

CALIFORNIA HIGH-SPEED RAIL AUTHORITY

Finance and Audit Committee

TRANSCRIPT OF PROCEEDINGS

DEPARTMENT OF HEALTHCARE SERVICES

THE AUDITORIUM

1500 CAPITOL AVENUE

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8:30 A.M.

Reported by:  
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PUBLIC COMMENT:

David Schwegel, US High Speed Rail Association

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P R O C E E D I N G S

8:34 a.m.

PROCEEDINGS BEGIN AT 8:34 A.M.

SACRAMENTO, CALIFORNIA, TUESDAY, OCTOBER 15, 2019

COMMITTEE CHAIR RICHARDS: Good morning, everyone. Welcome to the October meeting of the California High-Speed Rail Authority Board of Directors Finance and Audit Committee. This is the first time that we've been notified, I think, that we're being photographed or videotaped. At any rate, that's why we're in here.

And with your indulgence, without being disrespectful, which you all know that at our Board meeting we do stand for the Pledge of Allegiance. And for the purposes of this meeting we will -- we don't ignore that, but we will do the Pledge of Allegiance at the Board meeting. And we will generally will not do the Pledge of Allegiance until we get to the Board.

Now, let's move this meeting forward. First of all, I see we have -- who's recording the minutes here. Can somebody do that now that we're in here or?

UNIDENTIFIED SPEAKER: Yes.

COMMITTEE CHAIR RICHARDS: Okay. All right, thank you. I don't want you to have to do it again, but somebody needs to record the minutes. Would you please just note that we have 100 percent attendance by the

members of this committee and the meeting is called to order?

We will start with public comment as we do in the Board meeting each month. We have just one request today and that is David Schwegel. David, good morning.

MR. SCHWEGEL: Good morning. Greetings F&A Committee, David Schwegel, US High Speed Rail Association. The expedited delivery of state-of-the-art infrastructure (indiscernible) (Audio cuts in and out) is the measure that matters in (indiscernible) help considerably. And if Governor Gavin Newsom wants to call a few of these consultants up at the end of the day and say, "Hey, what did you do for the past year (indiscernible)?" That would be a very interesting accountability measure.

Second, driving the economy forward with infrastructure is the theme for the California Infrastructure Symposium to be on April 3rd at the Hilton Arden West right here in Sacramento, looking forward to hearing some interesting ideas on how we can bring a whole lot more economic prosperity here to the Valley.

Third, and finally, Cascadia Rail Summit November 6th through the 8th at Microsoft. The focus is going to be on fast-tracking a \$42 billion high-speed rail system along the Portland, Seattle and Vancouver BC Corridor. That has a (indiscernible) freeway and generates a whopping \$355

billion in economic benefits as opposed to the alternative, which is \$108 billion to construct a single northbound and southbound lane along the 276-mile segment of I-5 through the state of Washington.

A couple of key reasons why we might want to be there, and the key reasons why I'm making the 929-mile drive up from Clovis are first off to find out how they were able to get (indiscernible) to engage in high-speed rail. And second to find out their innovative messaging techniques on what it means to bring two cities closer together from the standpoint of addressing real-world challenges like healthcare and (indiscernible). See you at Microsoft.

COMMITTEE CHAIR RICHARDS: Thank you, Mr. Schwegel.

We have no other comments from the floor, from the public. That being the case we'll move on to our agenda. Item Number 1 is consider the approval of the September meeting minutes. If there are no changes can I have a motion?

COMMITTEE MEMBER CAMACHO: So moved.

COMMITTEE CHAIR RICHARDS: Directly Miller, second? Nancy?

COMMITTEE MEMBER MILLER: Second.

COMMITTEE CHAIR RICHARDS: Okay. We have a

motion and a second; all in favor?

(Ayes.)

COMMITTEE CHAIR RICHARDS: All right, it passed unanimously.

Moving on to Item Number 2, this is an information item and let me just address it just very, very briefly. As most of you or probably all of you in this room know the story. That this Committee earlier in the year, and in advance of the summer, directed our Financial Advisor, which is KPMG to put together a Business Case Report for Interim High-Speed Rail Service from Merced to Bakersfield.

As you also are aware I'm sure, that this alternative interim service idea was presented in the 2019 Project Update Report. We believe that on this Committee, and on behalf of the Board, that this junction in the High-Speed Rail Project is both appropriate and important to help inform the information from which this Board will be able to consider this alternative.

What has become clear as we work through this process of the KPMG completed report, CPO Kelly and myself have met a number of times both independently and together with KPMG. And what we have determined clearly is that we cannot accept, we cannot compromise quality for time. And all that really means is that in order to do this sort of a



deep dive we are looking at information that maybe wasn't directly available, but is being worked on.

And as many of you know, the Early Train Operator has been working at analyzing the information for this alternative. That information is critical for this report and so what we have asked of KPMG today is to give us just a basic overview of where we are. But we are not, at this point, prepared to release this report. We do not have a firm date on that, but we will advise you when we do have it.

We're certainly pushing as quickly as we can, but again it's so critically important to ensure that the information we have gone and presented to the public and Legislature is our very best estimate of the information that is necessary to make the decision. So with that let me introduce then Thierry Prate, the Managing Partner with KPMG.

Thierry, good morning.

(Audio issues with sound cutting in and out.)

MR. PRATE: Good morning, Chair Richards, Board Members, I am Thierry Prate with KPMG, Product Advisor with the Financial Advisor Team.

So I'm to present an update on the Business Case for Bakersfield to Merced Interim Service. I'm going to give some findings from the work we have achieved so far

and the next stage we need in order to release the report.

So as Chair Richards mentioned we have (indiscernible) initial data and (indiscernible). So I'm going to start on page 2, which is really a historic overview of the origin of the concept of the Merced to Bakersfield Interim Service.

One of the key points was back in January 2018 when the Authority was contemplating some pressure on the cost and schedule impacts. That led in the 2018 Business Plan for essentially the identification of a funding gap for completing the initial segments for Valley to Valley segment.

Then in May 2019 the Early Train Operator did their initial studies on the corridors and published a series of analyses (indiscernible) looking at options to run interim services in the Central Valley. And we followed up right after that with a program that we forwarded to the Authority the recommendation to look at the Merced to Bakersfield (indiscernible).

And as just mentioned before we've been asked following these series of documents to develop the Business Case and do a deep dive on these interim services.

On page 3 you will have a representation of the Scope of Work. We have been (indiscernible) study. There are nine main elements and I'm going to go through them

quickly and develop further. So we started with an assessment of the socio-economic benefits.

COMMITTEE CHAIR RICHARDS: Can you hang on just a second? I don't know why this isn't showing on the screen here. Let's do this, I'll tell you what we're going to do for the people in the audience.

All of you in the audience, we understand other copies are available, are they out front? They're on the back desk, okay. And if anyone would like to get one before we continue, please do so now. Otherwise, since they are available we will go ahead and go with this rather than to delay. The only other thing I was thinking about was just move him down to the report. Yeah.

(Off mic colloquy.)

COMMITTEE CHAIR RICHARDS: Okay, we're up? All right, go ahead.

MR. PRATE: So I'm on page 3. There we go, no, this one yes.

So this is the Scope of Work we have conducted for the Business Case, so nine key elements in that study. We started with an assessment of the socio-economic benefit related to the proposal, so Merced to Bakersfield means just additional investment into Central Valley. And considering the ongoing work that is happening with Central Valley we thought there would be an update that needs to be

happening in terms of job creation, economic impact direct-indirect and induced benefits.

On the second point we also looked at the utilization of assets, so the Authority is going to be receiving assets from their CPs program. And we looked at what it means in terms of how we could avoid one of the key risks, which is the (indiscernible) assets, so that's one piece of the study.

Number 3, as we mentioned we looked at the operating plans and the various forecasts that were included in the ETO study that was released in May have 2019. So we looked initially in ridership revenue forecasts from the fare box and operations and maintenance costs as looked at in the study.

On Number 4 we looked at the business model and commercial agreements that would need to be considered before entering an operating segment on the Merced to Bakersfield.

Number 5 is the affordability in terms of funding available and the CAPEX estimates that we have to date for this segment.

Number 6 we went into discussion with various stakeholders and partners. The proposal about Merced to Bakersfield includes working closely with our partners from ACE San Joaquin and they have investments included in their

plan for the service.

Number 7 is a long-term financial analysis. It's the Return on Investment Analysis. I'll develop that a bit later in this presentation.

Number 8 we also looked at the constellation of how interim service for Merced to Bakersfield would fit our influence or impact with some of the long-term contracts the Authority is planning to get into, so essentially track and system and rolling stock.

And finally Number 9, we looked at the overall risks, benefits, opportunities, and looked at potential mitigation strategies that would eventually form our future recommendations.

So in the following slides I have one page for each of those elements. And just as a matter of time I'm going to try to go fairly quickly on some of them, but if you have any questions feel free to interrupt me.

On page 4, the Socio-Economic Analysis, so consistent with the socio-economic impact the Authority is developing the Central Valley we ran the same models that the Authority has. And we looked at incremental benefits related to the investments for the extensions to Merced and to Bakersfield; what it would mean in terms of job creation, job year, in terms of direct and indirect impact, so those numbers have been modeled and forecasted so this

(indiscernible) analysis has been completed.

On page 5, so on page 5 for the Asset Utilization Evaluation, we really looked at the rationale and the feasibility of using high-speed rail infrastructure before completing an initial (indiscernible) segment. So one of the key risks we looked at was to have the asset delivered, but not yet utilized. So we looked at interim service as an opportunity to use these assets and to create some benefits for the communities.

On page 6 as we already mentioned a few times, so we really looked into the initial assumptions and ridership forecast, (indiscernible) forecast that went in the Early Train Operator study. So Deutsche Bahn has been conducting and using their model to develop -- well or a series of models, so (indiscernible) models with Deutsche Bahn and they use other available tools to forecast these numbers.

So we wanted to make sure there is consistency in the assumptions used. We provided some feedback and some comments and this is why now the ETO is updating the forecast. And one of the results, we are waiting for, to complete this study.

On page 7, so the Business Model Development, so in the context of the interim services the collaboration with state partners is key for the interim service. So, you know, as it was explained in the PUR and the ETO there

will be a (indiscernible) benefit connecting San Joaquin ACE services with high-speed rail.

So we looked at the structuring of those commercial agreements in the future in the context of interim service, so we looked at a potential approach to do so. We looked at and considered potential risks. We looked at how we would manage those aspects in a business model to form part of the recommendation with interim services.

Number 8 is straightforward. We looked at the affordability of the capital improvement in construction for Merced to Bakersfield service. So from the PUR the Authority has developed some CAPEX cost estimates for the system. And we looked at our available funding sources to afford this extension.

So we did some stress analysis, so the CAPEX system that the Authority developed were risk-informed using Monte Carlo simulations. So we looked at a various range of p-numbers to test those assumptions.

On page 9, I already mentioned I think the interim service approach will involve additional improvements in California. I mentioned ACE San Joaquin, there might be others around station development, so we want to make sure that we get the full picture and the independence from one system to another. So we conducted

some discussions with stakeholders to understand the requirements to bring additional investments and updates to maximize the benefits related in terms of ridership with interim service.

Our Return on Investment Analysis, so this is a separate analysis that we have conducted that looked at the V2V System. So what we ran on this one -- so we bring in Merced to Bakersfield as the step before getting to V2V means that when we're going to get to a V2V system we're going to have Merced involved as the V2V. So the V2V that we know is around San Francisco to Bakersfield, so now we will have a Merced addition to that system.

So we conducted a long-term return on investment, which essentially looked at a comparison of incremental revenues that would be generated from ridership for having an additional city in that system compared to the situation where we didn't have Merced. And we compared these incremental revenues to the investments necessary to go to Merced.

As I mentioned quickly before we checked the feasibility of having an interim service in the long-term procurement that the Authority is conducting. So as we all know the Authority is at the moment developing a tracking system procurement behind their RFQ (phonetic) stage. They will have some aspects that need to be verified that they



are compliant with an interim system similar with rolling stock. So this is a PUR analysis we looked into and provided some recommendation.

So finally in the Scope of the Work, the last piece is kind of a summary of opportunities, risks and mitigation addressing that. So through the course of the reviews we looked at potential mitigation strategy and summarized all of the same time risk and benefits.

On Page 13, before I get into some of the key findings from this analysis I will introduce some decision factors. So in support of a decision-making process we tried to structure a series of factors that would help the Board in development a recommendation and decision for this piece. And so there were five factors that we wanted to consider.

One is compliance, so does this proposition comply with the funding requirement and sources that the Authority has, the leg, and also the Authority's mission to develop a high-speed rail.

Deliverability, a factor to ensure that does the Authority and its partners and the state execute the project or the plan.

Affordability again, self-explanatory. Do we have the means to develop this project?

The value for money is more of a concept that

through all their investments and their resources that apply to this project, are they exceeded by the long-term benefits of this project, so another factor.

And finally societal benefit that encapsulates all of our socio-economic returns and investments in disadvantaged communities. So those decision factors are a means for the Board and for us to develop a decision on the system.

Right, the next two pages, on Page 14 and 15 are, as I mentioned, preliminary observations based on the stage we are in this study. We're not final, but just tried to put it in five main categories.

So I'm going to start with socio-economic benefits, so of course incrementally to the benefit with the construction going on in the Central Valley we have estimated an increase in job years with 30 percent, an additional 9.2 bill of economic impact related to this investment.

Other benefits have been (indiscernible) in relation to safety, the fact that we have a dedicated guideway so that will be an increase in safety, noise reduction, travel time reduction, emission reductions, congestion relief, so all those benefits will be brought forward with the system.

I briefly touched on it before, but I think an

interim service will allow early utilization of some of the assets. So as we all know we are all working on the 119-mile segment. Those assets are going to be delivered. I think once they're delivered they become the responsibility of the Authority. They need to be maintained, protected, so an interim service on those assets is an approach to manage those assets.

Also, I was mentioning we will enter into long-term contracts that would include some maintenance. So an interim service is an option to generate some revenue and revenue streams to cover some of those costs in relation to our track and system and rolling stock. And finally, of course, that's an opportunity to bring some early advantages of high-speed rail service in California.

On affordability, we've looked at the estimate as I've said of P70, p\P90 for the CAPEX and we compared with our funding sources. So in our best-case scenario those are the numbers that were already in the PUR. The capital cost system is around 20.4 billion in year of expenditure dollars. Our current projected funding sources range from 20.6 to 23.4, so even with some stress it appears to be affordable.

We also looked on a year-by-year expenditure, so there's some more pressure on the cash flow year on year. So this is some of the conclusions that we have here. And

of course, all this depends on pressure on the schedule and on the cost as those numbers may change.

On Page 15, that's the results of our Return on Investment Analysis, so as I was explaining we looked at incremental revenues generated in the long term. So let's assume a V2V system is implemented. We looked at the incremental benefits for adding Merced in that V2V system. We cash flowed those revenues over 30 years, used some discounted factors and then compared it to the initial incremental investments to add to Merced.

So the results of this analysis appears to be extremely sensitive with the amount of initial investments. So our preliminary estimate shows that we have a positive return and there's a range of .07 to 1.1 billion with what we call a partial Wye. So we've assumed that in order to access Merced we would not build all the two legs.

(phonetic) It would be just the north-south part of the Wye. The reason I'm mentioning it's a sensitive analysis is because if we start adding some of the CAPEX elements those numbers could be slightly reduced. But with the analysis done so far it shows some positive returns.

Finally, I think one point on those procurements, we looked at how those track and system procurements were proposed. I think the interesting part is the multiple Notice to Proceeds that is implemented for the track and

system. That will allow the Authority to have the flexibility means as to develop the extension north to Merced and south to Bakersfield. So these procurements allow this kind of flexibility.

So there are other risk factors obviously, but in terms of advancing Merced to Bakersfield the way this procurement is structured would allow a building block approach for this piece.

So finally, in terms of Next Steps on Page 16, I think there are a few key steps that we need to conclude. I mentioned already, so waiting for some additional data in ridership forecasts. Using some of the recommendations we have. We need to finalize and prepare our recommendations for both the extensions and the interim service. We will finalize our risk and opportunities assessments and we'll form this in our finalized Business Case.

So as Chair Richards mentioned the timing is not completely set yet, but we are hoping to do that as quickly as we can. So if you have any questions I'm happy to answer any questions.

COMMITTEE CHAIR RICHARDS: Than you, Mr. Prate.

Any questions from my colleagues on the Committee?

COMMITTEE MEMBER CAMACHO: Yes, so you're doing much of what we are requesting to be done for the study in

the L.A. area. And by comparison you're looking at the Central Valley and the segments that tie into that as it relates to (indiscernible) Bakersfield. So much of what you're doing is going to be and should be easier or quicker than we would anticipate that you have to do everything all over again?

MR. PRATE: Sure, if that is -- I mean, we will apply the same approach. We would apply the same approach, looking at the same metrics. Yes.

Just for clarification, I think you all know we have been essentially focusing on Merced-Bakersfield with this study. But I yes, if we were to apply it on another segment we would apply the same approach.

COMMITTEE MEMBER CAMACHO: Thank you.

COMMITTEE MEMBER MILLER: Well, I think we would be applying the same approach except we are at a PV, a POV 70 or 90, which we wouldn't be in Los Angeles, right? I mean, that would be much more of an estimate; is that correct?

MR. PRATE: That's correct.

COMMITTEE MEMBER MILLER: Just when you say deep dive we're not doing an analysis that would require -- I mean, I know we're looking at a comparison. But just by the nature of the information that we have, that comparison on one side is a fairly deep dive. I mean, we really know

answers there and we know environmental answers and all those kinds of things. On the comparison, it'll be an estimate, because we're --

COMMITTEE MEMBER CAMACHO: (Sounds like) Through all this.

COMMITTEE MEMBER MILLER: Yeah, well true. Some are better than others. Thank you.

COMMITTEE CHAIR RICHARDS: CEO Kelly, do you have anything you want to add to any of this?

MR. KELLY: No, I don't think so. Just as I said this is the initial response to the two studies that the Board directed. The first, of course, is this directed by the F&A Committee on the refined Business Case for the Bakersfield-Merced stretch. The Board will hear in the broader Board meeting later today the status of the ETO's Report on what we're calling the side-by-side analysis. And so you'll hear more about that.

Both reports, as you indicated Mr. Chairman, I think this one is a wind-up the refined ridership and revenue estimates. It will be forthcoming a little bit later. My expectation is the ETO Report as you all will remember is in a two-step process. The qualitative analysis is presented first today in a summary form. That full qualitative analysis is about an 80-page report that will come forward a little bit later in October. And then

there's the quantitative element that's been requested that would be a little bit later toward the end of the year.

COMMITTEE CHAIR RICHARDS: Thank you. Thank you, Mr. Prate.

Tom, would you just -- I know we do, but make sure that in the minutes that we note all the other Board Members who are here today who are not members of this Committee, but who are here nonetheless.

Okay, we'll now move on to Item Number 2, [sic] part of our normal monthly business, the Executive Summary from our Chief Financial Officer. Mr. Annis, good morning.

MR. ANNIS: Good morning, Mr. Chair and Directors. And as was discussed at last month's F&A meeting our F&A reports are being revised for clear and more concise reporting. These changes have resulted in a reduction of 40 pages of financial reporting so far, while retaining we hope, the key data used by the F&A Committee members and the public. We look forward to feedback on this first iteration and we anticipate further updates next month, as the Project Delivery Report section of this report is also revised.

I'll point out some of the changes as I present the Financial Report. I also want to thank staff in the Finance Office, John Carter and Derik Bowden, (phonetic) if you could raise your hands? These guys did the lion's



share of the work on the revisions and I think everything you like about it is thanks to them. If you have any complaints, it's probably due to my edits.

COMMITTEE CHAIR RICHARDS: That's interesting, Brian. You told me privately you did it all. (Laughter.)

MR. ANNIS: So I'm going to brief off our Executive Summary, which is tab three of the binders. And starting with page two of that report that starts with the Accounts payable Aging Report, and I'm happy to report again that we have another month where we've not had an aged invoice and have not had a penalty payment. So that makes about 31 months straight without a penalty payment for late payment.

Our total disputes outstanding are about 4.6 million. That's an increase of 189,000 from the prior month. However, the number of disputes has declined by 29 or 18 percent from 161 to 132. As well as looking further back at one time we had total disputes up to I think 22.9 million. So that issue staff's worked hard on and we have continued to show success.

Also, on that same page, we have a Cash Management Report. The report reflects that as of the end of August, our Proposition 1A Bond balance was 588 million. That is our primary source of project funding at this time. We anticipate the Treasurer's Office will go forward to

sell some additional bonds on November 10th and that sale will likely be about 384 million. That will be the final amount currently appropriated for high-speed rail construction from Prop 1A. Once that's exhausted, we expect in the first half of 2020 we would shift over to Cap and Trade revenues at that point. And that would be our primary funding source for a period up until additional bonds are authorized by the Legislature and we sell additional Prop 1A bonds.

Because we have been focusing on Prop 1A for expenditures, our Cap and Trade Balance is high. It's currently about \$2.2 billion. That does not yet incorporate the August auction, which was 145 million. We'll incorporate that when we get the official Department of Finance Executive Order that allows that money to officially be in our account.

The third account here is the Rail Property Fund. This is a new account that's being reported to the Board in these revised reporting documents. This is an account that was set up to receive lease payments where High-Speed Rail owns property that has tenants. We have in that account \$7.8 million. The Legislature has appropriated 750,000 of that each year. And that appropriation helps us cover expenses that come with leased properties if we have repairs or other costs for those properties.

The detail on the reporting is tab 5. And just to note the changes here we actually added a page or two. We segregated the reporting by fund, so it's easier to focus on a particular funding source in the cash reporting.

Next I'll move on to page 3 of the Executive Summary of slide 3, the Administrative Budget. With two months done in this reporting period that's about 16.7 percent of the fiscal year completed and we've spent about 10.1 percent of our admin budget for the year or 5.7 million. A primary reason for the underutilization is that we did receive authority to add new positions to the Authority with the most recently passed budget. So there's 45 new positions that have been added.

Our vacancy rate, as of the end of August, was 80 positions overall and that was a reduction of 5 vacancies or 2 percent from the July period. I did inquire, as of last week, what our status is. And so as of last week, we filled an additional 8 vacant positions, so we're down to 72 vacant positions as of today.

In the admin reporting area, which is detail Section is tab 6 we have reduced the number of reporting pages there with consolidated reporting on types of expenditures for the Authority on one page. And that's things like salary and wages, benefits, communications, IT. There's several different categories and we've consolidated

those on one page.

We've also consolidated our budget by office on one page. And that's where we report the unit, such as the Financial Unit in our budget, the IT Unit in their budget, Admin, Project Delivery, etcetera.

We have two pages on vacancies, so you can see where the vacancies are, both in terms of the office and the classification of vacancies.

The next page on the Executive Summary, slide 4, the Capital Outlay Budget. The Capital Outlay Budget for this fiscal year, '19-'20 is 2,255,000,000. The monthly expenditures for August were 173.6 million. And that level is primarily due to a large time impact settlement, which was reported last month to the F&A in the contingency use reporting segment.

I did know the Board is interested in getting as updated information as possible. I did check and get some preliminary numbers for last month, September. The capital section expenditures look like they're going to come in around \$112 million for the month of September. We'll continue to reconcile and make sure that's the right number and of course include that in next month's reporting.

COMMITTEE CHAIR RICHARDS: Brian, thanks for following up on that. Appreciate that.

MR. ANNIS: Sure. The detailed changes to the

capital outlay budget are under tab 7. Some of those changes include some formatting changes, hopefully for clarity of finding what you're looking for. We've also consolidated some of the reporting on project development, construction and bookend projects, so they're on a single page in different categories such as where we're looking at just Central Valley or whether we're looking at the federal grant scope, things like that.

And with consolidated, we used to report more by fund type whether it's greenhouse gas or Prop 1A. But since we report some of that in the cash section, we thought it's more efficient to do that and roll that up a bit in the capital expenditures where you're looking at how we're progressing in terms of expenditures on different project segments.

Next is the Total Project and Expenditures Report, also slide four. And there we report on our federal grant match. We completed and received our full American Recovery and Reinvestment Act allocation from the federal grant by September 2017. And we have a match of about \$2.5 billion to match that. And to date the Federal Railroad Administration has approved 476 million of eligible match.

However, we have an amount exceeding that on the desk at the FRA of \$565 million. And they have, in this

area, have disengaged and haven't been giving us feedback or approval on our submitted match to date.

But when you include those two categories, we have about 1.1 billion of match submitted to the FRA. We are ahead of pace. We're about 39 percent of the performance period for achieving the match. And we're about 68 percent of match expended. And that includes what I previously referenced the 1.1 billion, plus we have additional funds at the Authority that have been submitted and invoices that are being readied to submit to the FRA.

There's a detail on expenditure in the tab 8 of the binder. And that report is fairly similar to what was previously reported to the F&A. We did combine fiscal year '06-'07 through '11-'12 to make some room as we keep adding fiscal years to the report. But that's pretty much unchanged.

Next, I'll move on to the Contract and Expenditure Report, page 5 of the Executive Summary. The Authority has 196 active contracts. It's sum to about 7 billion in value. Our small business rate is 21.3 percent. And that remains relatively constant from the prior month. And it's up just a bit, about a 10th of a percent from last year. So we tend to continue to do well with small business. And in fact we have about 530 small businesses currently working on the project.

On our Detailed Reporting, tab 9, we have segregated the contract and purchase orders to make the information a little easier to find. And that information reports contract value and amount remaining on those contracts for expenditure.

The Project and Initiatives Report reports primarily on different project issues such as completion of different right-of-way segments, or excuse me, different environmental segments and clearance dates. A number of those are shown as yellow caution status. And there's more in the reporting that will come on the project delivery side on the environmental dates.

We also have included hiring and staffing, as one of the caution issues is we're working very hard to fill the 45 newly added positions.

The project and initiatives has a detail section -- let me find it here -- it's tab 10 of the report. And so that lists the various items we're tracking. It lists some dates for targets. And also indicates a rating in terms of whether it should be a caution rating or whether we're looking good towards schedule.

The last page of the Executive Summary is the Contingency. And this tracks the use of contingency, relative to the Board-approved budget in May of this year. The total contingency established with that budget update

was \$3,597,000,000. And as of August the total amount of contingency that's been directed is 423 million. There is when we have a single use of contingency that exceeds 25 million, we report that specifically to the Board. There was no use of contingency that exceeded 25 million in the month of August, so we indicate the smaller cumulative amount of the smaller contingency use and that was 32 million.

There is a new page that was added at the end of the capital reporting, which is tab 7. The very last page of that report, page 9 of 9, adds a bar chart to show by category what our contingency use is, so the Board can track what is remaining on different contingency categories.

That completes the financial part of the reporting.

COMMITTEE CHAIR RICHARDS: Thank you.

Go ahead, Director Camacho.

COMMITTEE MEMBER CAMACHO: Yeah, going back to page 4, you show expenditures by construction packages were as follows, CP1 138.6 million. Now is that a cumulative amount or are you saying that is what they did last month in construction or is that paying out additional dollars, outside of construction?

MR. ANNIS: So that number includes time



adjustment to contract, so that was the use of contingency that was reported at last month's F&A. I believe it was 125 million.

COMMITTEE CHAIR RICHARDS: So that was the settlement.

MR. ANNIS: Correct.

COMMITTEE MEMBER CAMACHO: So how do we then discern how they are graphically with construction itself, what is the number for construction itself?

MR. ANNIS: Let me find that for you here. So the number for construction itself for CP1 was 7.2 million, I believe, is what we have here. And for CP2-3 for the month it was 11 million and for CP4 it was 10.4 million.

COMMITTEE CHAIR RICHARDS: So I think that what we're really interested in seeing, Brian, I think your answering it. I mean I think we realize that the settlement was in there. We just want to track very carefully on the Committee here how much is actually being spent for construction.

MR. ANNIS: Right.

COMMITTEE CHAIR RICHARDS: So if that's another line here, this was somewhat of an anomaly I think because it was a settlement that was in the CP1 number.

COMMITTEE MEMBER CAMACHO: We might look --

COMMITTEE CHAIR RICHARDS: And if it is --

COMMITTEE MEMBER CAMACHO: Go ahead.

COMMITTEE CHAIR RICHARDS: If it is, if you don't want to do a separate line, if you will just footnote when there's something in an expenditure for any of the CPs that are not construction expenditures.

MR. ANNIS: Sure, we'll do that. Yeah, and we do. By the way, on page 4 of the Executive Summary we do report spending by construction package. But I understand your request that we make a notation when there's a settlement.

COMMITTEE MEMBER CAMACHO: Yeah. It would be easier for us to follow. Thank you.

COMMITTEE CHAIR RICHARDS: Thank you.

Any other questions for CFO Annis?

BOARD MEMBER PEREA: Going back to tab 3, and first I mean that's good news that positions are being filled. But I'm just going off the assumption that the addition of 45 positions is mission critical, so we need it throughout the system to get the job done. And you referenced that there were a page or two that showed a listing of all the positions and where they were. Can you direct me to that page?

MR. ANNIS: Correct. Yeah, so that's tab 6, page 4 of 4, so it lists all the vacant positions by office.

BOARD MEMBER PEREA: Great. There it is. Okay.

Thank you. And there was some information I requested at the last meeting that I did receive, so thank you.

It just goes on to say or I want to go on to say that I mean the filling of these positions is critical. I don't know if we do our own internal recruiting for these positions or if we rely on the state system to go through their processes. That's what I'm trying to get at on when these jobs will be filled.

MR. ANNIS: Right. And we do our internal recruiting. Some of the vacancies are Governor's appointments, so that of course is a different process. But yeah, of our 72 vacancies we have active recruitments right now for about 34 of those, meaning that those positions are open, we're interviewing candidates. So we continue to fill them and expect that number to fall month by month. And we are trying to fill those as quickly as possible.

BOARD MEMBER PEREA: Okay. Thank you.

COMMITTEE CHAIR RICHARDS: All right, thank you Mr. Annis.

Yes, Brian? One more, Brian wants to ask you a question.

MR. KELLY: Hey Brian, I just want to go back to something you said earlier about the color of money we use. Cap and Trade versus bond expenditures and you noted that

we have a substantial balance of Cap and Trade at this point. But can you -- there's a couple of things about these revenue streams that are important for the Board to understand.

For example, the bond dollars have generally more constraint or restrictions on them on how they're used and what they're spent on. They're not as flexible as the Cap and Trade dollars and so we highly value the Cap and Trade dollars. That's one.

Two, every bond dollar we spend must be matched dollar-for-dollar by a non-bond source. And Cap and Trade is largely that matching source.

So as you look forward, because we have a constrained and limited amount of bond funds and each of those dollars must be matched while we have a balance of Cap and Trade now, you would expect that over the course of the next fiscal year or two we would spend that down substantially, particularly as we run through bond dollars.

MR. ANNIS: That's correct. Yeah, what we expect in early 2020 we will have used most of our current allocation of 1A will convert to Cap and Trade. And at the burn rates there, we'd expect in 2021 those balances would have fallen significantly. And some time in 2021 we'd need to again start using a new appropriation of the Prop 1A bond proceeds.

MR. KELLY: Thank you.

COMMITTEE CHAIR RICHARDS: And Brian, I just want to thank you again for the reduction in size of the book, and your staff. I was probably partially guilty for us having gotten so large. We got to the point where we thought more was better. And we certainly, in the interest of transparency, we wanted to have all of the backup for the reports that we discussed. This is a massive improvement from what we had. Thank you all very much.

MR. ANNIS: Thank you.

COMMITTEE CHAIR RICHARDS: All right, Mr. Hedges. And Joe, that's also thank you to you also on the portion in operations. Your Executive Summary is much, much better.

MR. HEDGES: Good morning. If you'll give me luxury here to kind of expedite this. You gave me a bunch of tasks here last month and kind of wrapping in these 11 annexes here on F&A. I'd like to -- I gave you a brief that kind of summarizes this up. Hopefully we'll be able to push through it. So if you wouldn't mind, sir, if I could use your briefing package to kind of run you through? It's being presented in back of you also, so everyone should have that briefing package. And I'll be happy to answer any specific questions that you have. Here's your briefing packages here.

COMMITTEE CHAIR RICHARDS: Is this the one we just received just prior to the meeting?

MR. HEDGES: You should have it. It isn't in your package, sir. We passed it out this morning.

COMMITTEE CHAIR RICHARDS: Yeah. Yeah. It's the very last step.

MR. KELLY: Central Valley Status Report, Joe, is that what you're on. Or are you on --

MR. HEDGES: Central Valley Status Report, sir.

COMMITTEE CHAIR RICHARDS: All right. Go ahead, Mr. Hedges.

MR. HEDGES: Yes, sir. Slide number 1, let me move up here. What this shows is this, sir. What you've got to pay attention to is this here, is that we have approximately 27 months to execute \$1.75 billion. Okay. Now, what this accounts for is currently -- this does not account for all scope. We know all scope to complete the project that 1.75 has to increase. As our designs are completing, we're in the process of negotiating those change orders to get all scope in, 27 months is consistent, as in to be able to meet ARRA. Okay.

Now what we're doing is this, the status of the program. CP4 with regards to the RBS linking all the state deliverables into it has been done. I will show you that in this presentation.

CP1 is in the process of validation this week and will be completed by the end of this week. CP2-3 is an ongoing process. It has the most work yet to be done.

Now, what you will have next month is this. You will have an S Curve that shows the macro, that shows what it takes to -- what our expenditures should be to get there. Right now if you just do the linear map, that 27 months, it's about 65 million. But predominantly it's just going to be an S Curve . So there's going to ramp into about a 40 million, built into a crescendo and next construction season a little bit over \$80 million. That's what you should see with it flattening off up at the top to allow us basically to complete. We want to look for that natural S Curve as we blow this piece of the slide up here. That's the key piece to be tracking.

Now, next slide this the macro, what we talked about, what you just asked Brian about. This is what we're tracking right now. As you can see, these are the expenditures. You can see in August currently our expenditure rate is about 33 to contributing scope and there was a Time Impact Analysis for CP1 for about at 126. That shows the differential between the spending.

This is only spent towards the construction contracts, not right-of-way or those other things that Brian was reporting on, very specific. Each of the CP

packages, this is what we're monitoring right now. As you can see, increasing, we've been in a steady glide increase up. It was back in the low point of 23, we have basically added 10 million to that as we open up sites. Okay?

This will be refined, so what you'll have is a macro. Here's the big plan, the S Curve. We'll plot our actual expenditures to that. Here then here's the dig down, the dive down with regards to IG, okay?

This shows cumulative alignment and guideway. What this slide shows off that we're about 20 miles off with regards to the guideway with regards to my expectation plan. The reason because of this is predominantly is third-party utilities. I'll go into that a little bit more as this brief presents.

Now, guideway is not the concern. The upper line is not your concern. The lower line here, with regards to the structures, this is the critical path. Okay. Without having the RBS (phonetic) schedules finalized I can tell you just with was my intuition where the critical path is. It is in the CP2-3 long structures. It is in the arch bridge, which is in the Kings River Complex, the Conejo viaducts, these long structures, these long Type 1 structures.

Remember the key, what we're driving for right now is to use every second that we have to complete this.



We're driving here with regards to completion of the Type 1 structures. We might have a couple of Type 2 structures lagging that we would actually lay track over and then come back in and build bridges -- traffic bridges, Type 2 structures over them. But we will meet ARRA.

Now, next slide -- this basically asks you basically, this give you a summary of 1 through 4 with regards to that previous chart, what's holding it specifically CP by CP.

Now there's one internal, one external, basically ascribing this right now, external. Improving our relationship with UP. Now, I stress that starts with High-Speed Rail. We need to get better with regards to our side of the yard. UP is coming up. They're meeting with us. I've been basically in daily contact with their vice presidents as in to help improve and repair that relationship with regards to approvals, with regards to some critical design elements.

This is what's driving up here in the CP1. Okay. Internal is right-of-way. Right-of-way has three primary missions. First mission, acquire land. Second mission, convey land rights, deeds. You need to convey these deeds basically to the third parties, utilities, as to allow for the relocation of that first order of work.

The third piece that was referred to in the "L.A

Times" article, and that is management of our non-operational property, right now I am very deep in ROW. We've redone all the process maps, going through the structure to basically, as I speak, to look at ways of improving the drive and the delivery.

We now have you'll see -- we've gone back to each of the schedules and we went back to the base documents, which was an acquisition plan for a right-of-way. We've put that basically in those RBSes. And we're tracking that accordingly. Okay. Let me continue on.

This is the summary of right-of-way. This is a very significant chart, you'll have to kind of follow along with me right now. Okay. We subtracted out -- we were tracking the railroad. I subtracted out the railroad. Those are just land conveyance. That is not acquisition. This slide only deals with acquisition right now.

As of last month, okay, you can see up here there was 223 basically parcels that we needed to acquire 1 through 4. That was a grand total.

Now, I reported that we had a possible impact up to 468 last month. Staff has done an amazing job in working through conflict, site by site by site and that process is still ongoing as we're redesigning utilities as to draw down our need for future ROW. Contractors have also been very cooperative in doing that. That 468 now,

you can see it, is now 246. Okay, 223 plus 246 is 469 is what we're projecting the land parcels that we need to acquire. These are right-of-way actions to complete CP1 through 4.

Now this includes all the right-of-way for known scope. For scope that we've not even modified into the contracts I included that right-of-way into it, so that we can make sure that we get a good hard running start on that. As those designs complete, the modifications will be issued to contract. And that ROW will be there meeting it. We're accounting for that. So (indecipherable) that CP1 northern extension, those things, that is in that 469 total.

Good news, where we don't have problems, third parties. This list is a little -- it's a comprehensive list. But it's predominantly the issues here. All the master agreements are in place. This is basically the negotiations of forms and templates associated with the land conveyance.

Secondary documents, really no issues with regards to master agreements with third parties. With the negotiation with the PG&E agreements, those big agreements, everything is basically is flowing through here. And we need to improve the process of being able to grant land rights deeds, but that is in this process of finalizing

these templates.

Now, another thing that's not a problem here that is the environmental permits. All the major environmental permits have been negotiated and in process of being submitted and reviewed. There are no issues currently with CDFW that I know about. Working through basically we've been able to negotiate those permits with regards down to CP2-3 and CP4 that were associated with the ATCs at time of award of bringing basically the structure from an elevated structure down to at grade, so another good news story there.

Now let's move on to page 10, which gets into the CPs specifically.

MR. KELLY: Joe?

MR. HEDGES: Yes, sir?

MR. KELLY: Just a question. You talked about the CDFW permits and I just want to ask you a question about that. About a year ago, in a presentation to this Board, almost the entirety of the CP4 contract was in a color of red.

MR. HEDGES: Yes, sir.

MR. KELLY: And that was in large part due to the lack of permitting from CDFW. That you've worked through now over the course of the last several months, worked with CDFW on all parts of the construction right-of-way, but in

CP4 itself how much of that red is no longer red?

MR. HEDGES: Sir, there is a couple of small sections that are currently red, but the solution's in the process. Those permits are underneath right now and in most cases have been deemed substantially complete by CDFW. They're in the administrative process of close-out. I want to compliment Mark McLoughlin and his staff, especially Scotts, the matching Scotts who have just done an amazing job in those negotiations and the communication with basically CDFW, very well done.

MR. KELLY: Thank you.

MR. HEDGES: Let's get to the specific packages. As I told you that we're in the process right now of validating CP1. I'm not going to be able to show you those escrows. I want to be right. To re-amplify Tom's message, quality over rushing. I want to be right. We're going through these reviews, multiple reviews. This is a cycle of going through and updating, making sure that we completely understand the elements to be able with regards, the impact elements, to get us out of that time impact and move on to these. Okay.

Now this is the current slide. You'll find this in your package, but what's important to pay attention to is this, right there. The current contract completion date, right now, is 11-2-'21. There is \$642 million

approximately to expense in CP1, but that 642 does not encompass all known scope.

We're in the process of finishing the designs as in to be able to negotiate those elements into the contracts. Such things as the northern extension intrusion barrier protection system, which is referred to as the missing two miles, which is a piece of section that with regards to SR99 that was omitted. So and then the Herndon Trench also too will come back to the Board next month when that mod is complete.

So we're going through each of these elements. All these elements should be within our P70 risk profiles. I'll talk to you about that in a moment.

These are the next slide is the executed change orders. I want to be very transparent with this. The big driver as you can see is that 126 right there, which is the Time Impact Analysis that brings that contract current up through May. It brought the current contract current from a date in 2015 forward.

MR. KELLY: Joe?

MR. HEDGES: Yes, sir?

MR. KELLY: Again I want to just be really clear on some of these numbers with the Board. Where you mention the remaining contract balance of CP1 at 642 million, and you noted there's some scope issues not in that contract,

northern extension intrusion protection barrier and the trench, those were identified in the baseline, however. And they are quantified, as best we can, in the baseline.

MR. HEDGES: They are, sir. And I refer to them in --

MR. KELLY: And as you come back to the Board, our expectation would be it is covered in the baseline.

MR. HEDGES: They are. As I said, sir, they're within our P70. They're accounted for within the P70. Now the approach was -- Sir, go ahead.

COMMITTEE CHAIR RICHARDS: Joe, excuse me. And I appreciate that, Mr. Kelly. The challenge with what we're doing right now is we received this five minutes before the meeting started.

MR. HEDGES: Yes, sir.

COMMITTEE CHAIR RICHARDS: So here's what we're going to do. We're going to have you bring it back at the next meeting. You go ahead and finish today, but so that the members have an opportunity as to look at this in between this meeting and the next and bring back any questions they have.

Some things that -- I mean, we're not going to have time today. I'm just wondering why I'm seeing one number on your Executive Summary and a different number here. So I'm guessing it might be a time difference. This

study that you -- or what you're going over now may be newer information than what we were seeing before.

MR. HEDGES: Yes, sir, trying to give you --

COMMITTEE CHAIR RICHARDS: So what we're trying to do is not get confused up here. So that is to make sure that we understand both for ourselves and for the Board and for the public.

MR. HEDGES: Understood, sir.

COMMITTEE CHAIR RICHARDS: Okay. Thank you.

MR. HEDGES: This shows the drawdown on your contingency, next slide, which basically takes it down to just over about a billion dollars. The elements that Brian just referred to are accounted for in this remaining contingency. This is kind of an overview of how the wheels of progression tie into advancing this alignment. It ties back up into that first slide of the summary.

But what you can see here is what's predominantly holding the construction progress with regards to the guideway is utility relocation, first order of work. And it's the same thing with regards to structures. Predominantly here is UP and PG&E.

CP2-3, okay CP2-3 is the issue here with CP2-3 -- excuse me, I lost my page -- CP2-3 is basically right now. There is a time impact that was negotiated. It's going to move the contract completion date up to about April 2022.



Now, you can see that there is approximately \$810 million to execute. That means that the execution for this contract when it's in its full production, used to be about \$30-\$35 million. Now, the missing major scope elements out of this is the Hanford elevated track, which is undoing an ATC at time of award and then intrusion barrier protection systems.

Here you can see that there's really no significant modifications, about \$7 million, all of these are small in comparison.

COMMITTEE MEMBER MILLER: Not to interrupt you but --

MR. HEDGES: Yes, ma'am?

COMMITTEE MEMBER MILLER: -- are these within the P70 as well?

MR. HEDGES: All within the P70.

COMMITTEE MEMBER MILLER: Within your (indiscernible) all right, thank you.

MR. HEDGES: Here is the P70 curve right here. You can see right now as we speak there's about 965 left in contingency. The TA, that we just negotiated to move that contract in, will draw down this by a little, about 130 million, 133, to be exact. But again it's well, it's all accounted for in that P70 in that baseline.

Here again, you can look at this and you can see

that what is holding basically the structures is relocation. The first order of work is the utilities. What's important to point out though that in CP2-3 there's over 45 miles of guideway under construction right now. There's a lot of guideway. We have most of the dirt being churned (phonetic) with regards to the guideway. And again, the key element, the big dollars is down in the structures. You have to pay attention to that.

MR. KELLY: Joe, on wheels that you have for each of these, they reflect where we are in August and reflect your forecast for December.

MR. HEDGES: For December, what we reported it to the Board, sir.

MR. KELLY: That December forecast has not changed. That's been (indiscernible).

MR. HEDGES: (Overlapping) No. We've held December forecast right now and we're trying to complete that up to -- we will match that to the RBSes. I want to make sure that all this -- the origins of all information is the schedule. The schedule is the driver. The schedule talks about things that we need to provide them, what they need to do and all the elements to succeed and to drive these things to ARRA completion.

CP4. CP4, as I alluded to, this package is basically with the re-baseline schedule. It's pretty much

done. And I'm going to be able to show you basically a complete package of what we should be reporting on to basically on a month-to-month basis.

The current contract completion date for this is 6-30-2021. There's approximately \$296 million left to go. The only scope that's missing with regards to the completion of the ARRA is the intrusion barrier protection system, which is in the final stages of being negotiated and SR46 is able to be detached and not necessary for the completion of ARRA. It does not serve as a threat to ARRA. But what this contract needs to be executing at about 15 million per month.

This tells you basically the summary of the current mods. The big modification right here is this intrusion barrier protection system, what they call the last mile is not inclusive of the whole intrusion barrier protection system. It allowed us though to negotiate and set the unit rates and quantities right, W's (phonetic) in the further -- allowed them to get to work. Good news story there.

This shows you basically the draw down on contingency from 340 down to about 284. All the mods that I have referred to have all been accounted for in the known-unknowns with regards to the P70 restructure.

This is a very important curve. This curve,

right here, is the S Curve to complete this project. Every month we'll report back to this curve right here. This shows you basically the expenditures and the rate of construction that needs to occur as in to be able to achieve ARRA. This is you'll have this curve on all three CPs, and a cumulative curve for all construction projects. This is what you want to measure. This is the significant key performance index that you want to measure to. At a glance, this is how we're doing it.

This is basically a draw down, the macro of this that shows you how the money's being spent, our goals as we advance and move this project forward.

As you can see here is basically -- guideway is a little bit behind with regards to -- this is predominantly tied to third parties. And then the completion of those negotiated environmental permits, so this will quickly -- the guideway will quickly come up.

Now it's important to note here, they're working right now on the critical path structure for this project, which is the Wasco Viaduct, the long viaduct. That's underway. That is probably the biggest risk to this construction project.

Important slide, this shows you we went back and went the right-or-way delivery back to that RBS schedule. This shows you what we need to deliver as in to be able to

fulfill the ARRA commitment.

Now, there's two lines here. The line above it is our projections. The dotted line above it is our projections. The purple line below it is at that of what the contractor is claiming what they need. So our forecasted delivery is above, currently, above the contractor need and necessity. This is for acquisition.

This right here says that there's approximately 180 land deed right transferences that needs to occur in CP4. This shows you basically the path where you can see we're at a very low percentage complete right now. This is what's driving and holding the majority of the third-party utility relocations, getting these deeds, these land rights packages. All of these have been accounted for and dropped into the schedule.

COMMITTEE CHAIR RICHARDS: Try to wrap this up in the next few minutes.

MR. HEDGES: Yes, sir.

Here is basically, the last is out of the office program delivery. This drives, basically, the project, the RODs and NODs. You can see is what we're pushing for right here is that with the LGA by next Board meeting the NEPA document, using our new authority should be approved, followed by the Wye and then as you know, with regards to preferred alternatives in the Bay Area.

And the process is working very well in Bakersfield to Palmdale and Palmdale to Burbank, with regards to the resolution of some key critical issues working with the Cesar -- National Chavez Center and USIC (phonetic) and EPA with regards to Una Lake. Everything is on track and well within budget to be able to be able to achieve this timeline.

Again it is good news. We should be able to use our NEPA Assignment with regards to next month. Our package is in its final review. This shows you through exactly where it is. And these kind of summarize the key points.

So go ahead, sir.

COMMITTEE CHAIR RICHARDS: All right, any questions for Mr. Hedges?

Okay. All right, just again, if I can just emphasize again --

BOARD MEMBER PEREA: Mr. Chairman?

COMMITTEE CHAIR RICHARDS: Yes?

BOARD MEMBER PEREA: Right over here. I just have a couple of comments.

One, you're right. There's a lot of information here to digest, so we need to do a deeper dive, but just two things. In a site tour I took in the last two weeks -- thanks staff for taking the time to do that -- I just

wanted to get more details here. There's 11 structures in CP1 that are at some phase of either not being completed or partially completed. So I just want to match that more to the data that we're getting here today and what the actual plan is to get those complete and off the ground.

And the other is more detailed information with respect to our right-of-way process. I think we're right. We need a lot of parcels still to get, but I think there's been challenges in that right-of-way process. So what I'm looking for is what is our structure going forward with right-of-way. How we're interacting with whomever our third parties may be in terms of contractors that are assisting us in that process, because we have to be on the ground and be effective with folks.

And I know the experiences that I've had in the Central Valley, in some instances, is where property owners reached a semi-agreement with the Authority. Then the right-of-way agent leaves and then they have to start all over again. And those are the kind of stories we need to avoid and be as efficient as possible, so if we can get more of that detail too.

MR. HEDGES: Yes, sir.

COMMITTEE CHAIR RICHARDS: Thank you, Director Perea. And thank you Mr. Hedges.

With that the Finance and Audit Committee meeting

stands adjourned.

(The California High-Speed Rail Authority Finance and  
Audit Committee Meeting was adjourned at 9:54 a.m.)

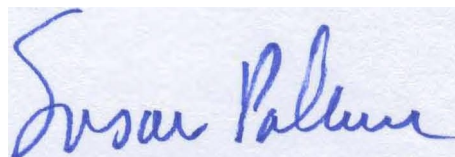


**REPORTER'S CERTIFICATE**

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 28RD DAY OF OCTOBER, 2019.



SUSAN PALMER  
CERTIFIED  
REPORTER  
CERT 00124

**TRANSCRIBER'S CERTIFICATE**

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.

IN WITNESS WHEREOF, I have hereunto set my hand this 28th day of October, 2019.



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Myra Severtson  
Certified Transcriber  
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