



**QUANTIFICATION SETTLEMENT AGREEMENT
JOINT POWERS AUTHORITY
REGULAR MEETING**

AGENDA

June 13, 2019

10:00 AM

San Diego County Water Authority
2nd Floor Conference Room
4677 Overland Ave
San Diego, CA 92123

PRELIMINARY MATTERS

1. Call to Order
2. Roll Call - Determination of Quorum
3. Public Comment - Opportunity for members of the public who wish to address the Authority on matters within the Authority's jurisdiction

ORGANIZATIONAL MATTERS

4. Action: Approve minutes of regular JPA meeting held March 25, 2019 (Kara Mathews, SDCWA)
5. Action: Approve records management for outdated files (Kara Mathews, SDCWA)

FINANCIAL MATTERS

6. Information: Treasurer's Report ending March 31, 2019 (Chris Woidzik, SDCWA)
7. Information: Financial Report ending March 31, 2019 (Chris Woidzik, SDCWA)
8. Information: Fiscal Year 2019 Invoicing (Chris Woidzik, SDCWA)
9. Information: Fiscal Year 2019 Audit Engagement (Chris Woidzik, SDCWA and Representatives from Davis Farr)
10. Action: Review and consider approval of QSA JPA Fiscal Year 2020 Budget & Work Plan (Kara Mathews, SDCWA and Jessica Humes, IID)

IMPLEMENTATION

11. Information: Status report on implementation of mitigation measures (Jessica Humes, IID)
12. Information: Managed Marsh negotiations update (Bruce Wilcox, CNRA and Tina Shields, IID)
13. Information: Update on State Salton Sea Management Program (Bruce Wilcox, CNRA)
14. Adjourn



QUANTIFICATION SETTLEMENT AGREEMENT JOINT POWERS AUTHORITY

CONFERENCE CALL MEETING MINUTES

March 25, 2019 at 4:00 p.m.

Commissioners and Alternates present:

Bruce Wilcox, California Natural Resources Agency – Alternate Chair
Henry Martinez, Imperial Irrigation District (IID) – Commissioner
Tina Shields, IID – Alternate Commissioner
Dan Denham, San Diego County Water Authority (SDCWA) – Commissioner
Kelly Rodgers, SDCWA – Alternate Commissioner
Jim Barrett, Coachella Valley Water District (CVWD) – Commissioner

JPA staff present:

Kara Mathews, SDCWA – Chief Administrative Officer (CAO)
Jeff Ferre, Best, Best, and Krieger – Legal Counsel

Others present:

Geena Balistreri, SDCWA	Earl Withycombe, California Air Resources
Chris Woidzik, SDCWA	Board
Jessica Humes, IID	Ivory Reyburn, CVWD
Arturo Delgado, California Department	Brea Mohamed, Imperial Valley Farm
of Fish and Wildlife (CDFW)	Bureau
Mike Cohen, Pacific Institute	

PRELIMINARY MATTERS

1. Call to Order
Alternate Chair Wilcox called the meeting to order at 4:06 p.m.
2. Roll Call
There was a quorum of the Commission present at the time of the meeting.
3. Public Comment
There were no public comments.

ORGANIZATIONAL MATTERS

4. Action: Approval of Minutes of Regular JPA Meeting Held November 20, 2018
Commissioner Barrett made a motion to approve the minutes, seconded by Alternate Chair Wilcox. The minutes were approved unanimously.

5. Information: Annual Conflict of Interest Form 700 Filings Due April 2
Chief Administrative Officer Mathews provided a reminder to the Commissioners that annual Form 700 filings were due April 2, 2019.
6. Information: New Commissioner Appointments for IID and SDCWA
Chief Administrative Officer Mathews provided an update on new Commissioner Appointments for the QSA JPA. Beginning January 1, Henry Martinez became the new Commissioner for IID. Beginning March 14, Dan Denham became the new Commissioner and Kelly Rodgers became the new Alternate Commissioner for SDCWA.

FINANCIAL MATTERS

7. Information: Financial Report Ending December 31, 2018
Mr. Chris Woidzik provided a review of the Financial Report ending December 31, 2018. Total assets are at \$115.5 million with \$909,589 in liabilities. About 9.4 percent of the budget has been spent for the fiscal year.
8. Information: Treasurer's Report ending December 31, 2018
Mr. Chris Woidzik provided a review of the Treasurers' Report ending December 31, 2018. The quarter ended with \$43 million in cash and investments, an increase from the previous Treasurer's Report at \$29.4 million. A total of \$72.4 million remains due from the QSA JPA water agencies.

IMPLEMENTATION

9. Information: Status Report on Implementation of Mitigation Measures
Mrs. Jessica Humes gave a status report on implementation of mitigation measures:

Task 8 Managed Marsh – Phase I berm maintenance work will be starting within the next two weeks. This includes releveling of the P3I cell. In Phase II, the 011 cell has been redesigned to plant willow trees as a wind barrier to cattail seeds. In total, 1,600 trees were planted. Phase III design is almost complete to submit for review. It is anticipated the Phase III solicitation process will take three months before a notice to proceed goes and plantings are anticipated to begin March 2020.

Task 16 Burrowing Owl Mitigation – IID is currently finishing up annual training with Water Department operation and maintenance staff related to construction and operation activities. All staff will have been trained by the end of the month. IID is starting burrowing owl subsampling population studies.

Task 19 Pupfish Selenium Drain Studies – Selenium monitoring started last year. Data for the first quarter of monitoring has been compiled and is in review with contractors.

Task 20 Pupfish Construction and Maintenance – IID completed a LIDAR acquisition along the south end of the Salton Sea to inform how pupfish drain interconnection will be completed.

Task 24 Air Quality – Playa exposure for the end of year 2018 showed that 20,911 acres of playa was exposed around the Salton Sea. Of those exposed acres, 4,300 acres have established vegetation near drains. SCS Engineers began operating and maintaining the air quality monitoring station network in January and completed their audit with the California Air Resources Board at the beginning of March. Formation Environmental is working with CVWD to obtain an encroachment permit for soil cores and LIDAR acquisition along the north end of the Salton Sea and currently waiting on a letter from the Bureau of Reclamation (BOR) to do the same on BOR property along the Salton Sea. The emissions estimate and proactive dust control plan is in final internal review with an anticipated release at the beginning of April. Three large projects are planned in the coming year: Red Hill Bay West – surface roughening and vegetation enhancement, Poe Road Extension – extending surface roughening to the east, Vail cutoff drain – surface roughening north of the species conservation habitat project. Additional projects on newly exposed playa are pending due to an ordinary high water mark issue with the U.S. Army Corps of Engineers.

Jessica stated her draft JPA budget will be completed by the end of the following week for the implementation team to review.

Mike Cohen, member of the public, asked if there is a general acreage estimate for the three new projects mentioned. Mrs. Humes stated she would get an estimate for Mr. Cohen.

10. Information: Managed Marsh Negotiations Update

Alternate Chair Wilcox stated Alternate Commissioner Shields sent him estimates for the managed marsh land and he would look at those at a later time. Alternate Commissioner Shields stated she would look over these estimates again and send updated pricing information due to more recent transactions that have taken place. Commissioner Denham stated he was curious how the increasing cost of the land is being addressed with the lapse in time to an eventual negotiation. Alternate Commissioner Shields stated that they plan to come to an understanding and mutual agreement of a fair price. Commissioner Denham asked if the two appraisals from the past are being used. Alternate Commissioner Shields stated those appraisals are not being used and general comparable land purchases are being used. IID does not plan to do another appraisal and is still interested in taking a credit for the land purchase.

11. Information: Update on State Salton Sea Management Program (SSMP)

Alternate Chair Wilcox gave an update on the State SSMP. There is a request for proposals out for the Species Habitat Conservation (SCH) project of 3,770 acres pending resolution of

easement issues, which are close to being resolved. Construction of the SCH project will likely happen late this year. The North Lake project is still in a conceptual design stage and the state is working with Riverside County and the Salton Sea Authority on this project. IID needs to become involved in discussions for the North Lake project due to their land ownership. There may be potential to access funding from the Farm Bill for projects. These funds will double the amount of money available for projects.

Commissioner Barrett asked if the \$200 million IID was waiting on to join the DCP has been provided through the Farm Bill. Alternate Chair Wilcox stated no, the \$200 million was an arbitrary number based on how much the state had available. The state is in a position where Phase I of the SSMP has been approved by US Department of Agriculture to move forward. The state would like to move forward in partnership with IID and one or two federal agencies. The state plans to go to the Farm Bill to fund projects going forward. Alternate Commissioner Shields clarified the motion passed by the IID board was not to request a specific dollar amount, but a federal to state fund-matching commitment.

12. Adjournment

The meeting was adjourned at 4:37 p.m.



QUANTIFICATION SETTLEMENT AGREEMENT JOINT POWERS AUTHORITY
4677 Overland Avenue, San Diego, California 92123
(858) 522-6732 | Fax (858)522-6565

RECORDS DESTRUCTION FORM

Date Created: May 29, 2019

Retention Schedule Item	Description of Records	Date Range (From-To)	Retention Period	Medium
Meetings	Meeting notes	Jan - Dec 2016	2 Years	Paper & electronic
Meetings	Notices, agendas, packets	Jan - Dec 2016	2 Years	Paper & electronic
Admin Correspondence	Letters for invoices/checks	Jan - Dec 2015	3 Years	Paper & electronic
Financial Statements	Quarterly financial reports	Jan - Dec 2011	7 Years	Paper & electronic
Financial Statements	Quarterly treasurer's reports	Jan - Dec 2011	7 Years	Paper & electronic
Legal	Conflicts of Interest Statements	Jan - Dec 2011	7 Years	Paper & electronic
Legal	Public Records Act Requests	Jan - Dec 2016	2 Years from completion	Paper & electronic
Membership	Appointment resolutions & letters	Jan - Dec 2016	2 Years	Paper & electronic

Chief Administrative Officer: Kara Mathews

Date: May 29, 2019

Date of Approval by Commission: _____

Quantification Settlement Agreement
Joint Powers Authority
Treasurer's Report
at March 31, 2019

<u>Investment Type</u>	<u>% Limit</u>	<u>% of Portfolio</u>	<u>Amount</u>	<u>Yield</u>
Wells Fargo CEO Account	100%	0%	\$ 5,482.09	0.00%
Local Agency Investment Fund (LAIF)	\$65M - Maximum	55%	23,313,104.00	2.44%
CA Asset Mgmt Program (CAMP)	25%	21%	9,051,027.20	2.59%
Treasury Securities	100%	19%	7,959,375.00	2.52%
Agency Securities	100%	0%	-	0.00%
Commercial Paper	25%	5%	1,971,391.94	2.97%
Total Cash and Investments		<u>100%</u>	<u>\$ 42,300,380.23</u>	<u>2.51%</u>

Interest Earnings (Cash and Investments):

Month Ended March 31, 2019	\$ 82,599.49
Fiscal Year to Date	\$ 581,481.66

Average Term	22
Average Days to Maturity (730 Days Maximum)	17


 Lisa Marie Harris, Treasurer

Quantification Settlement Agreement

Joint Powers Authority

Treasurer's Report

at March 31, 2019

Deposit & Invoice Activity:

Date	Name	Deposits	Invoices
	Total Fiscal Year 6/30/2004	\$ 4,387,846.00	\$ -
	Total Fiscal Year 6/30/2005	\$ 1,758,945.00	\$ (1,959,440.28)
	Total Fiscal Year 6/30/2006	\$ 2,161,019.83	\$ (4,555,061.94)
	Total Fiscal Year 6/30/2007	\$ 2,347,672.00	\$ (2,938,474.58)
	Total Fiscal Year 6/30/2008	\$ 11,644,612.84	\$ (5,779,276.79)
	Total Fiscal Year 6/30/2009	\$ 6,870,567.00	\$ (8,251,293.97)
	Total Fiscal Year 6/30/2010	\$ 14,545,715.00	\$ (9,061,269.71)
	Total Fiscal Year 6/30/2011	\$ 5,849,675.00	\$ (5,944,418.65)
	Total Fiscal Year 6/30/2012	\$ 6,585,384.00	\$ (1,851,265.44)
	Total Fiscal Year 6/30/2013	\$ 7,497,513.00	\$ (4,335,543.28)
	Total Fiscal Year 6/30/2014	\$ 10,699,074.00	\$ (10,987,218.93)
	Total Fiscal Year 6/30/2015	\$ 17,331,735.00	\$ (14,361,492.54)
	Total Fiscal Year 6/30/2016	\$ 15,222,157.00	\$ (22,997,264.03)
	Total Fiscal Year 6/30/2017	\$ 29,162,833.00	\$ (21,104,845.03)
	Total Fiscal Year 6/30/2018	\$ 18,183,882.00	\$ (16,428,573.00)
7/02/2018	SDCWA Advance Payment	\$ 1,750,000.00	
7/02/2018	Coachella Valley Water District	\$ 500,000.00	
7/03/2018	Imperial Irrigation District	\$ 3,500,000.00	
7/26/2018	IID (Other Mitigation #1145)		\$ (661,729.81)
9/05/2018	IID (Other Mitigation #1146)		\$ (583,856.89)
9/12/2018	IID (Other Mitigation #1147)		\$ (671,960.99)
11/15/2018	IID (Other Mitigation #1148)		\$ (900,533.26)
12/20/2018	Imperial Irrigation District	\$ 2,261,221.00	
12/28/2018	Coachella Valley Water District	\$ 5,195,516.00	
12/31/2018	SDCWA	\$ 6,914,667.00	
1/17/2019	IID (Other Mitigation #1149)		\$ (570,580.22)
2/21/2019	IID (Other Mitigation #1150)		\$ (327,647.05)
	Total Fiscal Year 6/30/2019 (YTD)	\$ 20,121,404.00	\$ (3,716,308.22)
	Totals to date:	\$ 174,370,034.67	\$ (134,271,746.39)

Reconciliation of Deposit and Invoice Activity to Total Cash and Investments:

Deposits	\$ 174,370,034.67
Invoices	(134,271,746.39)
Subtotal	40,098,288.28
Interest Earned - Fiscal Year to Date 2019	581,481.66
Interest Earned - Fiscal Year 2018	367,384.75
Interest Earned - Fiscal Year 2017	169,676.70
Interest Earned - Fiscal Year 2016	99,489.54
Interest Earned - Fiscal Year 2015	43,822.46
Interest Earned - Fiscal Year 2014	36,595.42
Interest Earned - Fiscal Year 2013	60,004.09
Interest Earned - Fiscal Year 2012	45,850.28
Interest Earned - Fiscal Year 2011	66,144.04
Interest Earned - Fiscal Year 2010	48,102.28
Interest Earned - Fiscal Year 2009	173,945.72
Interest Earned - Fiscal Year 2008	376,499.98
Interest Earned - Fiscal Year 2007	135,591.60
Interest Earned - Fiscal Year 2006	127,788.23
Interest Earned - Fiscal Year 2005	86,031.33
Interest Earned - Fiscal Year 2004	7,822.91
Accrued Interest (not yet received) at 03/31/19	(215,103.86)
Fees Paid - Inception to Date	(9,035.18)
Total Cash & Investments	\$ 42,300,380.23

**Quantification Settlement Agreement
Joint Powers Authority
Treasurer's Report
at March 31, 2019**

Deposit History (Inception-to-Date):

Calendar Year	Payment Type	SDCWA (1)	IID	CVWD	Total
2003	Original Payment	\$ 2,340,273.00	\$ 402,069.00	\$ 1,645,504.00	\$ 4,387,846.00
2004	Original Payment	1,032,775.00	-	726,170.00	1,758,945.00
2005	Original Payment	969,146.83	418,191.00	773,682.00	2,161,019.83
2006	Original Payment	848,849.00	574,316.00	924,507.00	2,347,672.00
2007	Advance Payment	4,094,225.00	1,658,950.00	2,878,752.00	8,631,927.00
2007	Original Payment	1,214,878.84	739,432.00	1,058,375.00	3,012,685.84
2008	Advance Payment	2,164,086.00	876,872.00	1,521,623.00	4,562,581.00
2008	Original Payment	-	761,615.00	1,546,371.00	2,307,986.00
2009	Original Payment	7,879,603.00	941,356.00	5,724,756.00	14,545,715.00
2010	Original Payment	2,770,483.00	1,131,196.00	1,947,996.00	5,849,675.00
2011	Original Payment	3,084,803.00	1,331,579.00	2,169,002.00	6,585,384.00
2012	Original Payment	3,496,247.00	1,542,967.00	2,458,299.00	7,497,513.00
2013	Original Payment	5,245,201.00	1,765,841.00	3,688,032.00	10,699,074.00
2014	Original Payment	5,291,989.00	1,818,816.00	3,720,930.00	10,831,735.00
2015	Advance Payment	2,000,000.00	6,500,000.00	1,000,000.00	9,500,000.00
2015	Original Payment	6,076,346.00	1,873,380.00	4,272,431.00	12,222,157.00
2016	Advance Payment	1,800,000.00	5,125,000.00	2,000,000.00	8,925,000.00
2016	Original Payment	8,254,386.00	1,929,582.00	5,803,865.00	15,987,833.00
2017	Advance Payment	1,850,000.00	4,250,000.00	500,000.00	6,600,000.00
2017	Original Payment	8,314,814.00	1,987,469.00	5,531,599.00	15,833,882.00
2018	Advance Payment	1,750,000.00	3,500,000.00	500,000.00	5,750,000.00
2018	Original Payment	6,914,667.00	2,261,221.00	5,195,516.00	14,371,404.00
		-	-	-	-
	Totals to date:	\$ 77,392,772.67	\$ 41,389,852.00	\$ 55,587,410.00	\$ 174,370,034.67

⁽¹⁾ SDCWA payments shown above are reduced by credits for payments made to the Bureau of Reclamation regarding responsibility for implementation of Conservation and Mitigation Measures for the Colorado River.

Total Outstanding Balance Due as of March 31, 2019				
Payment Schedules ⁽²⁾	SDCWA	IID	CVWD	Total
Nominal amount	\$ 13,645,087	\$ 85,331,764	\$ 11,338,532	\$ 110,315,383
Present value (@ 6%)	\$ 11,523,415	\$ 52,567,588	\$ 9,397,607	\$ 73,488,610

⁽²⁾ Source: Modification of Payment Schedules per Agreement dated May 20, 2015

QSA JPA - Fiscal Year 2019
Portfolio Management
Portfolio Summary
March 31, 2019

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM 365 Equiv.
Managed Pool Accounts	32,364,131.20	32,364,131.20	32,364,131.20	76.51	1	1	2.445	2.479
Passbook/Checking Accounts	5,482.09	5,482.09	5,482.09	0.01	1	1	0.000	0.000
Commercial Paper - Discount	2,000,000.00	1,991,683.40	1,971,391.94	4.66	181	57	2.926	2.967
Treasury - Coupon	8,000,000.00	7,987,200.00	7,959,375.00	18.82	184	60	2.483	2.517
	42,369,613.29	42,348,496.69	42,300,380.23	100.00%	44	15	2.474	2.509
Investments								

	March 31	Month Ending	Fiscal Year To Date
Total Earnings			
Current Year		82,599.49	581,481.66
Average Daily Balance		42,281,037.84	
Effective Rate of Return		2.30%	

QSA Joint Powers Authority,

Reporting period 03/01/2019-03/31/2019

Run Date: 05/14/2019 - 12:25

Portfolio JPA
CC
PM (PRF_PM1) 7.3.0
Report Ver 7.3.0.1

QSA JPA - Fiscal Year 2019
Portfolio Management
Portfolio Details - Investments
March 31, 2019

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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Managed Pool Accounts												
SYS1001	1001	CAMP - QSA OPERATING			9,051,027.20	9,051,027.20	9,051,027.20	2.590	AAA	2.590	1	
SYS1000	1000	Local Agency Investment Fund			23,313,104.00	23,313,104.00	23,313,104.00	2.438		2.438	1	
	Subtotal and Average		32,344,770.76		32,364,131.20	32,364,131.20				2.479	1	
Passbook/Checking Accounts												
SYS100	100	Wells Fargo Bank			5,482.09	5,482.09	5,482.09			0.000	1	
	Subtotal and Average		5,500.14		5,482.09	5,482.09				0.000	1	
Commercial Paper - Discount												
48840QSU6	208	JP MORGAN SECURITIES LLC		11/28/2018	1,000,000.00	995,716.70	985,419.44	2.900	A-	3.025	57	05/28/2019
89233HSU9	209	TOYOTA MOTOR CREDIT CORP		11/28/2018	1,000,000.00	995,966.70	985,972.50	2.790	AA-	2.909	57	05/28/2019
	Subtotal and Average		1,971,391.94		2,000,000.00	1,991,683.40	1,971,391.94			2.967	57	
Treasury - Coupon												
912828WL0	207	U.S. Treasury		11/28/2018	8,000,000.00	7,987,200.00	7,959,375.00	1.500	AA+	2.517	60	05/31/2019
	Subtotal and Average		7,959,375.00		8,000,000.00	7,987,200.00	7,959,375.00			2.517	60	
	Total and Average		42,281,037.84		42,369,613.29	42,348,496.69	42,300,380.23			2.509	15	

Portfolio JPA
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PM (PRF_PM2) 7.3.0
Report Ver. 7.3.6.1

QSA JPA - Fiscal Year 2019

Portfolio Management

Activity Summary

March 2018 through March 2019

Page 1

Month End	Year	Number of Securities	Total Invested	Yield to Maturity			Managed Pool Rate	Number of Investments Purchased	Number of Investments Redeemed	Average Term	Average Days to Maturity
				360 Equivalent	365 Equivalent						
March	2018	3	31,594,631.63	1.566	1.588		1.588	0	1	1	1
July	2018	3	30,615,934.01	1.968	1.995		1.995	0	0	1	1
August	2018	3	30,623,688.14	2.022	2.050		2.050	0	0	1	1
September	2018	3	29,373,729.19	2.069	2.098		2.098	0	0	1	1
November	2018	6	28,685,194.98	2.344	2.376		2.261	3	0	65	63
December	2018	6	43,005,438.75	1.734	1.758		2.372	0	0	43	35
March	2019	6	42,300,380.23	2.474	2.509		2.479	0	0	44	15
Average		4	33,742,710.99	2.025%	2.053%		2.121	0	0	22	17

Unaudited
**QUANTIFICATION SETTLEMENT AGREEMENT
JOINT POWERS AUTHORITY**

**BALANCE SHEET
GENERAL FUND
MARCH 31, 2019**

Assets:

Cash	\$ 5,482
Investments	42,346,440
Mitigation contributions receivable	44,916,036
Interest receivable	<u>27,671,371</u>

Total assets	<u>\$ 114,939,329</u>
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Liabilities:

Accounts payable	<u>\$ 1,731,615</u>
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Deferred inflows of resources:

Unavailable mitigation contributions	<u>72,442,755</u>
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Fund balance:

Unassigned	<u>40,764,959</u>
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Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 114,939,329</u>
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Unaudited
**QUANTIFICATION SETTLEMENT AGREEMENT
JOINT POWERS AUTHORITY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE NINE MONTHS ENDED MARCH 31, 2019**

Revenues:

Interest income	\$ 610,979
Mitigation contributions	<u>20,121,404</u>

Total revenues	<u>20,732,383</u>
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Expenditures:

Environmental mitigation	3,137,549
Administrative	<u>277</u>

Total expenditures	<u>3,137,826</u>
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Net changes in fund balance	17,594,557
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Fund balance at beginning of year	<u>23,170,402</u>
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Fund balance at end of year	<u><u>\$ 40,764,959</u></u>
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Unaudited

**QUANTIFICATION SETTLEMENT AGREEMENT
JOINT POWERS AUTHORITY**

**SUPPLEMENTARY INFORMATION - BUDGET STATUS REPORT
FOR THE NINE MONTHS ENDED MARCH 31, 2019**

Task No.	Mitigation Tasks	Adopted FY 2019 Budget	Jan - Mar 2019 Expenditures	Total Expenditures	Variance (Remaining)	Percent Complete
1	QSA Implementation Team	\$ -	\$ -	\$ -	\$ -	0.0%
2	QSA Implementation Team Biologists	1,157,740	302,726	717,947	439,793	62.0%
3	Environmental Reporting and Monitoring	510	-	-	510	0.0%
4	Salton Sea Salinity and Elevation Program	16,600	1,900	3,945	12,655	23.8%
5	Salton Sea Mitigation Water to Salton Sea	16,610	34,142	34,142	(17,532)	205.6%
6	Tamarisk Scrub Habitat - Surveys and Mitigation	368,560	-	-	368,560	0.0%
7	Drain Habitat - Initial Vegetation and Habitat Surveys	-	-	-	-	0.0%
8	Drain Habitat (Aquatic) - Create/Manage/Monitor "Managed Marsh" Areas	4,555,000	118,900	302,368	4,252,632	6.6%
9	Drain Habitat Restrictions/Requirements for Construction and Maintenance	-	-	-	-	0.0%
10/10A	Worker Education Program Covered Species Training and Manual	600	-	-	600	0.0%
11	Desert Habitat Survey and Mapping of Right of Way	32,000	-	-	32,000	0.0%
12	Desert Habitat Create/Maintain Desert Habitat	-	-	-	-	0.0%
13	Changes to Operations on IID Canals to Avoid Covered Species	-	-	-	-	0.0%
14	Burrowing Owl Worker Annual Education and Manual	-	-	-	-	0.0%
15	Pre-Construction Activity Burrowing Owl Surveys and Relocation	14,100	-	-	14,100	0.0%
16	Burrowing Owl Relative Abundance and Distribution Surveys	157,000	-	-	157,000	0.0%
17	Farmer and Public Education Program	5,000	-	800	4,200	16.0%
18	Desert Pupfish Abundance and Distribution Study	6,000	-	-	6,000	0.0%
19/19A	Pupfish Selenium Drain Studies	421,000	56,591	101,076	319,924	24.0%
20	Pupfish Construction and Maintenance Conservation Measures	933,000	105,620	107,889	825,111	11.6%
21	Salvage of Razorback Suckers when Dewatering Canals	-	-	-	-	0.0%
22	Maintain Habitat on Fallowed Parcels	-	-	-	-	0.0%
23	Covered Species Baseline and Monitoring Surveys	316,000	-	-	316,000	0.0%
24	Salton Sea Air Quality	7,065,000	1,096,584	1,865,592	5,199,408	26.4%
25	Minimize Dust Emissions from Fallowed Lands	-	-	-	-	0.0%
26	Drain Connectivity to Salton Sea Elevation Decrease	-	-	-	-	0.0%
27	Grade Spoil/Roads from Drain Maintenance	-	-	-	-	0.0%
28	Power Line Markers for Pumpback and Seepage Recovery Systems	-	-	-	-	0.0%
29	Prepare and Implement Management Plan for Abandoned Portions of AAC	-	-	-	-	0.0%
30	Southwestern Willow Flycatcher Surveys and Habitat Monitoring	-	-	-	-	0.0%
31	Elf Owl Surveys	-	-	-	-	0.0%
32	Desert Tortoise Survey and Avoidance	-	-	-	-	0.0%
33	Least Tern Surveys	-	-	-	-	0.0%
34	Rail and Bittern Surveys	-	-	-	-	0.0%
35	Management and Planning	12,000	-	-	12,000	0.0%
36	JPA Audit Fees	10,350	-	-	10,350	0.0%
37	JPA Bank Fees	1,600	56	277	1,323	17.3%
38	Financial Advisor	-	-	-	-	0.0%
39	Bond Counsel Fees	-	-	-	-	0.0%
40	2001 Biological Opinion Measures	-	-	-	-	0.0%
41	Brown Pelican Coast	-	-	-	-	0.0%
42	Brown Pelican Sea	-	-	-	-	0.0%
43	Salton Sea Shoreline Strand Study	10,000	-	-	10,000	0.0%
44	Pupfish Refugium	30,600	-	-	30,600	0.0%
45	Recreation Facilities at Salton Sea	-	3,790	3,790	(3,790)	0.0%
Total Expenditures		\$ 15,129,270	\$ 1,720,309	\$ 3,137,826	\$ 11,991,444	20.7%

February 27, 2019

**Quantification Settlement Agreement
Joint Powers QSA
4677 Overland Avenue
San Diego, CA 92123**

We are pleased to confirm the arrangements of our engagement and the nature of the services we will provide **Quantification Settlement Agreement Joint Powers QSA** (the "QSA").

ENGAGEMENT OBJECTIVES

We will audit the financial statements of the QSA's as of **June 30, 2019** and for the year then ended, and the related notes to the financial statements.

Also, accounting principles generally accepted in the United States of America ("US GAAP") provide for certain required supplementary information ("RSI"), such as management's discussion and analysis ("MD&A"), to supplement the QSA's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the QSA's RSI in accordance with auditing standards generally accepted in the United States of America ("US GAAS"). These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by US GAAP and will be subjected to certain limited procedures but will not be audited.

1. Management's Discussion and Analysis

We have also been engaged to report on supplementary information other than RSI that accompanies the QSA's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion in relation to the financial statements as a whole.

1. Budget Status Report

OUR RESPONSIBILITIES

The objective of our audit is the expression of an opinion as to whether the financial statements are fairly presented, in all material respects, in conformity with US GAAP and to report on the fairness of the additional information referred to above when considered in relation to the financial statements taken as a whole.

We will also provide a report, which does not include an opinion, on internal controls related to the financial statements and compliance with the provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The reports on internal control and compliance will each include a paragraph that states the report is solely to describe the scope and testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance and that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance and that the report is not suitable for any other purpose.

Audit

Our audit will be conducted in accordance with US GAAS, the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit will include tests of the accounting records and other procedures we consider necessary to enable us to express such an opinion and render the required reports. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add an emphasis-of-matter or other-matter paragraph. If our opinion on the financial statements or the federal programs compliance opinion is other than unmodified, we will fully discuss the reasons with management in advance. If, for any reason, we are unable to complete the audit, or are unable to form or have not formed an opinion, we may decline to express an opinion or withdraw from this engagement.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts (e.g., tests of the physical existence of inventories, direct confirmation of certain assets and liabilities by correspondence with selected customers, creditors, and financial institutions, etc.). We may also request written representations from the QSA's attorneys as part of the engagement, and they may bill the QSA for responding to this inquiry.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations that are attributable to the QSA or to acts by management or employees acting on behalf of the QSA. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal controls, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with US GAAS. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. We will inform the appropriate level of management and those charged with governance of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management and those charged with governance of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and any material abuse that comes to our attention. Our responsibility, as auditors, is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Internal Control

Our audit will include obtaining an understanding of the QSA and its environment, including internal controls sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing and extent of further audit procedures.

We will obtain an understanding of the design of the relevant controls and whether they have been placed in operation, and we will assess control risk. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Tests of controls relative to the financial statements are required only if control risk is assessed below the maximum level. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal controls or to identify control deficiencies. However, we will inform management and those charged with governance of internal control matters that are required to be communicated under professional standards.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the QSA's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

The services described above do not relieve management or those charged with governance of their responsibilities.

THOSE CHARGED WITH GOVERNANCE

The preparation and presentation of the financial statements of the QSA are the responsibility of management with oversight from those charged with governance. Those charged with governance are also responsible for overseeing the strategic direction of the QSA and any obligations related to its accountability, resolving disagreements between management and us regarding financial reporting, appointing us to perform the services described above, and informing us about all known or suspected fraud involving the QSA. In turn, we will provide those charged with governance with any communications required by the professional standards described above.

MANAGEMENT'S RESPONSIBILITIES

Management is responsible for all management decisions and performing all management functions, and for designating an individual, preferably from senior management, with suitable skill, knowledge, or experience to oversee these services, any bookkeeping services, tax services, or other services we provide. Management is responsible for evaluating the adequacy and results of the services performed and accepting responsibility for them.

Management is responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. Management is also responsible for providing us with (a) access to all information they are aware of that is relevant to the preparation and fair presentation of the financial statements, (b) additional information that we may request for the purpose of this engagement, and

(c) unrestricted access to persons within the QSA from whom we determine it necessary to obtain information.

Management is responsible for establishing and maintaining internal controls, including monitoring ongoing activities, for the selection and application of accounting principles, for the safeguarding of assets, and for the preparation and fair presentation of the financial statements in conformity with US GAAP even though we may assist management with their preparation. Accordingly, management may be required to acknowledge in the written representation letter our assistance with preparation of the financial statements and that management has reviewed and approved the financial statements and related notes prior to their issuance and has accepted responsibility for them.

Management is responsible for adjusting the financial statements to correct material misstatements and for confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the QSA involving (a) management, (b) employees who have significant roles in internal controls, and (c) others where the fraud could have a material effect on the financial statements. Management is also responsible for informing us of any known allegations of fraud or suspected fraud affecting the QSA received in communications from employees, former employees, regulators, or others. In addition, management is also responsible for identifying and ensuring that the QSA complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy any fraud, illegal acts, violations of contracts or grant agreements, or abuse that we may report.

During the course of our engagement, we will request information and explanations from management regarding the QSA. At the conclusion of our engagement, we will require, as a precondition to the issuance of our report, that management provide certain representations in a written representation letter. The procedures we will perform in our engagement and the conclusions we reach as a basis for our report will be heavily influenced by the written and oral representations that we receive from management. In view of the foregoing, the QSA agrees to release our firm, its shareholders, and other personnel from any liability and costs relating to our services under this letter resulting from false or misleading representations made to us by any member of the QSA's management.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits or other related studies. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. Management is responsible for providing its views on our current findings, conclusions, and recommendations, as well as management's planned corrective actions, for the report, and for the timing and format for providing that information.

OTHER SERVICES

The QSA must obtain our written consent before including its financial statements and our report in an offering or other document, or otherwise distributing our report or referencing our Firm in connection with an offering. Management agrees to provide reasonable notice to allow sufficient time for us to perform certain additional procedures. Management will also provide us with a copy of the final reproduced material for our approval before it is distributed. Our fees for such services are in addition to those discussed elsewhere in this letter, and the specific terms of any such future services will be determined at the time the services are to be performed.

As a result of our prior or future services, we might be requested to provide information or documents to the QSA or a third party in a legal, administrative, or arbitration or similar proceeding in which we are not a party. If this occurs, our efforts in complying with such requests will be deemed billable to the QSA as a separate engagement. We shall be entitled to compensation for our time and reasonable reimbursement for our expenses (including legal fees) in complying with the request. For all requests, we will observe the confidentiality requirements of our profession and will notify management promptly of the request.

ENGAGEMENT FEES

The fee for our services for the fiscal year ending June 30, 2019 will be \$10,350 per our proposal dated June 13, 2016. Our fees are based upon the complexity of the work to be performed, timing of the engagement, experience level of the personnel required, and estimates of the professional time to complete the required services.

Additionally, our fees are dependent on the availability, quality, and completeness of the QSA's records and, where applicable, upon the QSA's personnel providing the level of assistance identified in the "prepared by client" request list distributed at the end of our planning work (e.g., QSA employees preparing confirmations and schedules we request, locating documents selected by us for testing, etc.).

Should our assumptions with respect to these matters be incorrect, or should the condition of the records, degree of cooperation, or other matters beyond our reasonable control require additional commitments by us beyond those upon which our estimated fees are based, we may adjust our fees and planned completion dates. If significant additional time is necessary, we will discuss it with management and arrive at a new fee estimate as soon as reasonably practicable. In addition, fees for any related projects, such as proposed business combinations or research and/or consultation on special business or financial issues, will be billed separately from the fee referred to above and will be subject to separate arrangements.

We consider telephone calls and meetings on accounting and reporting matters to be an integral part of the engagement and no additional fees are charged for these services. If, however, there is a significant transaction or new accounting issue that requires us to spend a substantial amount of time that was not anticipated in our fees, there may be additional billings.

The fee estimate above assumes no adjustments will be necessary for routine accounting entries normally made before the beginning of the engagement. If, for any reason, we are asked to assist in the preparation of these entries, before beginning this service, we will provide an estimate of the time required to perform such services and the additional fees to be billed.

Invoices will be submitted as the work progresses and a final invoice will be submitted upon completion of the services. Invoices are payable upon receipt. If our invoices for this, or any other engagements the QSA may have with us, are not paid within 30 days, we may suspend or terminate our services for this and any other engagements. In the event our work is suspended or terminated as a result of nonpayment, the QSA agrees we will not be responsible for any consequences.

OTHER ENGAGEMENT MATTERS

This letter sets forth the rights and responsibilities of the parties with respect to the services to be provided. This engagement is being undertaken solely for the benefit of the parties to this agreement and no other person shall be entitled to enforce the terms of this agreement.

Shannon Ayala, CPA is the engagement partner responsible for supervising the engagement and signing the report.

We appreciate the opportunity to provide these services and believe this letter accurately summarizes the significant terms of our engagement. Please sign the enclosed copy of this letter and return it to us.

Very truly yours,



Jennifer Farr, CPA
Davis Farr LLP

The services and arrangements described in this letter are in accordance with our understanding and are acceptable to us.

Quantification Settlement Agreement Joint Powers

Member of Management:

By Karen Matthews

Title Chief Administrative Officer

Date 5/13/19

June 5, 2019

To the Board of Commissioners
Of the Quantification Settlement
Agreement Joint Powers Authority
San Diego, California

We are in the process of planning the audit of the Quantification Settlement Agreement Joint Powers Authority (the "QSA JPA") for the year ending June 30, 2019.

Professional auditing standards require that, as a part of our audit, we inquire of those in governance to ascertain whether or not the Board of Commissioners (the "Board") has knowledge of matters that might have a bearing on the auditor's risk assessment for the annual audit of the QSA JPA's financial statements.

Examples of these matters are:

- Known or suspected instances of employee fraud
- Areas in which the internal controls of the QSA JPA are thought by the Board to be weak
- Known or suspected misstatements in the accounting records of the QSA JPA
- Known or suspected use of improper accounting practices by the QSA JPA
- Any awareness of pressure upon the QSA JPA or QSA JPA management with respect to achieving certain financial results
- Matters that warrant particular attention during the audit
- Information about unusual transactions or other matters relevant to the audit

Generally, the scope of the audit is limited to *matters involving amounts that would be significant to the financial statements of the QSA JPA taken as a whole*. If additional time is required to respond to the concerns of the Board, we will estimate for the Board the costs involved.

Auditing Standards require the auditors to communicate the planned scope and timing of the audit. Additionally, at the conclusion of the audit, we plan to meet with the Board to communicate the auditor's responsibilities under generally accepted auditing standards and significant findings from the audit.

Timing of Audit

We began the interim audit procedures in May 2019 and our final audit examination in October 2019. We anticipate being completed with fieldwork in October 2019. We plan to present the audit reports and results of the audit to the Board of Commissioners at the completion of the audit.

Planned Scope of Audit

In addition to our standard audit approach, our engagement team plans to address the following risk areas as follows:

- Review of Member Contributions: We will confirm 100% of member agency contributions to the QSA JPA by sending letters to each of the member agencies to verify amounts paid.
- Each year, we are required to include an element of unpredictability in our audit. This year we are planning to review the Local Agency Investment Fund transactions. We will review all the transactions in the Local Agency Investment Fund and verify the amounts are properly recorded in the trial balance.

If any member of the Board has information relevant to our audit (matters involving amounts that would be significant to the financial statements of the QSA JPA taken as a whole), please contact the undersigned at 760.298.5872 or sayala@davisfarr.com.

Very truly yours,



Shannon Ayala
Davis Farr LLP

QSA JPA Audit Calendar | FY 2019

MARCH 2019						
S	M	T	W	Th	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
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31						

APRIL 2019						
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MAY 2019						
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JUNE 2019						
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JULY 2019						
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AUGUST 2019						
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SEPTEMBER 2019						
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29	30					

	Commissioners Meeting
	A/P
	Financial Statements
	Controller
	Davis Farr
	SDCWA Closed

OCTOBER 2019						
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NOVEMBER 2019						
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DECEMBER 2019						
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29	30	31				

2019 QSA JPA Commissioners Meetings

March 25	Quarterly Meeting - 2nd Quarter financial reports
June 13	FY2019 Audit Calendar, Auditor Required Communications & 3rd Quarter financial reports
September (approx.)	4th Quarter financial reports and investments overview
December (approx.)	Presentation on 2019 Financial Statements; Audit Results (Davis Farr)

Accounts Payable

August 30	April, May and June invoices due from IID
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Financial Statements

October 11	Draft 1 Financial Statements due to Controller
October 17	Draft 1 Financial Statements to Davis Farr (pre-fieldwork)
November 4	Draft 2 Financial Statements to Davis Farr for technical review
November 14	Final Financial Statements to Davis Farr

Controller

March 25	Draft Audit Calendar
October 28	Final Draft Financial Statements Approved
November 5	Management Rep Letter routed for signature

Davis Farr

April 3	Required Auditor communication letters due
May 20 - 24	Davis Farr Begins and Completes Interim Fieldwork
October 21 - 25	Davis Farr begins and Completes Year End Fieldwork
October 30	Auditor review responses due on Draft Financial Statements
November 6	Technical review responses due on Draft Financial Statements
November 18	Davis Farr issues audit opinion & emails completed Financial Statements
November 20	Davis Farr delivers bound FY2019 Financial Statements

QSA JPA Audit Calendar | FY 2019

Date	Activity
Mon. March 25	Draft Audit Calendar
Mon. March 25	Commissioner's Meeting – 2nd Quarter Financial Reports
Wed. April 3	Required Auditor communication letters due
Mon. May 20	Davis Farr begins Interim Fieldwork
Fri. May 24	Davis Farr completes Interim Fieldwork
Thur. June 13	Commissioner's Meeting – Audit Calendar, Auditor Required Communications; 3rd Quarter Financial Reports
Fri. August 30	April, May, and June invoices due from IID
September	Commissioner's Meeting - 4th Quarter Financial Reports and investments overview
Fri. October 11	Draft 1 Financial Statements due to Controller
Thur. October 17	Draft 1 Financial Statements to Davis Farr (pre-fieldwork)
Mon. October 21	Davis Farr begins Fieldwork
Wed. October 30	Auditor review responses due on Draft Financial Statements
Fri. October 25	Davis Farr completes Fieldwork
Mon. October 28	Final Draft Financial Statements Approved by Controller
Mon. November 4	Draft 2 Financial Statements to Davis Farr for technical review
Tue. November 5	Management Rep Letter routed for signature
Wed. November 6	Technical review responses due on Draft Financial Statements
Thur. November 14	Final Financial Statements to Davis Farr
Mon. November 18	Davis Farr issues audit opinion & emails completed Financial Statements
Wed. November 20	Davis Farr delivers bound FY2019 Financial Statements
December	Commissioner's Meeting - Presentation on 2019 Financial Statements; Audit Results (Davis Farr)