this presentation, and the last one is a
8 summary. So, I think we're -- and we've all reviewed it.

9 CHAIR RICHARDS: We are about done with this. Is
10 there --

11 UNKNOWN SPEAKER: Given the technical
12 difficulties I just, you know.

13 CHAIR RICHARDS: Yeah. Is it that you're not
14 seeing anything, Christine?

15 MS. INOYUE: No, actually it's my mic.

16 CHAIR RICHARDS: Oh, your mic is not going?

17 MS. INOYUE: But I -- yeah. I think I can use
18 this mic and get through.

19 VICE CHAIR MILLER: I'd like to move the item.

20 CHAIR RICHARDS: Okay, yeah. All right. I'm
21 sorry I'm missing (indiscernible). Your mic is not working
22 at all?

23 MS. INOYUE: The mic does work, (indiscernible)
24 called --

25 (Overlapping colloquy.)

1 BOARD MEMBER COHEN: I second.

2 BOARD MEMBER SCHENK: Just call the roll.

3 CHAIR RICHARDS: All right. Can we call the
4 roll, please?

5 MR. SNIPES: Director Schenk.

6 BOARD MEMBER SCHENK: Yes.

7 MR. SNIPES: Chair Richards.

8 CHAIR RICHARDS: Yes.

9 MR. SNIPES: Director Camacho.

10 BOARD MEMBER CAMACHO: Yes.

11 MR. SNIPES: Vice Chair Miller.

12 VICE CHAIR MILLER: Yes.

13 MR. SNIPES: Director Perea.

14 BOARD MEMBER PEREA: Yes.

15 MR. SNIPES: Director Ghielmetti.

16 BOARD MEMBER GHIELMETTI: Yes.

17 MR. SNIPES: Director Escutia.

18 BOARD MEMBER ESCUTIA: Yes.

19 MR. SNIPES: Director Williams.

20 BOARD MEMBER WILLIAMS: Aye.

21 MR SNIPES: Director Cohen.

22 BOARD MEMBER COHEN: Aye.

23 MR. SNIPES: The motion carries.

24 CHAIR RICHARDS: Thank you. Thank you very much.

25 And sorry for the IT problems here.

1 We'll now move on to CEO Report. And because of
2 some of the loss of time, the CEO is going to shorten his
3 presentation as best he can. Mr. Kelly.

4 MR. KELLY: Thank you, Members. Brian Kelly
5 again, CEO of High-Speed Rail. A couple of important
6 things I want to run through in the CEO Report, you have
7 hard copies in your binders.

8 The first issue is under the program update.
9 That category was to inform the Board of the finalization
10 or the completion of negotiations on the final large change
11 order relative to CP1. And that was the change order at
12 Church Avenue, and that change order was \$132.6 million.
13 And the reason for the change order was we had to move
14 forward and complete the design in the document based on
15 what was in the environmental document and some of the
16 environmental document requirements. That came in after
17 the award of the contract and so we had to redesign that to
18 that purpose.

19 Also, the City of Fresno had some design changes
20 to the structures. And so, we incorporated all of that
21 into the final document and approved that change order.
22 That it's the last major change order on CP1.

23 I'm now moving to slide number seven for the
24 members that are looking at the document. On slide seven,
25 just to update on some legislative activity that I think

1 the Board should be aware of, we had two legislative
2 hearings, one in March, one in April on the project update
3 report. Coming out of those Republican member Vincent Fong
4 carried a bill that attempted to move Cap-and-Trade dollars
5 from this project to water-related purposes. That bill was
6 defeated in committee on a partisan vote 4 in favor and 11
7 against. And that was at AB 501 on April 24th.

8 And the last thing just for the Board's knowledge
9 is that there is a bill that's moving forward, SB 544, that
10 would continue some of the Bagley=Keene changes that were
11 put into place post-COVID that enables us to have the most
12 flexible possible hearings, including allowing members to
13 come in by Zoom or virtual or whatever. And that bill is
14 has continued to move through the legislative process, so
15 we're monitoring that. Could be part of the budget
16 discussion. But again, seeing everybody (inaudible) today
17 -- continue to do, we wanted to make sure you were aware of
18 that.

19 (Audio issues, with mic reverb.)

20 CHAIR RICHARDS: Brian, just a second. I know
21 we're (indiscernible). I think everybody being able to
22 hear (indiscernible) --

23 (Off-mic colloquy re: audio issues.)

24 CHAIR RICHARDS: Oh okay. All right. Brian,
25 keep going.

1 MR. KELLY: Sometimes when mics are too close,
2 you get the feedback, so maybe that helps. Or maybe it
3 doesn't.

4 The other thing I want to jump to in the CEO
5 Report I'd just mention to Members next week some of the
6 management team will be traveling to Washington, DC for the
7 National US High- Speed Rail conference. A couple of us
8 were asked to appear on panels and make presentations about
9 the status of our project and what we're doing. It's also
10 an opportunity to thank Members of Congress, and others who
11 supported our federal grant application. So we'll be
12 making some rounds to do that as well. And talk about the
13 benefits of the program for those that are decision makers
14 on that federal grant program.

15 The last, and I think the most important thing
16 left on the CEO report that I want to cover -- well, I
17 guess there's two. But quickly a couple of meetings ago
18 Director Perea asked about the status or the next steps on
19 the identification of the location of the heavy maintenance
20 facility in the Central Valley. And I indicated to him
21 that we are about to start the environmental process for
22 that.

23 And so that is -- we are executing an RFQ now, so
24 we can get the environmental review done. That process
25 will involve calling down 11 different sites to find the

1 most project alternative or the best alternative for the
2 program both operationally and environmentally. And we
3 will come back to the Board with that recommendation when
4 the environmental work is done. But that won't be until
5 2025. So there's some --

6 UNKNOWN SPEAKER: And Brian, we're back up.

7 MR. KELLY: Right. Thank you.

8 So next slide on this --

9 (Overlapping colloquy.)

10 BOARD MEMBER WILLIAMS: Hey, Brian? Sorry, Mr.
11 Kelly, can I I ask you a question about just in terms of I
12 understand there's environmental assessment that's going
13 on.

14 MR. KELLY: Yep.

15 BOARD MEMBER WILLIAMS: The geographic region
16 that you've identified is that -- will there be a further
17 analysis of what is more optimal in terms of like the North
18 Valley versus the south part of that sort of stretch? What
19 analysis goes into that?

20 MR. KELLY: So there are several facilities that
21 we need in the Central Valley, some light maintenance
22 facilities, there's a maintenance-away facility that will
23 be in Fresno now. And the Operation Control Center will
24 also be in Fresno.

25 The location of the heavy maintenance facility

1 went through a process where 11 different cities have
2 provided an interest in hosting the site for the heavy
3 maintenance facility. And what the environmental process
4 will do is we will screen the operational needs for that
5 facility versus each site. And then we'll go through the
6 environmental impacts as we get down to the sites that meet
7 the qualifications to do it.

8 We will then, through that process, come up with
9 a preferred alternative. And we will bring that preferred
10 alternative and the analysis that led to that, to the
11 Board. So there's a series of criteria that will screen
12 through our operational needs, and then we'll bring the
13 alternative to you all. But again that's going to take
14 about 18 months. So we're going to be into 2025 when we
15 come back on that.

16 BOARD MEMBER PEREA: Brian, quick question?

17 MR. KELLY: Yes.

18 BOARD MEMBER PEREA: Will that include the
19 evaluation of an interim heavy duty maintenance facility
20 pending the need for a heavy duty facility with maximum
21 number of cranes?

22 MR. KELLY: When (indiscernible) include the
23 analysis for that. We will -- the initial maintenance away
24 facility, and light maintenance facilities, that would be
25 part of the initial construction. We won't need a full

1 operational heavy maintenance facility until we're into
2 operations for some time. But I don't want to tell you
3 about the environmental analysis on this, because I'm not
4 sure it will. But the reality is, we will probably use
5 some of the other interim stations for like maintenance on
6 the trains until we need the heavy maintenance work. And
7 that would be later.

8 BOARD MEMBER WILLIAMS: Okay.

9 MR. KELLY: Okay. And then lastly, just so the
10 Board is aware, on a positive note, I always like to end on
11 a positive note. The Authority was the recipient, on slide
12 17 now, of several recent awards. One is a Public
13 Information Officers Award for some of the graphic work and
14 online work we did with the -- be able to show people what
15 the alignment would look like from San Francisco to San
16 Jose and San Jose to Merced. So we received an award for
17 that.

18 American Planning Association provided our
19 Northern California team with an award for their outreach
20 on the environmental justice components of our work in the
21 Bay Area and the environmental documents in the Bay Area.
22 And then Women in Transportation Seminar, they've honored
23 us with Employer of the Year in Los Angeles and Sacramento.
24 And we just got the same Employer of the Year from their
25 chapter in the Bay Area. So I'm happy to announce that.

1 And then finally, two of the last announcements
2 that I think are vitally important. One is WTS
3 International Chapter, now covering all of the country and
4 even international, named us the Employer of the Year as
5 well. So I'm happy to announce that. We'll be receiving
6 that award in Atlanta, I think tomorrow. So I'm pleased
7 about that.

8 And then lastly, Noah Kelly will be graduating
9 from college on Sunday. I just want to make sure everybody
10 is aware of that. With that, thank you, Mr. Chairman.

11 VICE CHAIR MILLER: Brian, just one thing. It
12 would be nice if you let the Board know about some of these
13 conferences. Some of us might -- some of us might want to
14 attend. On our own dime, of course, but you know.

15 MR. KELLY: We talked with the Chair about this
16 one, but also talked about putting together a Washington
17 trip later in the year.

18 VICE CHAIR MILLER: Okay.

19 MR. KELLY: Not necessarily tied to a conference
20 but tied to work on (indiscernible).

21 VICE CHAIR MILLER: Okay, but just let us know
22 when there's a conference. Some of us go back east, and if
23 we knew we would attend. Thank you.

24 CHAIR RICHARDS: Thank you, Vice Chair Miller.

25 Ladies and gentlemen, I'm going to just give you

1 about one minute for you and the Board. As I pointed out
2 earlier, we will not have a Finance and Audit Committee
3 meeting today, but just to give you some of the highlights
4 that would have been in that meeting.

5 With regards to cash the Authority -- and again
6 these numbers are all as of March 31st of 2023. Total cash
7 available is 3.2 billion, of which 1.2 is Proposition 1A,
8 and Cap-and-Trade is roughly 1.9. That is the majority of
9 everything. There's only about 11.2 million in the Rail
10 Property Account.

11 Sales of Proposition 1A bonds, 1.1 billion in
12 cash at the end of March. As I pointed out, the Cap-and-
13 Trade auction proceeds in February are not reflected in the
14 cash that I indicated earlier. Cap-and-Trade being about
15 1.9 billion. The estimate of what that may look like when
16 announced would be about 220 billion to the Authority.

17 The admin budget in the month of March we spent
18 \$5.9 million in March year over year. That's 631,000
19 higher than the previous year. The reason for that for the
20 most part is the fulfilling of 52 vacant positions.

21 The capital outlay budget, that is expenditures
22 in the month of March. Expenditures were 98.1 million. Of
23 that, 69.8 or roughly 70 million were for design build.
24 Preliminary numbers for April would indicate about a 22
25 percent increase on overall expenditures and about a 10

1 percent increase in the design build contracts.

2 The contingent summary for the Authority at the
3 end of March, there's 2.1 billion in remaining contingency
4 specifically for construction packages. That includes the
5 augmentation that was approved by the Board in March.
6 Utility relocations, you've already heard from our CEO in
7 the construction update report and also right-of-way, so I
8 will not reflect those at this point.

9 At this point, then we have completed the public
10 portion of this meeting. The Board is now going to go into
11 closed session. After that closed session, I'll come back
12 and announce anything if there's a -- to the public if
13 there was anything that needed to be reported at this
14 point.

15 But with that, we'll go into closed session. I
16 don't have an exact time for what this might be. I would
17 say that you -- probably an hour and a half perhaps. So if
18 it looks like it's going to be at or around that amount of
19 time or longer we'll ask somebody to come out and let you
20 know for those of you who are waiting. And those of you
21 who might be still on the call in -- or not the call in but
22 on the --

23 MR. KELLY: Zoom.

24 CHAIR RICHARDS: The Zoom, thank you. I'm happy
25 I forgot the word "Zoom." So anyway we'll now move to

1 closed session.

2 (Off the record at 11:36 a.m.)

3 (On the record at approx. 1:25 p.m.)

4 CHAIR RICHARDS: Now ladies and gentlemen this is
5 the California High-Speed Rail Authority Board of Directors
6 Meeting. I have just returned from closed session. There
7 is nothing to report at the closed session. This closed
8 session will be continued at our after our next Board
9 Meeting in June, so the meeting closed session will be
10 continued at that Board Meeting next month.

11 Thank you very much for joining us today and
12 we'll look forward to seeing everyone next month. The
13 meeting is now adjourned.

14 (The California High-Speed Rail Authority
15 adjourned.)

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CERTIFICATE OF REPORTER

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.

And I further certify that I am not of counsel or attorney for either or any of the parties to said hearing nor in any way interested in the outcome of the cause named in said caption.

IN WITNESS WHEREOF, I have hereunto set my hand this 20th day of June, 2023.



MARTHA L. NELSON, CERT**367

CERTIFICATE OF TRANSCRIBER

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 transcribed by me, a certified transcriber and a disinterested person, and was under my supervision thereafter transcribed into typewriting.

And I further certify that I am not of counsel or attorney for either or any of the parties to said hearing nor in any way interested in the outcome of the cause named in said caption.

I certify that the foregoing is a correct transcript, to the best of my ability, from the electronic sound recording of the proceedings in the above-entitled matter.



MARTHA L. NELSON, CERT**367

June 20, 2023