



**QUANTIFICATION SETTLEMENT AGREEMENT
JOINT POWERS AUTHORITY
VIRTUAL MEETING MINUTES
September 11, 2023, at 2 p.m.**

Commissioners and Alternates present:

Tonya Marshall, California Department of Fish and Wildlife (CDFW) – Chair
 Jim Barrett, Coachella Valley Water District (CVWD) – Commissioner
 Robert Cheng, Coachella Valley Water District (CVWD) – Alternate Commissioner
 Dan Denham, San Diego County Water Authority (SDCWA) – Commissioner
 Tina Shields, Imperial Irrigation District (IID) – Commissioner

QSA JPA staff present:

Alexi Schnell, SDCWA – Chief Administrative Officer (CAO)

Others present:

Jessica Schroeder, CDFW	Michael Cohen, Pacific Institute
Miguel Hernández, California Natural Resources Agency (CNRA)	Patrick O’Dowd, Salton Sea Authority
Samantha Arthur, CNRA	Dennis Davis, SDCWA
Rick Aragon, CVWD	Deborah Hodgins, SDCWA
Shannon Ayala, Davis Farr	Wendy Joplin, SDCWA
Joanna Hoff, IID	Alan Okewole, SDCWA
Jessica Humes, IID	Darren Simon, SDCWA
Cindy Matejovsky, IID	Chris Woidzik, SDCWA

PRELIMINARY MATTERS

1. Call to Order
Chair Marshall called the meeting to order at 2:04 p.m.
2. Roll Call
There was a quorum of the Commission present at the time of the meeting.
3. Public Comment
Micheal Cohen (Pacific Institute) inquired if the QSA JPA has any thoughts on SB 583, specifically the bill language regarding coordination and consultation between the proposed Salton Sea Conservancy and the QSA JPA.

Commissioner Barrett opined that a broad requirement for the Salton Sea Conservancy to consult the QSA JPA will likely not be an issue.

Commissioner Shields commented that the QSA JPA's limited functions do not allow it to operate outside of its defined responsibilities, which are centered on administering funding of environmental mitigation measures related to the QSA water transfers. IID, as the QSA JPA implementing agency, has an interest in coordinating on all projects around the Salton Sea for effective planning, but it is unclear what other coordination could occur between the Salton Sea Conservancy and the QSA JPA.

CAO Schnell responded that QSA JPA staff will follow up separately to address Mr. Cohen's question.

ORGANIZATIONAL MATTERS

4. Action: Approve minutes of regular QSA JPA meeting held June 15, 2023 (Alexi Schnell, SDCWA)
Chair Marshall made a motion to approve the minutes, which was seconded by Commissioner Barrett. The minutes were approved unanimously by a roll call vote.
5. Information: Introduction of Samantha Arthur, Assistant Secretary for Salton Sea Policy (Alexi Schnell, SDCWA)
CAO Schnell introduced Samantha Arthur as the Assistant Secretary for Salton Sea Policy at the CNRA and invited her to share a few words with the Commission.

Ms. Arthur shared that she started in her new role at the end of April 2023 to lead the Salton Sea Management Program (SSMP), which is a joint program between the CNRA, California Department of Water Resources (DWR), and CDFW to implement habitat and dust suppression projects at the Salton Sea. Near-term efforts aim to cover 30,000 acres of exposed lakebed while long-term efforts, proceeding on a parallel track, explore viable pathways for the Salton Sea far into the future. Ms. Arthur noted that efforts at the Salton Sea by the SSMP and QSA JPA complement each other, and she highlighted the importance of coordination to provide the best outcome for the region surrounding the sea.

IMPLEMENTATION

6. Information: Update on Inflation Reduction Act funding for the Salton Sea, and on the Salton Sea Restoration Fund (Samantha Arthur, CNRA and Tonya Marshall, CDFW)
This agenda item was requested by Commissioner Denham at the June 15, 2023, QSA JPA meeting, to provide the Commission with an update on the status of the \$250 million in federal funds for the Salton Sea and an update on the balance of the Salton Sea Restoration Fund (SSRF).

Ms. Arthur started with the update on Inflation Reduction Act funding, sharing that in December 2022, the Department of the Interior, IID, CVWD, and California entered into an agreement. Through the agreement, the federal government would provide \$245 million to California to accelerate implementation of projects at the Salton Sea, including projects designed to cover 30,000 acres of exposed lakebed. The federal funds were divided into two categories: \$20 million available immediately and \$225 million contingent upon water conservation efforts by IID. California has entered into a grant agreement with the Bureau of Reclamation for the \$20 million to implement SSMP projects, specifically expansion of the Species Conservation Habitat (SCH) project. Ms. Arthur expressed interest in providing another update at a future meeting.

Chair Marshall provided the update on the SSRF, which was established by state legislation for various purposes related to the restoration of the Salton Sea and is administered by the CDFW Director. The SSRF receives funds from several sources including annual IID payments and transfers from Proposition 84 (Safe Drinking Water, Water Quality and Supply, Flood Control, River, and Coastal Protection Fund of 2006). According to the fund condition statement for the SSRF, the fund balance at the end of fiscal year (FY) 2024 is projected to be \$8.07 million.

Commissioner Denham commented that he thought the SSRF would have funding in the hundred-million-dollar range based on past state legislative appropriations and asked for clarification on the fund balance. He also inquired whether the SSRF was the primary funding source for the CDFW Bermuda Dunes office.

Chair Marshall responded that there were prior appropriations to DWR for Salton Sea projects that were spent on the SCH project and that the SSRF is the primary funding source for the Bermuda Dunes office. According to the fund condition statement for the SSRF, \$296,000 of Proposition 84 funds will be transferred in FY 2024 to CDFW to support the Bermuda Dunes office.

Ms. Arthur added that the SSMP annual report includes an accounting spreadsheet that shows the full scope of funds used for SSMP activities, which would include the larger expenditures for implemented SSMP projects.

7. Information: Update on State Salton Sea Management Program (Miguel Hernández, CNRA)

Miguel Hernández, Public Affairs Officer for the SSMP at CNRA, provided the SSMP Update. Mr. Hernández reported the following items to the Commission:

Recent Storm Impacts: There were minimal impacts from Hurricane Hilary and the following monsoonal storm to active restoration projects at the sea. The SCH, which was built to withstand a 100-year flood event, received a higher than normal inflow of water from the storms. The stormwater passed through the New River diversion structure flood gates without incident and flowed to the sea. Some minor erosion occurred to a berm located between the SCH interception ditch and flood buffer zone. Vegetation enhancement projections near Bombay Beach and Salton City received a substantial amount of stormwater that displaced some grass bales used as part of the project. Stormwater is expected to benefit the growth of new vegetation at these sites.

Mr. Hernández identified the following Salton Sea engagement opportunity hosted by the SSMP team:

- SSMP Community Engagement Committee – September 14, 2023
 - The Committee provided a public status update on its Community Needs Strategy document and discussed options for distributing the document to community members for feedback.

FINANCIAL MATTERS

8. Information: Treasurer's Report ending June 30, 2023 (Alan Okewole, SDCWA)

Mr. Okewole provided a review of the Treasurer's Report ending June 30. The quarter ended with \$76.6 million in cash and investments. Approximately \$64 million of that amount was managed by Chandler Asset Management. The effective rate of return for the portfolio was reported at 2.64%, and the interest received (FY to date) was \$2.02 million. Four invoices were paid, totaling approximately \$10.5 million. Mr. Okewole reported that the Water Authority and CVWD paid off their outstanding balances to the QSA JPA on July 3.

Commissioner Barrett asked if the approximately -\$454,000 in interest not yet received on June 30 was a loss. He also inquired if the QSA JPA could pursue an average investment maturity greater than the 1.44 years reported in Chandler Asset Management's June 30 portfolio summary.

Mr. Okewole explained that the negative amount just reflects current market conditions and is not a loss because the QSA JPA holds its investments until maturity. He also explained the factors behind the lower average investment maturity for the QSA JPA portfolio, including short-term investments that allow for portfolio liquidity. Mr. Okewole stated that he would work with CAO Schnell and his team to explore options for increasing the average.

Chris Woidzik added that some of the short-term investments were purchased in the past when the QSA JPA was anticipating large expenditures and needed more liquidity. Now that these investments are maturing, they potentially can be reinvested for longer periods; however, it is a balancing act between investing for longer periods and having enough cash to respond to the QSA JPA's needs.

9. Information: Financial Report ending June 30, 2023 (Chris Woidzik, SDCWA)

Mr. Woidzik stated that the annual QSA JPA audit concluded on September 8, with an unmodified opinion, the highest level that can be received. The QSA JPA auditor will provide a presentation to the Commission to review the audit at the next QSA JPA meeting.

Mr. Woidzik provided a review of the Financial Report ending June 30. Total assets were \$82.3 million with \$1.9 million in liabilities. Unavailable mitigation contributions were \$6.61 million as of June 30; however, this was paid off by the Water Authority and CVWD on July 3. The total fund balance was \$73.7 million. Total revenues were \$54.8 million and total expenditures were \$14.9 million. Through June 30, 60% of the FY 2023 budget was spent. Mr. Woidzik provided a summary of expenses on Tasks 2, 8A, and 24, as included in the Budget Status Report.

Commissioner Barrett asked why there was a large amount of unspent funds for Task 24 (Salton Sea Air Quality) and whether the solicitation process is creating delays that prevent funds from being spent on projects in the FY that they were originally budgeted for.

Jessica Humes (IID) explained that IID had plans to complete two large projects under Task 24 in FY 2023: the Clubhouse vegetation project and piezometer groundwater monitoring installation around the Salton Sea. The Clubhouse vegetation project was delayed by the solicitation process, which took longer than expected. Funding for this project has been included in the QSA JPA FY 2024 budget. The piezometer project is expected to start in October 2023. IID also expected to be further along with the Bombay Beach groundwater wells that were expected to start in May 2023 but were delayed to August 2023. Additionally, recent storm activity caused some delays to active projects. Ms. Humes agreed that delays in the solicitation process are part of the problem. For future budgets, IID plans to complete all design work before the solicitation process and not budget for projects before the process is complete, which should reduce the chance of having a large amount of unspent budget at the FY end.

Micheal Cohen (Pacific Institute) asked if there is a formal trigger for the state to take responsibility for expenses beyond those covered by the \$73.7 million balance in the QSA JPA's portfolio now that the QSA JPA water agencies have satisfied their payment obligations.

CAO Schnell responded that a letter was sent to the CDFW in January 2022 to inform the agency that the QSA JPA anticipated that the Environmental Mitigation Cost Limitation of \$133 million (2003 \$) will be exceeded within two years from the date of the letter. That said, CAO Schnell noted that the QSA JPA is not projected to run out of money until FY 2031 assuming a 75% budget execution rate. Assuming a 100% budget execution rate, funds could run out by FY 2029. The QSA JPA is closely watching the cash flow and coordinating with the state for the future transition of responsibilities.

10. Information: Update on audit contract with Davis Farr, LLP (Chris Woidzik, SDCWA)

Mr. Woidzik also updated the Commission on the status of the QSA JPA audit contract award to Davis Farr, LLP, noting that only the completion of the contract remains. The new audit fee is \$10,090/year, a slight decrease from the last audit contract fee at approximately \$10,350/year. The decrease reflects an easier audit process going forward due to the responsiveness and accuracy of IID and Water Authority staff in managing QSA JPA funds as well as the end of member agency contributions. The term of the audit contract is three years with two one-year extension options.

IMPLEMENTATION CONTINUED

11. Information: Status report on implementation of mitigation measures (Jessica Humes, IID)

Ms. Humes provided an update on various mitigation measures:

Task 2 – QSA Implementation Team Biologist – IID recently filled a vacancy created in spring 2023 by a departing water conservation data tech. With the vacancy filled, the team is fully staffed.

Task 8 – Drain Habitat (Aquatic) – Managed Marsh Complex: An unexpected storm event on September 1 released heavy rain that pushed sediment into Phase 3 of the project. IID staff are on site reshaping furrows and removing sediment from inlet and outlet structures. Repair work is ongoing to damaged gates that delivered water to furrows on the site. Trees are being delivered in mid-October for planting around the end of October.

Task 15 – Pre-Construction Activity Burrowing Owl Surveys and Relocation: IID reported ongoing pre-construction inspections for operation and maintenance activities. IID staff are also doing inspections of emergency repair work from recent storm damage.

Task 18 – Desert Pupfish Abundance and Distribution Study: IID reported that staff completed all presence/absence surveys within IID drains at the south end of the Salton Sea. Staff is compiling field data from the surveys for a report to CDFW and U.S. Fish and Wildlife Service. IID also reported that two new IID environmental specialists are training with CDFW staff for pupfish surveying.

Task 24 – Salton Sea Air Quality Mitigation: IID started drilling for its Bombay Beach shallow groundwater wells, which work started for in July 2023. Some work is delayed due to the saturated soils from recent storms. Other efforts delayed by recent storms include IID's piezometer project and its 30-day pump test of Clubhouse shallow groundwater wells, which was rescheduled. The Bombay Beach vegetation enhancement project design is being completed along with preliminary wetland delineation and permit application. The cost for IID's vegetation project came back higher than what the state is paying for their vegetation project, so IID is planning to buy hay bales and handle some work internally to bring down the cost.

12. Adjournment

Before the meeting was adjourned, CAO Schnell informed meeting attendees that QSA JPA staff are working to schedule the next meeting date in January 2024.

The meeting was adjourned at 2:48 p.m.