



**QUANTIFICATION SETTLEMENT AGREEMENT
JOINT POWERS AUTHORITY
VIRTUAL MEETING MINUTES
January 6, 2022 at 1:00 p.m.**

Commissioners and Alternates present:

Jim Barrett, Coachella Valley Water District (CVWD) – Commissioner
 Henry Martinez, Imperial Irrigation District (IID) – Commissioner
 Robert Cheng, Coachella Valley Water District (CVWD) – Alternate Commissioner
 Kelly Rodgers, San Diego County Water Authority (SDCWA) – Alternate Commissioner
 Tina Shields, Imperial Irrigation District (IID) – Alternate Commissioner

QSA JPA staff present:

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

Others present:

Shannon Ayala, Davis Farr	Wendy Joplin, SDCWA
Dennis Davis, SDCWA	Alan Okewole, SDCWA
Miguel Hernández, California Natural Resources Agency (CNRA)	Alexi Schnell, SDCWA
Joanna Hoff, IID	Jessica Schroeder, CNRA
Jessica Humes, IID	Darren Simon, SDCWA
	Chris Woidzik, SDCWA

PRELIMINARY MATTERS

1. Action: Adopt Resolution No. 2022-01 of the Commission of the Quantification Settlement Agreement Joint Powers Authority Authorizing Remote Teleconference/Virtual Meetings of the Legislative Body for the Period of January 6, 2022 to February 4, 2022 Pursuant to Brown Act Provisions
 Commissioner Barrett made a motion to adopt the resolution, which was seconded by Alternate Commissioner Rodgers. The resolution was adopted unanimously by a roll call vote.
2. Call to Order
 Alternate Commissioner Rodgers, on behalf of Chair Arturo Delgado, called the meeting to order at 1:05 p.m.
3. Roll Call
 There was a quorum of the Commission present at the time of the meeting.
4. Public Comment
 There were no public comments at that time.

ORGANIZATIONAL MATTERS

5. Action: Approval of Minutes of Regular QSA JPA Meeting Held October 4, 2021

Commissioner Barrett made a motion to approve the minutes, which was seconded by Commissioner Martinez. The minutes were approved unanimously by a roll call vote.

FINANCIAL MATTERS

6. Action: Review and accept fiscal year 2021 Audited Financial Report (Shannon Ayala, Davis Farr)

Ms. Ayala presented information regarding the Audited Financial Statements for the QSA JPA issued on June 30, 2021. Davis Farr issued an unmodified audit opinion dated September 10, 2021, the highest level that can be received and indicates the financial statements and footnotes were presented fairly, in all material respects, in accordance with generally accepted accounting principles. Davis Farr also issued two letters: Communication to Those in Governance and Government Auditing Standards Opinion. Ms. Ayala stated that finance staff was well prepared, and no journal entries were detected as a result of the audit process. In addition, a detailed interest receivable review and cash disbursement testing were performed with no exceptions found.

Commissioner Barrett made a motion to accept the audit report. Commissioner Martinez seconded it. The item was approved unanimously by a roll call vote.

7. Information: Treasurer's Report ending September 30, 2021 (Chris Woidzik, SDCWA)

Mr. Woidzik informed the Commission that the audit report would be uploaded to the QSA JPA website following the meeting.

Mr. Woidzik provided a review of the Treasurer's Report ending September 30, 2021. The quarter ended with \$31.8 million in cash and investments. The majority of that was in asset-backed securities of approximately \$22 million, held by Chandler Asset Management amongst others (Chandler is currently investing \$20 million), with the remainder of \$9.7 million in the Local Agency Investment Fund (LAIF). The effective rate of return is approximately 0.8%, and the interest received was about \$60,000. No deposits were made in the quarter and four invoices were paid totaling approximately \$1.9 million. The total outstanding balance due was \$91.8 million, or \$64.5 million at net present value at 6%.

8. Information: Financial Report ending September 30, 2021 (Chris Woidzik, SDCWA)

Mr. Woidzik provided a review of the Financial Report ending September 30, 2021. Total assets were \$95.7 million with \$778,585 in liabilities. Unavailable mitigation contributions were \$64 million, and the total fund balance was \$31 million. Total revenues were \$1.5 million and total expenditures \$681,188. Approximately 6% of the budget was spent to date. He concluded with a summary of expenses on Tasks 2, 8 and 24, as included in the Budget Status Report.

IMPLEMENTATION

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

Ms. Humes provided an update on various mitigation measures:

Task 8 – Drain Habitat (Aquatic) –Managed Marsh Complex: IID completed all tree planting at the end of 2021, marking the official completion of Phase 3. In Spring or Fall 2022, IID plans to do supplemental planting at all phases of the project to replace any dead trees.

Task 15 – Pre-Construction Activity Burrowing Owl Surveys and Relocation: IID reported performing pre-activity inspections to facilitate ongoing construction activities. There have been no issues to date.

Task 24 – Salton Sea Air Quality Mitigation: IID is still in the planning phase of the Clubhouse shallow groundwater test well and is in the process of obtaining a building permit from Imperial County for the project. Construction of the well is anticipated to start two weeks following the issuance of the building permit. IID has completed its solicitation for surface roughening and plans to start construction in Spring 2022.

IID is engaged in ongoing performance monitoring around the Salton Sea. IID collected LiDAR and aerial imagery that will help determine what the Salton Sea's elevation was at the end of 2021 and expects to report at the next meeting on what the total playa acreage was at the end of 2021.

IID has also been working on surface roughening and vegetation design and planning for the Red Hill Bay project area to meet the Imperial County Air Pollution Control District's Best Available Control Measures requirements.

10. Information: Update on Managed Marsh negotiations (Jeff Ferre, BBK and Tina Shields, IID)

Alternate Commissioner Rodgers gave some preliminary remarks and background regarding Alternate Commissioner Shields' request for Commission input on next steps to convey a property interest in the Managed Marsh Complex property underlying the managed marsh from IID to the QSA JPA.

Mr. Jeff Ferre (QSA JPA Legal Counsel) reported that he was tasked by the Commission at the October 4, 2021 meeting to provide the legal steps under the Joint Powers Agreement that could facilitate the conveyance of the Managed Marsh Complex property to the QSA JPA, either via a conservation easement or a land purchase. Mr. Ferre explained that the Joint Powers Agreement provides flexibility via several options to reimburse IID for the value of the subject property, including a credit of the property's purchase price towards IID's scheduled payment obligations for the QSA JPA. Mr. Ferre stated that the JPA Creation and Funding Agreement contains procedures to allow for a budget amendment, if needed, to reflect a credit towards IID's scheduled payments.

Alternate Commissioner Shields commented that it is now her understanding that obtaining the conservation easement and the transfer of the property are not necessarily linked processes. She suggested that the Commission could proceed on determining a dollar value for purposes of reimbursing IID for the property while separately working on obtaining a conservation easement for the property. Alternate Commissioner Shields explained that IID is working with the resource agencies to prepare a subsurface report that satisfies specific criteria requested by the resource agencies (subsurface rights to the subject property are not owned by IID).

As for next steps, Alternate Commissioner Shields offered to have IID staff provide the Commission with a proposed valuation of the subject property with supporting rationale.

Commissioner Barrett agreed with the notion of reimbursing IID for the conservation easement; however, he inquired what agency would become the property owner if the land was transferred.

Alternate Commissioner Shields responded that the landowner would be the California Department of Fish and Wildlife on behalf of the state. She noted that any effort to transfer the property will be complicated by the subsurface rights to the subject property, and it does appear that a conservation easement would be the easier option (versus a land purchase).

Commissioner Barrett clarified that under the conservation easement option, the land would remain with IID with a conservation easement recorded against the property. Commissioner Barrett then expressed interest in having a third-party appraisal rather than having IID appraise the property itself.

Alternate Commissioner Shields replied that if the Commission desired a third-party appraisal, she could support it; however, she noted that the QSA JPA has paid for several past appraisals of the property. Alternate Commissioner Shields offered to provide the prior appraisals as an alternative to seeking a new appraisal.

Commissioner Barrett inquired as to what the issues were with the prior appraisals.

Alternate Commissioner Shields replied that she does not believe there were any problems with prior appraisals. Commission action on prior appraisals was delayed due to concerns that the Commission needed to first identify who would hold title or a conservation easement before it could move forward with the conveyance.

Mr. Ferre commented that the Environmental Cost Sharing Agreement Section 1.2.4 provides that the cost of real property shall be determined by its fair market value as defined under the Code of Civil Procedure sections governing eminent domain. Outside of an actual eminent domain proceeding, an appraisal is not legally required, but the QSA JPA could still conduct an appraisal of the property, if desired. Mr. Ferre explained that if the value of the property is being called into question based on what it could have been used for, the Commission would need to look at the eminent domain law, not to invoke eminent domain, but to look at the valuation of the project under eminent domain law. Mr. Ferre explained that the Commission could avoid having to use the eminent domain valuation procedures if there is consensus as to the appraised value of the property.

Alternate Commissioner Shields replied that she intended to share what IID believes is the current valuation of the property, accompanied by a summary report that references the past appraisals of the property and other things that IID has seen in its service area for the Commission's consideration.

Commissioner Martinez asked Alternate Commissioner Shields for the details of the most recent appraisal of the property, including the cost of the appraisal.

Alternate Commissioner Rodgers recommended two options to help prepare this item for Commission action at the next QSA JPA meeting: (1) IID provides the former appraisals and an estimate of what IID would currently value the property based on the former appraisals for the Commission's consideration, or (2) the Commission can confirm the cost for a new appraisal.

Mr. Ferre, commenting on Alternate Commissioner Rodgers suggested actions, recommended that the Commission should review IID's estimate, and, if challenges arise, the Commission should then explore the option of seeking a new appraisal that will address any outstanding concerns. Mr. Ferre explained that an agreement could be drafted stating that the Commission is going to hire a new appraiser and agree to use the results of the appraisal, or the Commission and IID can hire their own appraisers and determine who appoints a third appraiser and who gives the final appraised value for the property.

Alternate Commissioner Rodgers confirmed next steps for the following Commission meeting to include receipt of IID's property evaluation report that will be added to the meeting agenda packet, and that Mr. Ferre will assist with drafting the agenda item description for IID's report.

Mr. Ferre and the Commission expressed agreement with the plan.

Alternate Commissioner Shields added that it would be ideal if the Commission could decide on the reimbursement by the end of the current fiscal year (2022). This would allow the Commission to include the reimbursement to IID in the budget for next fiscal year, thereby avoiding the need to later amend the QSA JPA fiscal year 2023 budget. Alternate Commissioner Shields stated that IID likely will not seek reimbursement, but instead ask the Commission to apply the amount owed against IID's future QSA JPA contributions.

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

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

Salton Sea Species Conservation Habitat (SCH) Project: A tour of the project was held on December 10, 2021, to highlight the progress of the project and major milestones. Many attended the tour including, but not limited to, Commissioner Martinez in his role as IID's General Manager, several community-based groups, Imperial County officials, and Assemblymember Eduardo Garcia.

Long-Range Plan: On December 14 and 21, 2021, the state initiated long-range planning committee meetings to discuss high-level topics like the purpose of the long-range plan, the charter for the committee, and how the committee will manage itself and the future meeting schedule. These meetings will be open to the public and allow for public comment. In addition, there will be other opportunities for community feedback to ensure maximum public participation on developing the long-range plan.

USBR Vegetation Enhancement Projects: On December 29, 2021, the state initiated the vegetation enhancement project that aims to establish approximately 1,700 acres of native vegetation across several locations around the Salton Sea, including Salton City: Clubhouse, Tule Wash, and Bombay Beach. Work has started at the Clubhouse location including placing straw bales for wind protection to facilitate plant growth and improve plant survival rates. Work is expected to continue for the next two to three years.

Annual Report: CNRA team is working diligently on completing and delivering its annual report to the State Water Resources Control Board, which highlights the state's progress on projects for the sea. The report is expected to be available to the public no later than the first week of February 2022. The CNRA team expects to have a community workshop to review the key contents of the report.

Mr. Hernández concluded his update with a reminder that the next Engagement Committee Meeting is expected to occur towards the end of January 2022.

Commissioner Martinez commented on the success of the tour, specifically acknowledging the amount of work completed by the state and the level of engagement with the community. Commissioner Martinez encouraged the CRNA team to continue to engage and maintain communication with the community.

12. Adjournment

Before the meeting was adjourned, Alternate Commissioner Rodgers announced that she would be transitioning the CAO role to Alexi Schnell and that the Commission can expect a memo before the next quarterly meeting regarding the transition.

The meeting was adjourned at 1:51 p.m.