



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

### **AGENDA**

**January 13, 2020**

**11:00 AM**

**Conference Call**

Conference Call Number: (619) 483-4264 Conference ID Number: 224233135

#### **Conference Call Locations:**

San Diego County Water Authority  
General Manager's Conference Room  
4677 Overland Ave.  
San Diego, CA, 92123

Imperial Irrigation District  
Library, J-1 Building  
333 East Barioni Boulevard  
Imperial, CA 92251

California Department of Fish and Wildlife  
78078 Country Club Drive, Suite 109  
Bermuda Dunes, CA 92203

Coachella Valley Water District  
Administration Conference Room  
75-515 Hovley Lane East  
Palm Desert, CA 92211

Best, Best, & Krieger  
3390 University Avenue, 5th Floor  
Riverside, CA 92501

#### **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. Information: Appointment of Arturo Delgado, Assistant Secretary for Salton Sea Policy for the California Natural Resources Agency, as California Department of Fish and Wildlife representative (Kara Mathews, SDCWA)
5. Action: Approve minutes of regular QSA JPA meeting held October 1, 2019 (Kara Mathews, SDCWA)

#### **FINANCIAL MATTERS**

6. Action: Review and accept fiscal year 2019 Audited Financial Report (Representative from Davis Farr)
7. Information: Treasurer's Report ending September 30, 2019 (Chris Woidzik, SDCWA)
8. Information: Financial Report ending September 30, 2019 (Chris Woidzik, SDCWA)

**NOTE:** All items identified as information, discussion, or action items on the agenda may be deliberated by and become subject to consideration and alternative action by the QSA Joint Powers Authority. This meeting may be recorded.

9. Action: Consider approval of entering into a contract with Chandler Asset Management (Chris Woidzik, SDCWA)

**IMPLEMENTATION**

10. Information: Status report on implementation of mitigation measures (Jessica Humes, IID)
11. Information: Status report on updated brown pelican mitigation measures (Jessica Humes, IID)
12. Information: Status report on 2010 Salton Sea mitigation water predelivery payback (Tina Shields, IID)
13. Information: Update on State Salton Sea Management Program (Chair Delgado, CNRA)
14. Adjourn



State of California – Natural Resources Agency  
DEPARTMENT OF FISH AND WILDLIFE  
Director's Office  
P.O. Box 944209  
Sacramento, CA 94244-2090  
[www.wildlife.ca.gov](http://www.wildlife.ca.gov)

GAVIN NEWSOM, Governor  
CHARLTON H. BONHAM, Director



SDCWA/RECEIVED

OCT 28 2019

IMPORTED WATER DEPT

October 23, 2019

QSA Joint Powers Authority Commissioners  
c/o Kara Matthews, CAO  
4677 Overland Avenue  
San Diego, CA 92123

Re: Appointment of Alternate Chair for the California Department of Fish and Wildlife

Dear Commissioners:

The California Department of Fish and Wildlife has appointed Mr. Arturo Delgado, Assistant Secretary for Salton Sea Policy, to the position of Alternate Chair for the Quantification Settlement Agreement Joint Powers Authority (QSA JPA), effective immediately. Mr. Delgado will replace Mr. Bruce Wilcox as the Fish and Wildlife Director's alternate.

This appointment is consistent with the QSA JPA Creation and Funding Agreement.

Sincerely,

Valerie Termini  
Chief Deputy Director

cc: Leslie MacNair, Regional Manager  
Inland Deserts Region (6)  
California Department of Fish and Wildlife  
[Leslie.MacNair@wildlife.ca.gov](mailto:Leslie.MacNair@wildlife.ca.gov)

Jim Barrett, General Manager  
Coachella Valley Water District  
P.O. Box 1058  
Coachella, CA 92236

Henry Martinez, General Manager  
Imperial Irrigation District  
P.O. Box 937  
Imperial, CA 92251

Dan Denham, Assistant General Manager  
San Diego County Water Authority  
4677 Overland Avenue  
San Diego, CA 92123



## **QUANTIFICATION SETTLEMENT AGREEMENT JOINT POWERS AUTHORITY**

### **CONFERENCE CALL MEETING MINUTES**

October 1, 2019 at 9:00 a.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  
Kelly Rodgers, San Diego County Water Authority (SDCWA) – Alternate Commissioner  
Jim Barrett, Coachella Valley Water District (CVWD) – Commissioner

#### **JPA staff present:**

Jeff Ferre, Best, Best, and Krieger – Legal Counsel  
Lisa Marie Harris, SDCWA - Treasurer

#### **Others present:**

Kimberlyn Velasquez, SDCWA	Ivory Reyburn, CVWD
Chris Woidzik, SDCWA	Leslie MacNair, CDFW
Jessica Humes, IID	Jessica Schroeder, CDFW
Cindy Matejovsky, IID	Carol Roberts, US Fish and Wildlife Service
Joanna Smith Hoff, IID	Earl Withycombe, CA Air Resources Board
Arturo Delgado, California Department of Fish and Wildlife (CDFW)	Mike Cohen, Pacific Institute
	Bill Dennehy, Chandler Asset Management

#### **PRELIMINARY MATTERS**

##### **1. Call to Order**

Alternate Chair Wilcox called the meeting to order at 9:05 a.m.

##### **2. Roll Call**

There was a quorum of the Commission present at the time of the meeting.

##### **3. Public Comment**

Mike Cohen with the Pacific Institute gave notice of the Salton Sea Summit on October 17th and 18th at the University of California, Riverside/Palm Desert campus.

## ORGANIZATIONAL MATTERS

### 4. Action: Approval of Minutes of Regular JPA Meeting Held June 13, 2019

Alternate Chair Wilcox made a motion to approve the minutes, seconded by Alternate Commissioner Rodgers. The minutes were approved unanimously by a roll call vote.

## FINANCIAL MATTERS

### 5. Information: Treasurer's Report ending June 30, 2019

Mr. Chris Woidzik provided a review of the Treasurers' Report ending June 30, 2019. The quarter ended with \$40.9 million in cash and investments. The yield on investments was 2.46% for the quarter. Interest earned for the fiscal year to date is \$869,687.

### 6. Information: Financial Report Ending June 30, 2019

Mr. Chris Woidzik provided a review of the Financial Report ending June 30, 2019. Total assets are at \$115.6 million with \$1.8 million in liabilities. About 32.5 percent of the budget was spent for Fiscal Year 2019 (unaudited).

Commissioner Barrett requested an explanation for Task 5 expenses for mitigation water to the Salton Sea that was shown as 205% of the amount budgeted for that line item. Tina Shields from IID stated that there were outstanding deliveries of 150 acre-feet and 8 acre-feet made to the sea that were made this year and likely not budgeted for appropriately.

### 7. Information: Market and Investments Update

Mr. Bill Dennehy from Chandler Asset Management provided an overview of the current market and opportunities for investing QSA JPA funds. Mr. Dennehy reviewed the current economic summary and projected economic growth and also presented two cash flow scenarios and recommendations for an updated QSA JPA investment strategy.

Commissioner Barrett asked about the process for updating the current investments. Treasurer Lisa Marie Harris stated that action is not needed as this follows the Water Authority investment policy and the strategy reviewed today will be implemented.

Commissioner Barrett asked whether the QSA JPA has a 10-year plan for projects that are moving forward. Jessica Humes stated that IID has a 5-year plan for implementing the required mitigation measures and Tina Shields stated that there is uncertainty with the air quality projects so a longer-term look beyond five years is difficult. Commissioner Barrett stated that others are looking at unexpended JPA funds as potential funds which could put them at risk. Tina Shields stated that the JPA funds are allocated for required mitigation measures. Joanna Hoff stated that there are already activities identified for these JPA funds.

### 8. Information: Budget Execution Rate Update

Chris Woidzik provided an update on the historic execution rate of the budget for the past 7 years in response to a request from Commissioner Barrett. Commissioner Barrett stated that he appreciated the information and stated the past execution rate in the 80% range is reassuring relative to the current year budget that was much lower. Commissioner Barrett also stated that a longer-term plan would be helpful in managing the budget and increasing

the execution rate. Tina Shields stated that this year's budget items that were under-expended were managed marsh and air quality which had challenges this year due to site conditions and delays from the permitting process.

## IMPLEMENTATION

### 9. Information: Status Report on Implementation of Mitigation Measures

Mrs. Jessica Humes gave a status report on implementation of mitigation measures:

- Task 2 QSA Implementation Team Biologists – IID is currently in the process of filling an open position.
- Task 8 Managed Marsh – IID anticipates a construction start date for Phase III after the 1<sup>st</sup> of the year and it should take approximately 3 to 6 months to complete.
- Task 19 Pupfish Selenium Drain Studies – IID is almost done with the first year of the selenium study.
- Task 20 Pupfish Construction and Maintenance – IID is currently training staff to work with pupfish and complete the pupfish drain surveys.
- Task 24 Air Quality – IID's Board of Directors approved the 2018-19 Proactive Dust Control Plan and the 2017-18 Emissions Inventory. IID also participated in a meeting with the state and other stakeholders on air quality mitigation projects and site visit.

### 10. Information: Status Report on Updated Brown Pelican Mitigation Measures

Jessica Humes provided an update on Brown Pelican mitigation measures. A conference call was recently held to discuss alternative measures and developing a schedule for moving forward.

### 11. Requested Funding for State Red Hill Bay Habitat Project

Alternate Chair Wilcox provided a funding update on the state's project at Red Hill Bay. JPA funds will no longer be requested.

### 12. Information: Managed Marsh Negotiations Update

Alternate Chair Wilcox stated that he is leaving the California Natural Resources Agency in October and there will be a new representative. He recommended delaying this item until a new representative is in place.

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

Alternate Chair Wilcox gave an update on the SSMP. He stated that the Request for Proposals for the Species Conservation Habitat project on the south end of the sea is expected to be advertised in the coming months. On the north end of the sea, the state continues to work with various stakeholders on next steps for moving forward on projects.

### 14. Adjournment

The meeting was adjourned at 9:54 a.m.

**QUANTIFICATION SETTLEMENT AGREEMENT  
JOINT POWERS AUTHORITY  
San Diego, California**

**Basic Financial Statements**

**Fiscal Years Ended June 30, 2019 and 2018**





**QUANTIFICATION SETTLEMENT AGREEMENT  
JOINT POWERS AUTHORITY  
Fiscal Years Ended June 30, 2019 and 2018**

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## **Independent Auditor's Report**

To the Board of Commissioners  
of the Quantification Settlement  
Agreement Joint Powers Authority

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the general fund of the Quantification Settlement Agreement Joint Powers Authority (QSA JPA) as of and for the year ended June 30, 2019, and 2018, and the related notes to the financial statements, which collectively comprise the QSA JPA's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the QSA JPA's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the QSA JPA's internal control. Accordingly, we express no such opinion. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the QSA JPA, as of June 30, 2019, and 2018, and the respective changes in financial position and the statement of revenues, expenditures and changes in fund balance – budget to actual of the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about 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 do 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the QSA JPA's basic financial statements. The *Budget Status Report Expenditures* is presented for purposes of additional analysis and is not a required part of the basic financial statements. The *Budget Status Report Expenditures* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *Budget Status Report Expenditures* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2019 on our consideration of the QSA JPA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering QSA JPA's internal control over financial reporting and compliance.

DavisFarrLLP

Irvine, California  
November 8, 2019

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**QUANTIFICATION SETTLEMENT AGREEMENT JOINT POWERS AUTHORITY**  
**Management's Discussion and Analysis**  
**(Unaudited)**

This section of the financial statements presents a discussion and analysis of the financial performance of the Quantification Settlement Agreement Joint Powers Authority (QSA JPA) for the fiscal years ended June 30, 2019 and 2018. Please read it in conjunction with the QSA JPA basic financial statements, which follow this section.

**Overview of the Financial Statements**

The basic financial statements are designed to provide readers with a broad overview of the finances of the QSA JPA. The QSA JPA's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

- The Statements of Net Position and Statements of Activities are *government-wide financial statements*, providing both long-term and short-term information about the QSA JPA's overall financial status.
- The Balance Sheets and Statements of Revenues, Expenditures, and Changes in Fund Balance are *governmental fund financial statements*, focusing on individual parts of the QSA JPA and reporting the QSA JPA's operations in more detail than the government-wide financial statements.
- The governmental fund Balance Sheets and the governmental fund Statements of Revenues, Expenditures, and Changes in Fund Balance also provide a reconciliation to facilitate the comparison between the governmental fund and governmental activities.

**Reporting the QSA JPA as a Whole**

The accompanying government-wide financial statements include two statements that present financial data for the QSA JPA as a whole, the Statements of Net Position and the Statements of Activities. These statements report all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector businesses. All current fiscal year revenues and expenses are taken into account regardless of when cash is received or paid.

The Statements of Net Position present information on the QSA JPA's assets and liabilities with the difference between the two reported as net position. Over time, increases and decreases in the net position may serve as an indicator of whether the financial position of the QSA JPA is improving or deteriorating.

The Statements of Activities present information showing how the QSA JPA's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that only result in cash flows in future fiscal periods.

**Reporting the Major Fund of the QSA JPA**

The governmental fund financial statements provide detailed information about the General Fund of the QSA JPA. Some funds are required to be established by State law or bond covenants. All of the QSA JPA's basic services are reported in the General Fund, which focuses on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. The General Fund is reported using the modified accrual basis of accounting, which measures cash and all other current financial assets that can be readily converted to cash. The General Fund's financial statements provide a detailed short-term view of the QSA JPA's general government operations and the basic services provided. General Fund information helps determine the financial resources that can be spent in the near future to finance the QSA JPA's programs. The differences between governmental activities (reported in the Statements of Net Position and the Statements of Activities) and the General Fund are described in separate reconciliation statements following the General Fund's financial statements.

## The Structure of the QSA JPA

The QSA JPA is comprised of four agencies whose primary purpose is to administer the environmental mitigation measures related to the “Agreement for the Transfer of Conserved Water by and between Imperial Irrigation District (IID) and San Diego County Water Authority (SDCWA)” and the “Agreement for Acquisition of Conserved Water by and between IID and Coachella Valley Water District (CVWD)”. The agency members of the QSA JPA are the Department of Fish and Game (State of California), CVWD, IID, and SDCWA.

## Condensed Financial Information

**Quantification Settlement Agreement  
Joint Powers Authority  
Condensed Statements of Net Position  
(In Millions)**

	June 30,		
	2019	2018	2017
<b>Total assets</b>	<u>\$ 115.6</u>	<u>\$ 115.5</u>	<u>\$ 126.0</u>
<b>Total liabilities</b>	<u>4.4</u>	<u>2.3</u>	<u>3.8</u>
<b>Total net position</b>	<u>\$ 111.2</u>	<u>\$ 113.2</u>	<u>\$ 122.2</u>

### Fiscal Year 2019 Compared to Fiscal Year 2018

Total assets include cash and investments, mitigation contributions receivable, and interest receivable which includes any cumulative accrued interest not yet received from the contributing agencies in relation to the QSA JPA Creation and Funding Agreement (the Agreement) for environmental mitigation contributions. At June 30, 2019, assets totaled \$115.6 million, an increase of \$0.1 million or 0.1 percent when compared to the prior fiscal year. Total assets are higher than the prior fiscal year primarily due to increases from the following: \$21.0 million in cash and investments due to the member agencies mitigation contributions and interest income received, and \$0.5 million in interest receivable; and offset by decreases from the following: \$5.5 million in cash and investments due to the payments for environmental mitigation requirements and \$15.9 million in mitigation contributions receivable due to principal payments received from the member agencies. At June 30, 2019, the mitigation contributions receivable of \$44.9 million represents the net present value of mitigation receivables from the member agencies in accordance with the Agreement. Refer to Note 4 for further information on the Agreement.

Total liabilities include accounts payable. At June 30, 2019, liabilities totaled \$4.4 million, an increase of \$2.1 million or 91.3 percent when compared to the prior fiscal year due to an increase in environmental mitigation expenses to be paid at the end of the fiscal year.

Net position is unrestricted and totaled \$111.2 million at June 30, 2019, a decrease of \$2.0 million or 1.8 percent from the prior fiscal year as a result of the above changes.

### Fiscal Year 2018 Compared to Fiscal Year 2017

Total assets include cash and investments, mitigation contributions receivable, and interest receivable which includes any cumulative accrued interest not yet received from the contributing agencies in relation to the QSA JPA Creation and Funding Agreement (the Agreement) for environmental mitigation contributions. At June 30, 2018, assets totaled \$115.5 million, a decrease of \$10.5 million or 8.3 percent when compared to the prior fiscal year. Total assets are lower than the prior fiscal year primarily due to decreases from the following: \$16.4 million in cash and investments due to the payments for environmental mitigation requirements and \$13.5 million in mitigation contributions receivable due to principal payments received from the member agencies; and offset by increases from the following: \$18.2 million in cash and investments due to the member agencies mitigation contributions received and \$0.9 million in interest



receivable. At June 30, 2018, the mitigation contributions receivable of \$60.9 million represents the net present value of mitigation receivables from the member agencies in accordance with the Agreement. Refer to Note 4 for further information on the Agreement.

Total liabilities include accounts payable. At June 30, 2018, liabilities totaled \$2.3 million, a decrease of \$1.5 million or 39.5 percent when compared to the prior fiscal year due to a decrease in environmental mitigation expenses and the related timing of payments.

Net position is unrestricted and totaled \$113.2 million at June 30, 2018, a decrease of \$9.0 million or 7.4 percent from the prior fiscal year as a result of the above changes.

**Quantification Settlement Agreement  
Joint Powers Authority  
Condensed Statements of Activities  
(In Millions)**

	<u>2019</u>	<u>June 30, 2018</u>	<u>2017</u>
<b>Program expenses</b>	\$ 7.6	\$ 14.9	\$ 23.4
<b>Program revenues</b>	<u>4.6</u>	<u>5.6</u>	<u>6.5</u>
<b>Net program expenses</b>	(3.0)	(9.3)	(16.9)
<b>General revenues</b>	<u>1.0</u>	<u>0.3</u>	<u>0.1</u>
<b>Changes in net position</b>	(2.0)	(9.0)	(16.8)
<b>Net position - beginning of year</b>	<u>113.2</u>	<u>122.2</u>	<u>139.0</u>
<b>Net position - end of year</b>	<u><u>\$ 111.2</u></u>	<u><u>\$ 113.2</u></u>	<u><u>\$ 122.2</u></u>

**Fiscal Year 2019 Compared to Fiscal Year 2018**

Program expenses include environmental mitigation and general operating expenses. For the year ended June 30, 2019, governmental activities expenses totaled \$7.6 million, a decrease of \$7.3 million or 49.0 percent when compared to the prior fiscal year due to a decrease of \$9.9 million for the storage of mitigation water in the Salton Sea; and offset by increases from the following tasks: \$1.5 million for the managed marsh areas, \$0.5 million for the Salton Sea air quality monitoring, \$0.2 million for the burrowing owl distribution surveys, \$0.2 million for the pupfish selenium drain studies, \$0.1 million for the pupfish conservation measures, and \$0.1 million for funding the biologist team.

Program revenues include member contributions which totaled \$4.6 million for the year ended June 30, 2019, a decrease of \$1.0 million or 17.9 percent when compared to the prior fiscal year due to the timing of revenue received but in accordance with the approved member payments schedule.

**Fiscal Year 2018 Compared to Fiscal Year 2017**

Program expenses include environmental mitigation and general operating expenses. For the year ended June 30, 2018, governmental activities expenses totaled \$14.9 million, a decrease of \$8.5 million or 36.3 percent when compared to the prior fiscal year primarily due to the following: a decrease of \$8.5 million for the storage of mitigation water in the Salton Sea and a decrease of \$0.3 million for the Salton Sea air quality monitoring; offset by an increase of \$0.2 million for funding the biologist team and an increase of \$0.1 million for the maintenance of the managed marsh areas.

Program revenues include member contributions which totaled \$5.6 million for the year ended June 30, 2018, a decrease of \$0.9 million or 13.8 percent when compared to the prior fiscal year. The majority of this decrease was due to the timing of revenue received related to IID's member contributions. IID's member contribution payment of \$4.3 million that was due in fiscal year 2018 was received in fiscal year 2017.

### **General Fund Budgetary Highlights**

The QSA JPA Commission adopts an annual budget for the payment of environmental costs for QSA water transfer mitigation projects in the Imperial Valley. The annual budget provides revenues, generated from agency contributions and interest earnings, to meet anticipated fiscal year mitigation expenditures.

Fiscal year 2019 expenditures were \$7.9 million less than budget primarily due to the following: deferral of items under the air quality mitigation program task, postponement of managed marsh creation activities task, and postponement of pupfish conservation measures task.

### **Contacting the QSA JPA Financial Management**

The QSA JPA financial report is designed to provide the QSA JPA's Board of Commissioners, creditors, and investors with a general overview of the QSA JPA's accountability for the financial resources it manages. If you have questions about this report or need additional financial information, contact the Finance Department at the San Diego County Water Authority, 4677 Overland Avenue, San Diego, California 92123 or via the website at <http://www.sdcwa.org>.

**QUANTIFICATION SETTLEMENT AGREEMENT  
JOINT POWERS AUTHORITY**

**STATEMENTS OF NET POSITION  
JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>Assets:</b>		
Cash and investments	\$ 40,953,611	\$ 25,371,686
Mitigation contributions receivable	44,916,036	60,857,941
Interest receivable	<u>29,775,193</u>	<u>29,275,300</u>
<b>Total assets</b>	<u>115,644,840</u>	<u>115,504,927</u>
<b>Liabilities:</b>		
Accounts payable	<u>4,446,517</u>	<u>2,310,375</u>
<b>Net position:</b>		
Unrestricted	<u>\$ 111,198,323</u>	<u>\$ 113,194,552</u>

See accompanying notes to the basic financial statements.

**QUANTIFICATION SETTLEMENT AGREEMENT  
JOINT POWERS AUTHORITY**

**STATEMENTS OF ACTIVITIES  
FISCAL YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>Program Expenses</b>		
Governmental Activities:		
Environmental mitigation	\$ 7,584,446	\$ 14,890,812
<b>Program Revenues</b>		
Governmental Activities:		
Operating grants and contributions:		
Mitigation contributions	<u>4,631,717</u>	<u>5,559,380</u>
<b>Net program expenses</b>	<u>(2,952,729)</u>	<u>(9,331,432)</u>
<b>General Revenues</b>		
Interest income	<u>956,500</u>	<u>348,849</u>
<b>Changes in net position</b>	(1,996,229)	(8,982,583)
<b>Net position - beginning of year</b>	<u>113,194,552</u>	<u>122,177,135</u>
<b>Net position - end of year</b>	<u><u>\$ 111,198,323</u></u>	<u><u>\$ 113,194,552</u></u>

See accompanying notes to the basic financial statements.

**QUANTIFICATION SETTLEMENT AGREEMENT  
JOINT POWERS AUTHORITY**

**BALANCE SHEETS  
GENERAL FUND  
JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>Assets:</b>		
Cash and investments	\$ 40,953,611	\$ 25,371,686
Mitigation contributions receivable	44,916,036	60,857,941
Interest receivable	<u>29,775,193</u>	<u>29,275,300</u>
<b>Total assets</b>	<u><u>\$ 115,644,840</u></u>	<u><u>\$ 115,504,927</u></u>
<b>Liabilities:</b>		
Accounts payable	<u>\$ 4,446,517</u>	<u>\$ 2,310,375</u>
<b>Deferred inflows of resources:</b>		
Unavailable mitigation contributions	<u>74,534,463</u>	<u>90,024,150</u>
<b>Fund balance:</b>		
Unassigned	<u>36,663,860</u>	<u>23,170,402</u>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<u><u>\$ 115,644,840</u></u>	<u><u>\$ 115,504,927</u></u>

See accompanying notes to the basic financial statements.

**QUANTIFICATION SETTLEMENT AGREEMENT  
JOINT POWERS AUTHORITY**

**RECONCILIATION OF THE BALANCE SHEETS OF THE GENERAL FUND  
TO THE STATEMENTS OF NET POSITION  
JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Fund balance of the General Fund	\$ 36,663,860	\$ 23,170,402
Amounts reported for governmental activities in the Statements of Net Position are different because:		
The General Fund does not report revenues that are not available to pay for current period expenditures.	<u>74,534,463</u>	<u>90,024,150</u>
<b>Net position of governmental activities</b>	<u><u>\$ 111,198,323</u></u>	<u><u>\$ 113,194,552</u></u>

See accompanying notes to the basic financial statements.

**QUANTIFICATION SETTLEMENT AGREEMENT  
JOINT POWERS AUTHORITY**

**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GENERAL FUND  
FISCAL YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>Revenues:</b>		
Interest income	\$ 956,500	\$ 348,849
Mitigation contributions	<u>20,121,404</u>	<u>18,183,882</u>
<b>Total revenues</b>	<u>21,077,904</u>	<u>18,532,731</u>
<b>Expenditures:</b>		
Environmental mitigation	<u>7,584,446</u>	<u>14,890,812</u>
<b>Net changes in fund balance</b>	13,493,458	3,641,919
<b>Fund balance - beginning of year</b>	<u>23,170,402</u>	<u>19,528,483</u>
<b>Fund balance - end of year</b>	<u><u>\$ 36,663,860</u></u>	<u><u>\$ 23,170,402</u></u>

See accompanying notes to the basic financial statements.

**QUANTIFICATION SETTLEMENT AGREEMENT  
JOINT POWERS AUTHORITY**

**RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE OF THE GENERAL FUND TO THE STATEMENTS OF ACTIVITIES  
FISCAL YEARS ENDED JUNE 30, 2019 AND 2018**

	<u><b>2019</b></u>	<u><b>2018</b></u>
Net changes in fund balance	\$ 13,493,458	\$ 3,641,919
Amounts reported for governmental activities in the Statements of Activities are different because:		
Revenues that are not available to liquidate liabilities of the current period that were not previously recognized in the General Fund, but were recognized in the Statements of Activities in prior years.	<u>(15,489,687)</u>	<u>(12,624,502)</u>
<b>Changes in net position of governmental activities</b>	<u><u>\$ (1,996,229)</u></u>	<u><u>\$ (8,982,583)</u></u>

See accompanying notes to the basic financial statements.



**QUANTIFICATION SETTLEMENT AGREEMENT  
JOINT POWERS AUTHORITY**

**BUDGETARY COMPARISON STATEMENT  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance</u>
<b>Revenues</b>			
Interest income	\$ 200,000	\$ 956,500	\$ 756,500
Mitigation contributions	20,121,404	20,121,404	-
<b>Total revenues</b>	<u>20,321,404</u>	<u>21,077,904</u>	<u>756,500</u>
<b>Expenditures</b>			
Current:			
Environmental mitigation	15,129,270	7,584,446	7,544,824
<b>Net change in fund balance</b>	5,192,134	13,493,458	8,301,324
<b>Fund balance - beginning of year</b>	<u>23,170,402</u>	<u>23,170,402</u>	<u>-</u>
<b>Fund balance - end of year</b>	<u><u>\$ 28,362,536</u></u>	<u><u>\$ 36,663,860</u></u>	<u><u>\$ 8,301,324</u></u>

**BUDGETARY COMPARISON STATEMENT  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance</u>
<b>Revenues</b>			
Interest income	\$ 70,000	\$ 348,849	\$ 278,849
Mitigation contributions	22,433,882	18,183,882	(4,250,000)
<b>Total revenues</b>	<u>22,503,882</u>	<u>18,532,731</u>	<u>(3,971,151)</u>
<b>Expenditures</b>			
Current:			
Environmental mitigation	25,534,353	14,890,812	10,643,541
<b>Net change in fund balance</b>	(3,030,471)	3,641,919	6,672,390
<b>Fund balance - beginning of year</b>	<u>19,528,483</u>	<u>19,528,483</u>	<u>-</u>
<b>Fund balance - end of year</b>	<u><u>\$ 16,498,012</u></u>	<u><u>\$ 23,170,402</u></u>	<u><u>\$ 6,672,390</u></u>

See accompanying notes to the basic financial statements.

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## QUANTIFICATION SETTLEMENT AGREEMENT JOINT POWERS AUTHORITY

### Notes to the Basic Financial Statements Fiscal Years Ended June 30, 2019 and 2018

#### Note 1: Nature of Business and Significant Accounting Policies

##### Nature of Entity

The Quantification Settlement Agreement Joint Powers Authority (QSA JPA) was organized on January 1, 2004, under the California Joint Powers Act (the Act) for the primary purpose of paying for environmental mitigation requirements and environmental mitigation costs by and through the collection, investing, and disbursement of funds. The QSA JPA consists of four agencies, each with one representative on the QSA JPA's Board of Commissioners (the Board). The member agencies are the California Department of Fish and Wildlife (State of California), the Imperial Irrigation District (IID), the Coachella Valley Water District (CVWD), and the San Diego County Water Authority (SDCWA).

On October 10, 2003, the IID, CVWD, and Metropolitan Water District of Southern California executed the Quantification Settlement Agreement (QSA) which settled a variety of long-standing Colorado River disputes regarding the priority, use, and transfer of Colorado River water; established the terms for the further distribution of Colorado River water among those entities for a period of time based upon budgets; and included as a necessary component thereof the implementation of the 1998 IID/SDCWA Transfer Agreement and the IID/CVWD Acquisition Agreement.

##### Basis of Accounting

The *basic financial statements* of the QSA JPA are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

##### Government-wide Financial Statements

Government-wide financial statements display information about the reporting governmental entity as a whole. Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements.

*Basis of accounting* refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board (GASB).

**QUANTIFICATION SETTLEMENT AGREEMENT  
JOINT POWERS AUTHORITY**

**Notes to the Basic Financial Statements (Continued)  
Fiscal Years Ended June 30, 2019 and 2018**

**Note 1: Nature of Business and Significant Accounting Policies (Continued)**

**Government-wide Financial Statements (Continued)**

In the government-wide financial statements, Net Position is categorized as unrestricted because the net position does not meet the definition of Net Investment in Capital Assets or Restricted Net Position.

Direct expenses reported include environmental mitigation. Program revenues include revenues derived from environmental mitigation contributions from member agencies. Governmental fund revenues represented by noncurrent receivables are recognized as revenues in the government-wide financial statements.

**Fund Financial Statements**

The underlying accounting system of the QSA JPA is organized and operated on the basis of a separate fund that has a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures, as appropriate. Financial statements for the General Fund are presented after the government-wide financial statements.

**Governmental Fund – General Fund**

In the General Fund financial statements, Fund Balance is categorized as unassigned because the amount does not meet the definition of non-spendable, restricted, committed, or assigned fund balance.

In the fund financial statements, the General Fund is presented using the *modified-accrual basis of accounting*. Revenues are recognized when they become *measurable* and *available*, provided they are received within 60 days from the end of the fiscal year.

Revenue recognition is subject to the *measurable* and *availability* criteria for the General Fund in the fund financial statements. *Exchange transactions* are recognized as revenues in the period in which they are earned (for example, the related goods or services are provided).

In the General Fund financial statements, amounts are recorded using the *current financial resources measurement focus*. This means that only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of available spendable resources. Governmental fund operating statements present increases (revenues) and decreases (expenditures) in fund balance. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

**QUANTIFICATION SETTLEMENT AGREEMENT  
JOINT POWERS AUTHORITY**

**Notes to the Basic Financial Statements (Continued)  
Fiscal Years Ended June 30, 2019 and 2018**

**Note 1: Nature of Business and Significant Accounting Policies (Continued)**

**Governmental Fund – General Fund (Continued)**

Noncurrent portions of long-term receivables are reported in the General Fund financial statements in spite of their spending measurement focus. However, the noncurrent portions of long-term receivables are not considered available spendable resources since they do not represent net current assets. Governmental fund revenues represented by noncurrent receivables are not recognized and are reported as deferred inflows of resources in the General Fund until they become current receivables.

In addition to liabilities, the General Fund financial statements reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of fund balance that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The QSA JPA has unavailable mitigation contributions that qualifies for reporting in this category.

Due to the spending measurement focus, expenditure recognition for the General Fund excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as expenditures or fund liabilities.

**Environmental Mitigation Contributions**

The principal portion of the QSA JPA's revenues are environmental mitigation contributions received from the member agencies. The costs for environmental mitigation requirements up to and not to exceed a present value of \$133,000,000 are required to be paid by the IID, CVWD, and SDCWA with the balance of the expenditures above the present value of \$133,000,000 to be paid by the State of California. GASB Statement No. 33 requires the entire \$133,000,000 to be recorded as a receivable when all eligibility requirements have been met (for example, funding is not dependent upon certain future events). In the fund financial statements, the unavailable revenue was originally recorded as the same amount because the revenue does not represent available spendable resources and this amount has been reduced as the members have made their contributions.

**Budgets and Budgetary Accounting**

Annual budgets adopted by the Board provide for operations of the QSA JPA. Budgetary controls are set by the Board. The legally adopted budget requires that expenditures not exceed appropriations in total for the QSA JPA. The Board may make appropriation adjustments to the budget during the year as deemed necessary.

**QUANTIFICATION SETTLEMENT AGREEMENT  
JOINT POWERS AUTHORITY**

**Notes to the Basic Financial Statements (Continued)  
Fiscal Years Ended June 30, 2019 and 2018**

**Note 2:      Cash and Investments**

The carrying value of cash and investments held by the QSA JPA as of June 30 consisted of the following:

	<u>2019</u>	<u>2018</u>
Deposits	\$        4,164	\$        2,775
Investments	<u>40,949,447</u>	<u>25,368,911</u>
Total cash and investments	<u>\$   40,953,611</u>	<u>\$   25,371,686</u>

**Investments Authorized by the California Government Code and the Investment Policy**

The QSA JPA uses the investment policy of the SDCWA for purposes of investments. The following table identifies the investment types that are authorized for the QSA JPA by the California Government Code (Gov't Code), Sections 53600 et seq, and the QSA JPA's Investment Policy (Inv. Policy). The table also identifies certain provisions of the California Government Code (or the QSA JPA's investment policy, if more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

**QUANTIFICATION SETTLEMENT AGREEMENT  
JOINT POWERS AUTHORITY**

**Notes to the Basic Financial Statements (Continued)  
Fiscal Years Ended June 30, 2019 and 2018**

**Note 2: Cash and Investments (Continued)**

**Investments Authorized by the California Government Code and the Investment Policy (Continued)**

Investment Types	Maximum Maturity		Maximum Percentage of Portfolio		Maximum Investment in One Issuer		Minimum Rating	
	Gov't. Code	Inv. Policy	Gov't. Code	Inv. Policy	Gov't. Code	Inv. Policy	Gov't. Code	Inv. Policy
Local agency bonds	5 years	5 years	None	30%	None	5%	None	A
U.S. Treasury securities	5 years	5 years	None	None	None	None	None	None
Federal agency securities	5 years	5 years	None	None	None	None	None	None
Bankers' acceptances	180 days	180 days	40%	40%	30%	5%	None	A1/P1/F1
Commercial paper	270 days	270 days	25%	25%	None	5%	A1/P1/F1	A1/P1/F1
Certificates of deposit	5 years	5 years	30% (4)	30% (5)	None	5%	None	None
Placement service deposits	5 years	5 years	30% (4)	30% (5)	None	None	None	None
Negotiable certificates of deposit	5 years	5 years	30% (4)	30% (5)	None	5%	None	A
Repurchase agreements	1 year	1 year	None	20%	None	None	None	A
Medium-term notes	5 years	5 years	30%	30%	None	5%	A	A
Mutual funds	n/a	n/a	20%	20%	10%	10%	AAA	AAA (8)
Money market mutual funds	n/a	n/a	20%	20%	None	20%	AAA	AAA (8)
Mortgage pass-through and asset-backed securities	5 years	5 years	20%	20%	None	5% (9)	AA	AA
County pooled investment funds (1)	n/a	(3)	None	(3)	None	(3)	None	(3)
JPA pools (other investment pools)	n/a	n/a	None	25%	None	None	None	AAA
Supranationals (6)	5 years	5 years	30%	10%	None	5%	AA	AA
Local agency investment fund (LAIF) (2)	n/a	n/a	None	(7)	None	None	None	None

**Notes:**

(1) Authorized by Government Code Section 53684 (a).

(2) Authorized by Government Code Section 16429.1.

(3) These investments are not authorized by the Investment Policy.

(4) The Government Code maximum portfolio exposure to placement service certificates of deposit and negotiable certificates of deposit is 30 percent each.

(5) The combined Investment Policy maximum portfolio exposure to certificates of deposit, placement service certificates of deposit and negotiable certificates of deposit is 30 percent.

(6) Authorized by Government Code Section 53601 (q).

(7) The Investment Policy's maximum permitted investment amount is governed by current State Law.

(8) A mutual fund and a money market mutual fund must receive the highest ranking by not less than two NRSROs authorized by Government Code Sections 53601 and 53635.

(9) There is no issuer limitation on any mortgage security where the issuer is the U.S. Treasury or Federal Agency/GSE.

**QUANTIFICATION SETTLEMENT AGREEMENT  
JOINT POWERS AUTHORITY**

**Notes to the Basic Financial Statements (Continued)  
Fiscal Years Ended June 30, 2019 and 2018**

**Note 2: Cash and Investments (Continued)**

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk where changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value is to changes in market interest rates. One of the ways that the QSA JPA manages its exposure to interest rate risk is by investing in LAIF to provide the liquidity needed for operations.

Information about the sensitivity of the fair values of the QSA JPA's investments to market interest rate fluctuations is provided by the following tables that show the distribution of the QSA JPA's investments by terms to maturity as of June 30, 2019 and 2018, respectively.

		<b>June 30, 2019</b>
		<b>Remaining Maturity</b>
		<b>(in Months)</b>
<b>Issuer</b>		<b>Less than 12 months</b>
CAMP JPA Pool		\$ 7,509,547
LAIF		33,439,900
Total		\$ 40,949,447

		<b>June 30, 2018</b>
		<b>Remaining Maturity</b>
		<b>(in Months)</b>
<b>Issuer</b>		<b>Less than 12 months</b>
CAMP JPA Pool		\$ 4,947,577
LAIF		20,421,334
Total		\$ 25,368,911

**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented in the following tables as of June 30, 2019 and 2018, respectively, is the minimum rating required (where applicable) by the California Government Code or the QSA JPA's Investment Policy, and the actual rating as of year-end for each issuer.



**QUANTIFICATION SETTLEMENT AGREEMENT  
JOINT POWERS AUTHORITY**

**Notes to the Basic Financial Statements (Continued)  
Fiscal Years Ended June 30, 2019 and 2018**

**Note 2: Cash and Investments (Continued)**

**Disclosures Relating to Credit Risk (Continued)**

		<b>Rating as of Fiscal Year Ended June 30, 2019</b>	
<b>Issuer</b>	<b>Minimum Legal Rating</b>	<b>AAA</b>	<b>Not Rated</b>
CAMP JPA Pool	AAAm	\$ 7,509,547	\$ -
LAIF	None	-	33,439,900
Total		<u>\$ 7,509,547</u>	<u>\$ 33,439,900</u>

		<b>Rating as of Fiscal Year Ended June 30, 2018</b>	
<b>Issuer</b>	<b>Minimum Legal Rating</b>	<b>AAA</b>	<b>Not Rated</b>
CAMP JPA Pool	AAAm	\$ 4,947,577	\$ -
LAIF	None	-	20,421,334
Total		<u>\$ 4,947,577</u>	<u>\$ 20,421,334</u>

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (for example, broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the QSA JPA's Investment Policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure QSA JPA deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. The QSA JPA was not exposed to custodial credit risk as of June 30, 2019 and 2018.

**QUANTIFICATION SETTLEMENT AGREEMENT  
JOINT POWERS AUTHORITY**

**Notes to the Basic Financial Statements (Continued)  
Fiscal Years Ended June 30, 2019 and 2018**

**Note 2: Cash and Investments (Continued)**

**Fair Value Measurements**

The QSA JPA categorizes its fair value measurements within the fair value hierarchy established by GASB. The hierarchy is based on the valuation inputs used to measure the fair value of investments. The three levels of the fair value hierarchy are as follows:

**LEVEL 1:** Inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

**LEVEL 2:** Inputs are significant other observable inputs for the asset or liability.

**LEVEL 3:** Inputs are significant unobservable inputs for the asset or liability.

The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is measured as an exit price for financial investments.

The QSA JPA utilizes valuation techniques consistent with market, cost, or income approaches to determine fair value. The most appropriate technique is utilized to maximize the use of observable inputs and minimize the use of unobservable inputs.

The QSA JPA does not own Level 1, 2 and 3 investments. Investments in CAMP JPA Pool and LAIF are not subject to fair value categorization.

**Concentration of Credit Risk**

The QSA JPA did not have any investments with one issuer (other than external investment pools, which are all exempt) that exceeded 5 percent or more of its total investments.

**Investments in State Investment Pool**

The QSA JPA is a voluntary participant in the LAIF that is regulated by California Government Code Section 16429.1 under the oversight of the Treasurer of the State of California. The fair value of the QSA JPA's investment in the pool is reported in the accompanying financial statements at amounts based upon the QSA JPA's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

**Investments in CAMP JPA Pool**

The QSA JPA is a voluntary participant in the California Asset Management Program (CAMP), a California Joint Powers Authority that falls under California Government Code Section 53601(p), which is directed by a Board of Trustees that is made up of experienced local government finance directors and treasurers. The investments are recorded on an amortized cost basis.

**QUANTIFICATION SETTLEMENT AGREEMENT  
JOINT POWERS AUTHORITY**

**Notes to the Basic Financial Statements (Continued)  
Fiscal Years Ended June 30, 2019 and 2018**

**Note 3: Interest Receivable**

Interest receivable consists of the following items: (1) accrued interest due from LAIF, (2) accrued interest for the six month period of January through June due from the contributing agencies related to their annual mitigation contribution payments due on December 31, and (3) cumulative unpaid accrued interest receivable due from the IID for their total current year and prior years unpaid portion of accrued interest, which the agency will make payment on in future year's mitigation contribution payments, per the payment schedule of the QSA JPA Creation and Funding Agreement (the Agreement). Refer to Note 4 for further information on the Agreement. For the fiscal years ended June 30, 2019 and 2018, interest receivable is composed of accrued interest of \$2,248,474 and \$2,649,101, respectively, and cumulative unpaid accrued interest of \$27,526,719 and \$26,626,199, respectively, for a total balance of \$29,775,193 and \$29,275,300, respectively.

**Note 4: Mitigation Contributions Receivable**

The QSA JPA administers the funding of environmental mitigation requirements related to IID's transfer with the SDCWA and a water acquisition agreement with the CVWD. The QSA JPA was formed pursuant to the QSA JPA Creation and Funding Agreement (the Agreement) executed on October 10, 2003, and is comprised of representatives from the IID, CVWD, SDCWA, and the State of California. Under the Agreement, the collective financial contributions made by the three water agencies are capped at \$133 million (in 2003 dollars), with the balance to be paid by the State of California.

As a means of managing cash-flow requirements for mitigation activities, the Agreement permits the three water agencies to adjust their payment schedules by rescheduling future payments from outer years to budget years in the near term. Advanced payments are discounted at six percent from the date of the scheduled payment to the date of the advance. Payment schedules have been modified twice to meet the environmental mitigation funding obligations of the QSA JPA. On April 25, 2007, the QSA JPA agencies executed an agreement to advance payments during fiscal years 2008 and 2009 totaling \$13,194,508, with a collective nominal credit of \$25,792,750 against future contributions. On May 20, 2015, the IID, CVWD and SDCWA executed an agreement to advance payments over the next seven fiscal years beginning in fiscal year 2016 totaling \$40,500,000, with a collective nominal credit of \$127,341,394 against future contributions.

As of June 30, 2019 and 2018, the total mitigation contributions receivable balance was as follows:

	<b>Final Contributions Fiscal Year</b>	<b>2019</b>	<b>2018</b>
IID	2036	\$ 24,284,281	\$ 27,784,281
CVWD	2026	9,265,966	14,128,472
SDCWA	2026	11,365,789	18,945,188
Total		<u>\$ 44,916,036</u>	<u>\$ 60,857,941</u>

**QUANTIFICATION SETTLEMENT AGREEMENT  
JOINT POWERS AUTHORITY**

**Notes to the Basic Financial Statements (Continued)  
Fiscal Years Ended June 30, 2019 and 2018**

**Note 5:       Deferred Inflows of Resources**

The unavailable mitigation contributions are directly related to the mitigation contributions receivable and consists of the total outstanding principal balance of \$44,916,036 and \$60,857,941 at June 30, 2019 and 2018, respectively, plus interest receivable on unpaid member balances of \$29,618,427 and \$29,166,209 at June 30, 2019 and 2018, respectively, for a total unavailable mitigation contributions balance of \$74,534,463 and \$90,024,150 at June 30, 2019 and 2018, respectively.

**Note 6:       Insurance**

The QSA JPA is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted workers; and natural disasters. The QSA JPA is insured through the IID, which performs all of the work related to the Joint Powers Agreement. The QSA JPA reimburses IID for any costs incurred as a result of QSA JPA activities.

**Note 7:       Commitments and Contingencies**

The QSA JPA may be subject to lawsuits and claims arising out of the normal course of business. As of the date of this disclosure, and to the QSA JPA's actual knowledge, there are no lawsuits or claims currently pending against the QSA JPA. By way of background, in December 2011, the Court of Appeal upheld the QSA JPA Agreement. (*Quantification Settlement Agreement Cases* (2011) 201 Cal.App.4th 758.). In May 2015, all remaining legal challenges affecting the QSA JPA were dismissed (*Quantification Settlement Agreement Cases* (2015) 237 Cal. App. 4th 72.).

**QUANTIFICATION SETTLEMENT AGREEMENT  
JOINT POWERS AUTHORITY**

**SUPPLEMENTARY INFORMATION - BUDGET STATUS REPORT EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2019**

No.	Mitigation Tasks	Adopted FY 2019 Budget	Total Expenditures	Variance
1	QSA Implementation Team	\$ -	\$ -	\$ -
2	QSA Implementation Team Biologists	1,157,740	1,081,358	76,382
3	Environmental Reporting and Monitoring	510	-	510
4	Salton Sea Salinity and Elevation Program	16,600	4,895	11,705
5	Salton Sea Mitigation Water to Salton Sea	16,610	34,142	(17,532)
6	Tamarisk Scrub Habitat - Surveys and Mitigation	368,560	-	368,560
7	Drain Habitat - Initial Vegetation and Habitat Surveys	-	-	-
8	Drain Habitat (Aquatic) - Create/Manage/Monitor "Managed Marsh" Areas	4,555,000	1,911,610	2,643,390
9	Drain Habitat - Restrictions/Requirements for Construction and Maintenance	-	-	-
10/10A	Worker Education Program Covered Species Training and Manual	600	-	600
11	Desert Habitat Survey and Mapping of Right of Way	32,000	-	32,000
12	Desert Habitat Create/Maintain Desert Habitat	-	-	-
13	Changes to Operations on IID Canals to Avoid Covered Species	-	-	-
14	Burrowing Owl Worker Annual Education and Manual	-	-	-
15	Pre-Construction Activity Burrowing Owl Surveys and Relocation	14,100	-	14,100
16	Burrowing Owl Relative Abundance and Distribution Surveys	157,000	224,314	(67,314)
17	Farmer and Public Education Program	5,000	2,150	2,850
18	Desert Pupfish Abundance and Distribution Study	6,000	116	5,884
19/19A	Pupfish Selenium Drain Studies	421,000	157,978	263,022
20	Pupfish Construction and Maintenance Conservation Measures	933,000	124,105	808,895
21	Salvage of Razorback Suckers when Dewatering Canals	-	-	-
22	Maintain Habitat on Fallowed Parcels	-	-	-
23	Covered Species Baseline and Monitoring Surveys	316,000	-	316,000
24	Salton Sea Air Quality	7,065,000	4,024,938	3,040,062
25	Minimize Dust Emissions from Fallowed Lands	-	-	-
26	Drain Connectivity to Salton Sea Elevation Decrease	-	-	-
27	Grade Spoil/Roads from Drain Maintenance	-	-	-
28	Power Line Markers for Pumpback and Seepage Recovery Systems	-	-	-
29	Prepare and Implement Management Plan for Abandoned Portions of AAC	-	-	-
30	Southwestern Willow Flycatcher Surveys and Habitat Monitoring	-	-	-
31	Elf Owl Surveys	-	-	-
32	Desert Tortoise Survey and Avoidance	-	-	-
33	Least Tern Surveys	-	-	-
34	Rail and Bittern Surveys	-	-	-
35	Management and Planning	12,000	-	12,000
36	JPA Audit Fees	10,350	10,350	-
37	JPA Bank Fees	1,600	1,405	195
38	Financial Advisor	-	-	-
39	Bond Counsel Fees	-	-	-
40	2001 Biological Opinion Measures	-	-	-
41	Brown Pelican Coast	-	-	-
42	Brown Pelican Sea	-	-	-
43	Salton Sea Shoreline Strand Study	10,000	-	10,000
44	Pupfish Refugium	30,600	3,174	27,426
45	Recreation Facilities at Salton Sea	-	3,911	(3,911)
<b>Total Expenditures</b>		<b>\$15,129,270</b>	<b>\$ 7,584,446</b>	<b>\$ 7,544,824</b>

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**Report on Internal Control Over Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Financial Statements Performed in Accordance With  
Government Auditing Standards**

**Independent Auditor's Report**

To the Board of Commissioners  
Of the Quantification Settlement  
Agreement Joint Powers Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of the Quantification Settlement Agreement Joint Powers Authority ("QSA JPA"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the QSA JPA's basic financial statements, and have issued our report thereon dated November 8, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the QSA JPA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the QSA JPA's internal control. Accordingly, we do not express an opinion on the effectiveness of the QSA JPA's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the QSA JPA's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the QSA JPA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the QSA JPA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the QSA JPA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DavisFarrLLP

Irvine, California  
November 8, 2019





## QUANTIFICATION SETTLEMENT AGREEMENT JOINT POWERS AUTHORITY

4677 Overland Avenue • San Diego, California 92123  
(858) 522-6732 FAX (858) 522-6565

November 8, 2019

Davis Farr LLP  
2301 Dupont Drive, Suite 200  
Irvine, CA 92612

This representation letter is provided in connection with your audit of the financial statements of the Quantification Settlement Agreement Joint Powers Authority (QSA JPA), which comprise the respective financial position of the governmental activities and the general fund as of June 30, 2019 and 2018 and the respective changes in financial position, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of November 8, 2019 the following representations made to you during your audit.

### Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated February 27, 2019, including our responsibility for the preparation and fair presentation of the financial statements and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting QSA JPA.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
8. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
9. Guarantees, whether written or oral, under which the QSA JPA is contingently liable, if any, have been properly recorded or disclosed.

**Information Provided**

10. We have provided you with:
  - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the QSA JPA from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of the Board of Commissioners of the Quantification Settlement Agreement Joint Powers Authority or summaries of actions of recent meetings for which minutes have not yet been prepared.
11. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
12. We have no knowledge of any fraud or suspected fraud that affects the QSA JPA and involves:
  - Management,
  - Employees who have significant roles in internal control, or
  - Others where the fraud could have a material effect on the financial statements.
13. We have no knowledge of any allegations of fraud or suspected fraud affecting the QSA JPA's financial statements communicated by employees, former employees, regulators, or others.
14. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
15. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

16. We have disclosed to you the identity of the QSA JPA's related parties and all the related party relationships and transactions of which we are aware.

**Government—specific**

17. We have made available to you all financial records and related data.
18. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
19. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
20. The QSA JPA has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
21. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
22. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
23. The QSA JPA has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
24. The QSA JPA has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
25. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
26. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
27. The financial statements properly classify all funds and activities.
28. All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such, and all other funds that are presented as major are particularly important to financial statement users.
29. Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
30. Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
31. Provisions for uncollectible receivables have been properly identified and recorded.

32. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
33. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
34. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
35. We have appropriately disclosed the QSA JPA's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
36. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

Print Name: Lisa Marie Harris

Signature: 

Title: Director of Finance/Treasurer

Print Name: Kara Mathews

Signature: 

Title: Chief Administrative Officer

Print Name: Chris Woidzik

Signature: 

Title: Controller

To the Board of Commissioners  
Of the Quantification Settlement  
Agreement Joint Powers Authority

We have audited the financial statements of the governmental activities and the general fund of the Quantification Settlement Agreement Joint Powers Authority ("QSA JPA") for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated June 5, 2019. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the QSA JPA are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the QSA JPA during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We do not believe there are any sensitive estimates affecting the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

#### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no such misstatements noted.

#### ***Disagreements with Management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated November 8, 2019.

### **Other Matters**

We applied certain limited procedures to *management's discussion and analysis*, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the *budget status report*, which accompanies the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

### **Restriction on Use**

This information is intended solely for the use of the Commissioners of the QSA JPA and management of the QSA JPA and is not intended to be, and should not be, used by anyone other than these specified parties.

DavisFarrLLP

Irvine, California  
November 8, 2019



**Quantification Settlement Agreement**  
**Joint Powers Authority**  
**Treasurer's Report**  
**at September 30, 2019**



<u>Investment Type</u>	<u>% Limit</u>	<u>% of Portfolio</u>	<u>Amount</u>	<u>Yield</u>
Wells Fargo CEO Account	100%	0%	\$ 12,577.20	0.00%
Local Agency Investment Fund (LAIF)	\$65M - Maximum	84%	37,555,521.90	2.28%
CA Asset Mgmt Program (CAMP)	25%	16%	7,308,031.47	2.22%
Treasury Securities	100%	0%	-	0.00%
Agency Securities	100%	0%	-	0.00%
Commercial Paper	25%	0%	-	0.00%
Total Cash and Investments		100%	\$ 44,876,130.57	2.27%

**Interest Earnings (Cash and Investments):**

Month Ended September 30, 2019	\$ 88,008.06
Fiscal Year to Date	\$ 268,054.83

Average Term	1
Average Days to Maturity (730 Days Maximum)	1

**Lisa Marie Harris, Treasurer**

**Quantification Settlement Agreement**  
**Joint Powers Authority**  
**Treasurer's Report**  
**at September 30, 2019**

**Deposit & Invoice Activity:**

Date	Name	Deposits	Invoices
	<b>Total Fiscal Year 6/30/2004</b>	\$ 4,387,846.00	\$ -
	<b>Total Fiscal Year 6/30/2005</b>	\$ 1,758,945.00	\$ (1,959,440.28)
	<b>Total Fiscal Year 6/30/2006</b>	\$ 2,161,019.83	\$ (4,555,061.94)
	<b>Total Fiscal Year 6/30/2007</b>	\$ 2,347,672.00	\$ (2,938,474.58)
	<b>Total Fiscal Year 6/30/2008</b>	\$ 11,644,612.84	\$ (5,779,276.79)
	<b>Total Fiscal Year 6/30/2009</b>	\$ 6,870,567.00	\$ (8,251,293.97)
	<b>Total Fiscal Year 6/30/2010</b>	\$ 14,545,715.00	\$ (9,061,269.71)
	<b>Total Fiscal Year 6/30/2011</b>	\$ 5,849,675.00	\$ (5,944,418.65)
	<b>Total Fiscal Year 6/30/2012</b>	\$ 6,585,384.00	\$ (1,851,265.44)
	<b>Total Fiscal Year 6/30/2013</b>	\$ 7,497,513.00	\$ (4,335,543.28)
	<b>Total Fiscal Year 6/30/2014</b>	\$ 10,699,074.00	\$ (10,987,218.93)
	<b>Total Fiscal Year 6/30/2015</b>	\$ 17,331,735.00	\$ (14,361,492.54)
	<b>Total Fiscal Year 6/30/2016</b>	\$ 15,222,157.00	\$ (22,997,264.03)
	<b>Total Fiscal Year 6/30/2017</b>	\$ 29,162,833.00	\$ (21,104,845.03)
	<b>Total Fiscal Year 6/30/2018</b>	\$ 18,183,882.00	\$ (16,428,573.00)
	<b>Total Fiscal Year 6/30/2019</b>	\$ 20,121,404.00	\$ (5,447,961.38)
7/01/2019	IID Annual Operating Cost	\$ 2,800,000.00	
7/01/2019	CVWD	\$ 1,000,000.00	
7/01/2019	SDCWA	\$ 1,750,000.00	
7/11/2019	Mitigation # 1154		\$ (863,554.69)
8/07/2019	Mitigation # 1155		\$ (668,937.15)
9/12/2019	Mitigation # 1156		\$ (238,043.97)
	<b>Total Fiscal Year 6/30/2020 (YTD)</b>	\$ 5,550,000.00	\$ (1,770,535.81)
	Totals to date:	\$ 179,920,034.67	\$ (137,773,935.36)

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

Deposits	\$ 179,920,034.67
Invoices	(137,773,935.36)
Subtotal	42,146,099.31
Interest Earned - Fiscal Year to Date 2020	268,054.83
Interest Earned - Fiscal Year 2019	867,814.64
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
Fees Paid - Inception to Date	(9,189.10)
Interest not yet received at 09/30/19	(241,398.44)
Total Cash & Investments	\$ 44,876,130.57



**Quantification Settlement Agreement**  
**Joint Powers Authority**  
**Treasurer's Report**  
**at September 30, 2019**

**Deposit History (Inception-to-Date):**

<b>Calendar Year</b>	<b>Payment Type</b>	<b>SDCWA (1)</b>	<b>IID</b>	<b>CVWD</b>	<b>Total</b>
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
2019	Advance Payment	1,750,000.00	\$ 2,800,000.00	\$ 1,000,000.00	5,550,000.00
		-	-	-	-
	Totals to date:	<u>\$ 79,142,772.67</u>	<u>\$ 44,189,852.00</u>	<u>\$ 56,587,410.00</u>	<u>\$ 179,920,034.67</u>

<sup>(1)</sup> 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.

<b>Total Outstanding Balance Due as of September 30, 2019</b>				
<b>Payment Schedules <sup>(2)</sup></b>	<b>SDCWA</b>	<b>IID</b>	<b>CVWD</b>	<b>Total</b>
Nominal amount	\$ 11,895,087	\$ 82,531,764	\$ 10,338,532	\$ 104,765,383
Present value (@ 6%)	\$ 9,229,569	\$ 51,280,763	\$ 8,223,312	\$ 68,733,644

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

**QSA JPA - Fiscal Year 2020**  
**Portfolio Management**  
**Portfolio Summary**  
**September 30, 2019**

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM 365 Equiv.
Managed Pool Accounts	44,863,553.37	44,863,553.37	44,863,553.37	99.97	1	1	2.239	2.270
Passbook/Checking Accounts	12,577.20	12,577.20	12,577.20	0.03	1	1	0.000	0.000
<b>Investments</b>	<b>44,876,130.57</b>	<b>44,876,130.57</b>	<b>44,876,130.57</b>	<b>100.00%</b>	<b>1</b>	<b>1</b>	<b>2.238</b>	<b>2.270</b>

	September 30	Month Ending	Fiscal Year To Date
<b>Total Earnings</b>			
Current Year	88,008.06		268,054.83
<b>Average Daily Balance</b>	<b>44,950,399.26</b>		
<b>Effective Rate of Return</b>	<b>2.38%</b>		

QSA Joint Powers Authority

**QSA JPA - Fiscal Year 2020**  
**Portfolio Management**  
**Portfolio Details - Investments**  
**September 30, 2019**

Page 1

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM	Days to Maturity	Maturity Date
<b>Managed Pool Accounts</b>												
SYS1001	1001	CAMP - QSA OPERATING			7,308,031.47	7,308,031.47	7,308,031.47	2.220	AAA	2.220	1	
SYS1000	1000	Local Agency Investment Fund			37,555,521.90	37,555,521.90	37,555,521.90	2.280		2.280	1	
		<b>Subtotal and Average</b>	<b>44,940,355.71</b>		<b>44,863,553.37</b>	<b>44,863,553.37</b>				<b>2.270</b>	<b>1</b>	
<b>Passbook/Checking Accounts</b>												
SYS100	100	Wells Fargo Bank			12,577.20	12,577.20	12,577.20			0.000	1	
		<b>Subtotal and Average</b>	<b>10,043.56</b>		<b>12,577.20</b>	<b>12,577.20</b>				<b>0.000</b>	<b>1</b>	
		<b>Total and Average</b>	<b>44,950,399.28</b>		<b>44,876,130.57</b>	<b>44,876,130.57</b>				<b>2.270</b>	<b>1</b>	

*Unaudited*  
**QUANTIFICATION SETTLEMENT AGREEMENT  
JOINT POWERS AUTHORITY**

**BALANCE SHEET  
GENERAL FUND  
SEPTEMBER 30, 2019**

**Assets:**

Cash	\$ 12,577
Investments	44,925,250
Mitigation contributions receivable	39,366,036
Interest receivable	<u>29,845,797</u>

<b>Total assets</b>	<b><u>\$ 114,149,660</u></b>
---------------------	------------------------------

**Liabilities:**

Accounts payable	<u>\$ 3,348,492</u>
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**Deferred inflows of resources:**

Unavailable mitigation contributions	<u>68,984,463</u>
--------------------------------------	-------------------

**Fund balance:**

Unassigned	<u>41,816,705</u>
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<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b><u>\$ 114,149,660</u></b>
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*Unaudited*  
**QUANTIFICATION SETTLEMENT AGREEMENT  
JOINT POWERS AUTHORITY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2019**

**Revenues:**

Interest income	\$ 275,408
Mitigation contributions	<u>5,550,000</u>
<b>Total revenues</b>	<b><u>5,825,408</u></b>

**Expenditures:**

Environmental mitigation	672,512
Administrative	<u>51</u>
<b>Total expenditures</b>	<b><u>672,563</u></b>

<b>Net changes in fund balance</b>	5,152,845
<b>Fund balance at beginning of year</b>	<u>36,663,860</u>
<b>Fund balance at end of year</b>	<b><u>\$ 41,816,705</u></b>

**Unaudited**

**QUANTIFICATION SETTLEMENT AGREEMENT  
JOINT POWERS AUTHORITY**

**SUPPLEMENTARY INFORMATION - BUDGET STATUS REPORT  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2019**

<b>Task No.</b>	<b>Mitigation Tasks</b>	<b>Adopted FY 2020 Budget</b>	<b>Total Expenditures</b>	<b>Variance (Remaining)</b>	<b>Percent Complete</b>
1	QSA Implementation Team	\$ -	\$ -	\$ -	0.0%
2	QSA Implementation Team Biologists	1,192,600	70,997	1,121,603	6.0%
3	Environmental Reporting and Monitoring	530	-	530	0.0%
4	Salton Sea Salinity and Elevation Program	16,020	950	15,070	5.9%
5	Salton Sea Mitigation Water to Salton Sea	-	-	-	0.0%
6	Tamarisk Scrub Habitat - Surveys and Mitigation	70,620	-	70,620	0.0%
7	Drain Habitat - Initial Vegetation and Habitat Surveys	-	-	-	0.0%
8	Drain Habitat (Aquatic) - Create/Manage/Monitor "Managed Marsh" Areas	5,884,147	74,146	5,810,001	1.3%
9	Drain Habitat Restrictions/Requirements for Construction and Maintenance	-	-	-	0.0%
10/10A	Worker Education Program Covered Species Training and Manual	620	-	620	0.0%
11	Desert Habitat Survey and Mapping of Right of Way	32,960	-	32,960	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	3,190	-	3,190	0.0%
16	Burrowing Owl Relative Abundance and Distribution Surveys	238,730	-	238,730	0.0%
17	Farmer and Public Education Program	7,090	-	7,090	0.0%
18	Desert Pupfish Abundance and Distribution Study	6,200	-	6,200	0.0%
19/19A	Pupfish Selenium Drain Studies	301,410	16,244	285,166	5.4%
20	Pupfish Construction and Maintenance Conservation Measures	834,300	-	834,300	0.0%
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	163,770	-	163,770	0.0%
24	Salton Sea Air Quality	6,199,070	510,175	5,688,895	8.2%
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	12,360	-	12,360	0.0%
36	JPA Audit Fees	10,660	-	10,660	0.0%
37	JPA Bank Fees	1,650	51	1,599	3.1%
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	-	-	-	0.0%
44	Pupfish Refugium	31,000	-	31,000	0.0%
45	Recreation Facilities at Salton Sea	-	-	-	0.0%
<b>Total Expenditures</b>		<b>\$ 15,006,927</b>	<b>\$ 672,563</b>	<b>\$ 14,334,364</b>	<b>4.5%</b>



San Diego County  
Water Authority

## **QUANTIFICATION SETTLEMENT AGREEMENT JOINT POWERS AUTHORITY**

4677 Overland Avenue • San Diego, California 92123  
(858) 522-6732 FAX (858) 522-6565

January 8, 2020

### **QSA JPA Commission**

#### **Consider approval of entering into a contract with Chandler Asset Management**

Staff recommends the QSA JPA Commission approve entering into a contract with Chandler Asset Management, Inc. to provide investment management services. The QSA JPA will participate under the San Diego County Water Authority's (Water Authority) awarded contract as permitted under the Public Agency Clause, but will have its own separate contract with the same prices, terms and conditions as in the Water Authority's contract. Fees will be 0.08% of 1% (8 basis points) for the first \$25 million and a lesser charge for investment of monies in excess of \$25 million. The investment practices will adhere to the investment policy statement of the Water Authority as administrator of the QSA JPA and the contract will run through October 2022. It is anticipated that fees will be approximately \$20,000 per year and will be paid out of investment earnings.

Chandler Asset Management, Inc. presented an overview of the current market and opportunities for investing QSA JPA funds at the QSA JPA's October 1, 2019 meeting and provided recommendations for an updated QSA JPA investment strategy. Upon execution of the contract, the investment strategy would be implemented.

Under the QSA JPA Creation and Funding Agreement Section 8.2, "the treasurer may contract with qualified investment, financial and other advisors and may charge the costs thereof to the [QSA Joint Powers] Authority as a reimbursable expense."

Prepared by: Chris Woidzik, Controller  
Kara Mathews, Chief Administrative Officer