



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

AGENDA

WEBINAR/CONFERENCE CALL

November 28, 2022

11:00 AM

Webinar link: [Click here to join the meeting](#)

Conference Call Number: (619) 483-4264 **Conference ID Number:** 807 276 787#

San Diego County Water Authority

Lobby Conference Room
4677 Overland Avenue
San Diego, CA 92123

AS PERMITTED UNDER AB 361, IN AN EFFORT TO PROTECT PUBLIC HEALTH, PREVENT THE SPREAD OF COVID-19 (CORONAVIRUS), AND BECAUSE STATE AND/OR LOCAL OFFICIALS ARE RECOMMENDING MEASURES TO PROMOTE SOCIAL DISTANCING, MEMBERS OF THE PUBLIC MAY VIEW OR LISTEN TO THIS MEETING ONLINE AND PROVIDE PUBLIC COMMENT TELEPHONICALLY BY CALLING THE PHONE NUMBER LISTED ABOVE (LIMITED TO 3 MINUTES) OR PRIOR TO THE MEETING BY E-MAILING COMMENTS TO THE QSA JPA GENERAL COUNSEL AT JEFF.FERRE@BBKLAW.COM AND IT WILL BE READ ALOUD AT THE PUBLIC COMMENT PERIOD (LIMITED TO 3 MINUTES). THERE WILL ALSO BE A PUBLIC LOCATION FOR ATTENDING THIS MEETING IN PERSON AT THE ADDRESS SET FORTH ABOVE.

PRELIMINARY MATTERS

1. Call to Order
2. Roll Call - Determination of Quorum
3. Action: Adopt Resolution No. 2022-05 of the Commission of the Quantification Settlement Agreement Joint Powers Authority Re-Authorizing Remote Teleconference/Virtual Meetings of the Legislative Body for the Period of November 28, 2022 to December 28, 2022 Pursuant to Brown Act Provisions (Jeff Ferre, BBK)
4. Public Comment - Opportunity for members of the public who wish to address the Authority on matters within the Authority's jurisdiction

ORGANIZATIONAL MATTERS

5. Action: Approve minutes of regular QSA JPA meeting held September 7, 2022 (Alexi Schnell, SDCWA)

FINANCIAL MATTERS

6. Action: Review and accept fiscal year 2022 Audited Financial Report (Shannon Ayala, Davis Farr)
7. Information: Treasurer's Report ending September 30, 2022 (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.

8. Information: Financial Report ending September 30, 2022 (Chris Woidzik, SDCWA)
9. Information: Recent advance payment from IID of funding obligation and potential next steps for other water agencies (Chris Woidzik, SDCWA and Alexi Schnell, SDCWA)
10. Information: Notice to be provided to state of QSA JPA water agencies' payment completion, as provided for under the JPA Agreement (Jeff Ferre, BBK)
11. Managed Marsh mitigation reimbursement (Tina Shields, IID and Alexi Schnell, SDCWA)
 - A. Action: Approve the appraised value of the land to be reimbursed to the Imperial Irrigation District for the properties' use for the Managed Marsh
 - B. Action: Approve the proposed QSA JPA Fiscal Year 2023 amended budget to fund the land valuation and third-party consultant costs to IID for the property used for the Managed Marsh

IMPLEMENTATION

12. Information: Status report on implementation of mitigation measures (Jessica Humes, IID)
13. Information: Update on State Salton Sea Management Program (Miguel Hernández, CNRA)
14. Adjourn

MEMORANDUM

TO: QSA JPA Commissioners

FROM: General Counsel

RE: Adoption Of Resolution No. 2022-05 Of The Commission Of The Quantification Settlement Agreement Joint Powers Authority (“Authority”) Re-Authorizing Remote Teleconference/Virtual Meetings Of The Legislative Body For The Period Of November 28, 2022 to December 28, 2022 Pursuant To Brown Act Provisions.

DATE: November 28, 2022

Summary:

The Governor has signed AB 361 which sets forth the process by which public agencies can continue to engage in virtual meetings so long as certain criteria remain in place, which are the result of the COVID State of Emergency. This legislation took effect immediately and will sunset January 1, 2024. AB 361 also applies during other emergencies, such as fires or earthquakes.

Recommendation:

That the Commission adopt Resolution No. 2022-05 Re-Authorizing Remote Teleconference/Virtual Meetings Of The Authority’s Legislative Body For the Period Of November 28, 2022 to December 28, 2022.

Summary:

Under AB 361, the Authority may use teleconferencing/virtual meetings (no physical location required). AB 361 does not include the remote agenda posting and remote public access requirements which normally apply for teleconferenced meeting under the Brown Act provisions which predate COVID-19.

The authority to implement AB 361 must be re-established every 30 days. As a condition of extending the use of the provisions found in Government Code Section 54953(e), the Commission must reconsider the circumstances of the State of Emergency that exist.

On March 4, 2020, the Governor proclaimed a State of Emergency to exist in California as a result of the threat of COVID-19 and that State of Emergency remains in effect. In addition, state officials have issued orders imposing or recommending social distancing measures for certain individuals and in certain situations. For example, and not by way of limitation, social distancing is referenced in guidance on vaccine doses for persons who are immunocompromised and in certain situations under general industry safety orders.

Furthermore, the state legislature has made findings that by removing the requirement that public meetings be conducted at a primary physical location with a quorum of members present, AB 361 protects the health and safety of civil servants and the public and does not preference the experience of members of the public who might be able to attend a meeting in a physical location over members of the public who cannot travel or attend that meeting in a physical location.

Since the next Commission meeting will take place after the 30-day period expires, a similar resolution will need to be adopted at the beginning of the next Commission meeting along the same lines as what is being recommended for this current meeting.

RESOLUTION NO. 2022-05
A RESOLUTION OF THE COMMISSION OF THE
QUANTIFICATION SETTLEMENT AGREEMENT JOINT POWERS AUTHORITY
RE-AUTHORIZING REMOTE TELECONFERENCE/VIRTUAL MEETINGS OF THE
LEGISLATIVE BODY FOR THE PERIOD OF NOVEMBER 28, 2022 TO DECEMBER 28,
2022 PURSUANT TO BROWN ACT PROVISIONS

WHEREAS, the Commission of the Quantification Settlement Agreement Joint Powers Authority (“Authority”) is committed to preserving and nurturing public access and participation in meetings of the Commission; and

WHEREAS, meetings of the Commission (“Legislative Body”) are open and public, as required by the Ralph M. Brown Act (Government Code Sections 54950 – 54963); and

WHEREAS, the Brown Act makes provisions for remote teleconferencing participation subject to the existence of certain conditions. A required condition is that a state of emergency is declared by the Governor. It is further required that state or local officials have imposed or recommended measures to promote social distancing, or, meeting in person would present imminent risks to the health and safety of attendees; and

WHEREAS, the Legislative Body previously adopted Resolution No. 2022-01 on January 6, 2022, Resolution No. 2022-02 on March 23, 2022, Resolution No. 2022-03 on June 6, 2022 and Resolution No. 2022-04 on September 7, 2022, all of which made findings that the requisite conditions exist for the Legislative Body to conduct remote teleconference/virtual meetings without compliance with Government Code Section 54953(b)(3); and

WHEREAS, as a condition of extending the use of the provisions found in Government Code Section 54953(e), the Legislative Body must reconsider the circumstances of the State of Emergency that exist, and the Legislative Body has done so; and

WHEREAS, such conditions persist in the Authority, specifically, on March 4, 2020, the Governor proclaimed a State of Emergency to exist in California as a result of the threat of COVID-19 and that State of Emergency remains in effect. In addition, state officials have issued orders imposing or recommending social distancing measures for certain individuals and in certain situations. For example, and not by way of limitation, social distancing is referenced in guidance on vaccine doses for persons who are immunocompromised and in certain situations

under general industry safety orders. Furthermore, the state legislature has made findings that by removing the requirement that public meetings be conducted at a primary physical location with a quorum of members present, AB 361 protects the health and safety of civil servants and the public and does not preference the experience of members of the public who might be able to attend a meeting in a physical location over members of the public who cannot travel or attend that meeting in a physical location; and

WHEREAS, as a consequence of the State of Emergency and the social distancing recommendations mentioned above, the Authority shall conduct its Commission meetings without compliance with Government Code Section 54953(b)(3), as authorized by Government Code Section 54953(e), and said Legislative Body shall comply with the requirements to provide the public with access to the meetings as prescribed in Government Code Section 54953(e)(2); and

WHEREAS, as permitted under AB 361, the Authority will provide the public with the ability to listen and view Commission meetings online or virtually. Members of the public who wish to provide comment may make comments virtually.

NOW THEREFORE, BE IT RESOLVED by the Commission of the Authority that this Commission finds and determines:

1. The Recitals in this Resolution are true and correct and the Commission so finds, determines and represents. Said Recitals are incorporated herein and made a part of this Resolution.
2. The Legislative Body, as well as the Chief Administrative Officer or her designee, are hereby authorized and directed to take all actions necessary to carry out the intent and purpose of this Resolution including, conducting open and public meetings in accordance with Government Code Section 54953(e) and other applicable provisions of the Brown Act.
3. This Resolution shall take effect immediately upon its adoption and shall be effective until the earlier of: (a) December 28, 2022; or (b) such time as the Legislative Body adopts a subsequent resolution in accordance with Government Code Section 54953(e)(3) to extend the time during which the Legislative Body may continue to teleconference without compliance with Government Code Section 54953(b)(3).

4. If any section, subsection, clause or phrase in this Resolution is for any reason held invalid, the validity of the remainder of this Resolution shall not be affected thereby. The Commission hereby declares that it would have passed this Resolution and each section, subsection, sentence, clause, or phrase thereof, irrespective of the fact that one or more sections, subsections, sentences, clauses or phrases or the application thereof be held invalid.

PASSED AND ADOPTED on this 28th day of November 2022, at a Regular Meeting of the Commission, by the following roll call vote:

AYES: _____, _____, _____, _____, _____

NOES: _____

ABSENT: _____

ATTEST:

Alexi Schnell

Chief Administrative Officer



**QUANTIFICATION SETTLEMENT AGREEMENT
JOINT POWERS AUTHORITY
VIRTUAL MEETING MINUTES
September 7, 2022, at 2:00 p.m.**

Commissioners and Alternates present:

Tonya Marshall, California Department of Fish and Wildlife (CDFW) – Chair
 Jim Barrett, Coachella Valley Water District (CVWD) – Commissioner
 Dan Denham, San Diego County Water Authority (SDCWA) – 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
 Alexi Schnell, SDCWA – Chief Administrative Officer (CAO)

Others present:

Earl Withycombe, California Air Resources Board	Cindy Matejovsky, IID
Jessica Schroeder, CDFW	Michael Cohen, Pacific Institute
Miguel Hernández, California Natural Resources Agency (CNRA)	Dennis Davis, SDCWA
Shana Rapoport, Colorado River Board of California	Deborah Hodgins, SDCWA
Joanna Hoff, IID	Wendy Joplin, SDCWA
Jessica Humes, IID	Alan Okewole, SDCWA
	Darren Simon, SDCWA
	Angela Tomayko, SDCWA
	Chris Woidzik, SDCWA

PRELIMINARY MATTERS

1. Call to Order
 Chair Tonya Marshall called the meeting to order at 2:00 p.m.
2. Roll Call
 There was a quorum of the Commission present at the time of the meeting.
3. Action: Adopt Resolution No. 2022-04 of the Commission of the Quantification Settlement Agreement Joint Powers Authority Authorizing Remote Teleconference/Virtual Meetings of the Legislative Body for the Period of September 7, 2022 to October 7, 2022 Pursuant to Brown Act Provisions (Jeff Ferre, BBK)
 Commissioner Barrett made a motion to adopt the resolution, which was seconded by Commissioner Denham. The resolution was adopted unanimously by a roll call vote.

4. Public Comment

Michael Cohen (Pacific Institute) inquired about the status of conversations between Imperial County and IID to reduce dust emissions by minimizing vehicle access on IID lands.

Alternate Commissioner Shields responded that she was not aware of any recent conversations.

ORGANIZATIONAL MATTERS

5. Information: Appointment of Tonya Marshall, California Department of Fish and Wildlife Salton Sea Program Manager, as the California Department of Fish and Wildlife representative (Alexi Schnell, SDCWA)

CAO Schnell stated that the QSA JPA received notice from CDFW that Tonya Marshall will serve as the state's alternate representative and chair of the Commission as of August 1, 2022.

6. Action: Approve minutes of regular QSA JPA meeting held June 6, 2022 (Alexi Schnell, SDCWA)

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

FINANCIAL MATTERS

7. Information: Treasurer's Report ending June 30, 2022 (Chris Woidzik, SDCWA)

CAO Schnell noted that Chandler Asset Management would provide an investment update at the next QSA JPA meeting. Mr. Woidzik then handed the Treasurer's Report presentation over to Alan Okewole (SDCWA).

Mr. Okewole provided a review of the Treasurer's Report ending June 30, 2022. The quarter ended with \$36.7 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, with the remainder of \$14.4 million in the Local Agency Investment Fund (LAIF). The effective rate of return is approximately 0.72%, and the interest received (fiscal year to date) was \$264,804.05. No deposits were made in the quarter and four invoices were paid totaling approximately \$1.3 million. Mr. Okewole reported the updated total outstanding balance due was \$82.4 million, or \$58.1 million at net present value at 6%.

8. Information: Financial Report ending June 30, 2022 (Chris Woidzik, SDCWA)

Mr. Woidzik provided a review of the Financial Report ending June 30, 2022. Total assets were \$93.5 million with \$1.5 million in liabilities. Unavailable mitigation contributions were \$58.1 million, and the total fund balance was \$33.9 million. Total revenues were \$9.8 million and total expenditures \$6.1 million. Approximately 52% of the fiscal year 2022 budget was spent. Mr. Woidzik concluded with a summary of expenses on Tasks 2, 8 and 24, as included in the Budget Status Report.

Alternate Commissioner Shields informed the Commission that IID is exploring two options with its board to pay off IID's remaining financial commitments to the QSA JPA through advance payment. She also noted that IID's proposed advance payment could bolster the QSA JPA's cash flow as Salton Sea air quality project expenditures ramp up.

Commissioner Denham inquired whether IID considered an advance payment option beyond 2022. Alternate Commissioner Shields responded that her staff explored pay-off options for 2022 and 2023; however, based on IID's current financial situation and other long-term considerations, IID staff is recommending the 2022 pay-off option to their board.

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 its annual selenium sampling in the Managed Marsh areas and staff is waiting for the results.

Task 15 – Pre-Construction Activity Burrowing Owl Surveys and Relocation: IID reported on-going inspections for pre-construction activities. Several IID construction projects are planned after the end of the burrowing owl breeding season (end of September).

Task 18 – Pupfish Monitoring: In May 2022, IID, along with CDFW, started presence/absence surveys for pupfish in IID drains. IID and CDFW will conclude the surveys in September 2022.

Task 24 – Salton Sea Air Quality Mitigation: IID reported that two solicitations closed for the Clubhouse and Bombay Beach groundwater wells. IID staff will present the major work authorization for three shallow groundwater wells at Clubhouse to its board in September 2022. Construction is expected to start as soon as the contract is executed and conclude by December 2022.

IID is preparing CEQA documentation for a Bombay Beach plot study that will use water from groundwater wells to be installed in the area. A vegetation project is planned nearby. IID is also preparing for a surface roughening project near the Poe Road area. Work is expected to start in September 2022 pending any inclement weather.

Michael Cohen (Pacific Institute) inquired whether certain air quality projects from FY 2022 were deferred to the current fiscal year (FY 2023). He also asked for the rough acreage of the planned vegetation projects near the shallow groundwater wells.

Ms. Humes responded in the affirmative. She added that the solicitation process for the Clubhouse and Bombay Beach shallow groundwater wells took longer than expected. This also impacted the timing of the planned vegetation projects adjacent to and reliant upon the shallow groundwater wells at both sites. Both groundwater projects and associated vegetation projects will now be implemented in FY 2023. Ms. Humes offered to send the requested acreage information to Mr. Cohen.

10. Information: Managed Marsh land valuation (Tina Shields, IID)

Alternate Commissioner Shields shared that IID received the independent appraisal for the Managed Marsh areas, and it is under reviewed by IID staff. One initial issue identified by IID staff is that the appraisal only covers Phases 1 and 2 of the project, not Phase 3. Subject to change based on IID staff's review, the lands underlying Phases 1 and 2 were appraised at approximately \$6.5 million.

Alternate Commissioner Shields proposed that IID apply the appraisal's acreage valuation to Phase 3 to obtain the total land valuation for the marsh property and asked the Commission whether it agreed with that approach. Using the appraisal's acreage valuation for Phase 3 would increase the total land valuation to approximately \$9.5 million.

Commissioner Denham responded that he agrees with IID's approach to value Phase 3; however, he asked if the appraisal took the time value of money into consideration. He also asked if the QSA JPA budgeted for a reimbursement payment to IID in 2022.

Alternate Commissioner Shields responded that the third-party appraiser took into account recent sales within the vicinity of the marsh land to determine the land value of the marsh property. She also responded that a budget amendment would be brought before the Commission for approval to authorize the payment to IID. CAO Schnell commented that the QSA JPA has enough cash available to cover the approximately \$9.5 million payment to IID.

Commissioner Barrett also supported IID's approach to value Phase 3.

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

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

Salton Sea Species Conservation Habitat (SCH) Project: Overall, the 4,100-acre project is 60% complete; major construction activities continue to progress. The SCH project is the state's first large-scale habitat restoration project that will create a network of ponds and provide important fish and bird habitat while also suppressing dust emissions to protect regional air quality. Key recent accomplishments include the following:

- Project design has been completed,
- Perimeter berms for habitat ponds are 90% complete,
- Bird nesting and loafing islands are 75% complete, and
- Work on the saline intake, northern berm, and New River intake are ongoing.

The project is on schedule and expected to be completed in 2023.

Vegetation Enhancement Projects: In partnership with the U.S. Bureau of Reclamation, the SSMP continues work on the three vegetation enhancement projects near communities around the Salton Sea. The projects cover approximately 1,700 acres and are located near the communities of Salton City and Bombay Beach. The projects aim to establish and enhance native vegetation on the exposed lakebed to create habitat for desert wildlife and reduce wind-blown dust.

The project is divided into two phases, with the first phase completed. Construction began in 2021 and initial bale placement and site modifications have been completed at the Clubhouse and West Bombay Beach sites. In addition, planting and seeding on approximately 35 acres was completed last spring at the Clubhouse site. Work at the Tule Wash project site began in July 2022. Planting and seeding are scheduled to restart this fall as the weather cools and will continue until vegetation communities are established across all three sites.

Mr. Hernández identified the following Salton Sea engagement opportunities and events hosted by either the SSMP team or SSMP partners:

- Army Corps of Engineers Extends Public Comment Period on Draft Environmental Assessment – August 20, 2022
 - The U.S. Army Corps of Engineers released the Draft Environmental Assessment for the State of California's SSMP Phase 1: 10-Year Plan. The public review period was extended to 5:00 p.m. on August 20.
- SSMP Long-Range Plan Committee Meeting – September 7, 2022
 - A virtual meeting to discuss updates and receive feedback on the development of the Long-Range Plan.
- Salton Sea Independent Review Panel Meeting – September 30, 2022
 - The Independent Review Panel assessed the feasibility of water importation into the Salton Sea and presented its findings at the meeting. The panel released its feasibility and summary reports to the public. The feasibility report provided a detailed analysis of the technical and economic feasibility of importation concepts. The summary report

described the overall review process, including the Panel's major findings and recommendations.

12. Adjournment

Before the meeting was adjourned, CAO Schnell informed meeting attendees that the next QSA JPA meeting date could be moved to November 2022 to avoid foreseeable scheduling conflicts in December 2022.

The meeting was adjourned at 2:34 p.m.

DRAFT

**QUANTIFICATION
SETTLEMENT AGREEMENT
JOINT POWERS AUTHORITY
AUDIT RESULTS
FISCAL YEAR ENDED JUNE 30, 2022**

Audit Reports

2

- ❑ Basic Financial Statements
 - ❑ Unmodified opinion dated September 28, 2022
 - ❑ The financial statements and footnotes are presented fairly, in all material respects, in accordance with generally accepted accounting principles
- ❑ Communication to Those in Governance
- ❑ Government Auditing Standards Opinion

Audit Results

3

- ❑ Finance staff was prepared for the audit
- ❑ There were no journal entries detected as a result of audit procedures
- ❑ There were no material weaknesses or significant deficiencies in internal control

Changes to Audit Opinion

4

- Moved audit opinion and basis for audit opinion to the first two paragraphs of the letter
- Expanded on auditor's responsibilities for the audit in accordance with Generally Accepted Auditing Standards
- Indicates our required communications, including scope and timing of audit, significant audit findings and any internal control related matters.

Changes to Communication to those in Governance

5

- Added auditor's responsibilities in relation to the audit and communicating any significant matters
- Our compliance with ethics requirements regarding independence.
- Significant risks we identified during the planning stage of the audit
 - GASB 87 – Leases
 - Payments to Imperial Irrigation District

Questions?

Shannon Ayala | **Partner**

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

Basic Financial Statements

Fiscal Years Ended June 30, 2022 and 2021

**QUANTIFICATION SETTLEMENT AGREEMENT
JOINT POWERS AUTHORITY
Fiscal Years Ended June 30, 2022 and 2021**

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited 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 June 30, 2022, and 2021, 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.

In our opinion, the accompanying financial statements 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, 2022, and 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the QSA JPA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

QSA JPA's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the QSA JPA's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the QSA JPA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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.

Supplementary 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* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *Budget Status Report Expenditures* are the responsibility of management and were derived from and relate 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* are 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 September 8, 2022 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 solely 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 the effectiveness of 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 the QSA JPA's internal control over financial reporting and compliance.

DavisFarr LLP

Irvine, California
September 8, 2022

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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, 2022 and 2021. 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 California Department of Fish and Wildlife (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,		
	2022	2021	2020
Total assets	\$ 93.5	\$ 97.6	\$ 112.3
Total liabilities	1.5	2.0	11.1
Total net position	\$ 92.0	\$ 95.6	\$ 101.2

Fiscal Year 2022 Compared to Fiscal Year 2021

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, 2022, assets totaled \$93.5 million, a decrease of \$4.1 million or 4.2 percent when compared to the prior fiscal year. Total assets are lower than the prior fiscal year primarily due to decreases from the following: \$6.6 million in cash and investments due to the payments for environmental mitigation requirements, and \$7.1 million in mitigation contributions receivable due to principal payments received from the member agencies, and \$0.2 million in interest receivable; and offset by an increase of \$9.8 million in cash and investments due to \$10.9 million of member agencies mitigation contributions received and \$1.1 million of unrealized losses in the QSA JPA investments portfolio. (It should be noted that the QSA JPA has not realized losses on its investments as it holds securities until maturity and the market value reduction is due to interest rate changes.) At June 30, 2022, the mitigation contributions receivable of \$28.2 million represents the net present value of mitigation receivables from the member agencies in accordance with the Agreement. Refer to Note 3 for further information on the Agreement.

Total liabilities include accounts payable. At June 30, 2022, liabilities totaled \$1.5 million, a decrease of \$0.5 million or 25.0 percent when compared to the prior fiscal year due to a decrease in environmental mitigation expenses to be paid at the end of the fiscal year.

Net position is unrestricted and totaled \$92.0 million at June 30, 2022, a decrease of \$3.6 million or 3.8 percent from the prior fiscal year as a result of the above changes.

Fiscal Year 2021 Compared to Fiscal Year 2020

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, 2021, assets totaled \$97.6 million, a decrease of \$14.7 million or 13.1 percent when compared to the prior fiscal year. Total assets are lower than the prior fiscal year primarily due to decreases from the following: \$18.5 million in cash and investments due to the payments for environmental mitigation requirements, and \$1.6 million in mitigation contributions receivable due to principal payments received from

the member agencies; and offset by an increase of \$5.4 million in cash and investments due to the member agencies mitigation contributions and interest received. At June 30, 2021, the mitigation contributions receivable of \$35.3 million represents the net present value of mitigation receivables from the member agencies in accordance with the Agreement. Refer to Note 3 for further information on the Agreement.

Total liabilities include accounts payable. At June 30, 2021, liabilities totaled \$2.0 million, a decrease of \$9.1 million or 82.0 percent when compared to the prior fiscal year due to a decrease in environmental mitigation expenses to be paid at the end of the fiscal year, primarily for the Salton Sea mitigation water predelivery payback.

Net position is unrestricted and totaled \$95.6 million at June 30, 2021, a decrease of \$5.6 million or 5.5 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)**

	June 30,		
	2022	2021	2020
Program expenses	\$ 6.1	\$ 9.4	\$ 15.1
Program revenues	3.6	3.8	4.1
Net program expenses	(2.5)	(5.6)	(11.0)
General revenues	(1.1)	-	1.0
Changes in net position	(3.6)	(5.6)	(10.0)
Net position - beginning of year	95.6	101.2	111.2
Net position - end of year	<u>\$ 92.0</u>	<u>\$ 95.6</u>	<u>\$ 101.2</u>

Fiscal Year 2022 Compared to Fiscal Year 2021

Program expenses include environmental mitigation and general operating expenses. For the year ended June 30, 2022, governmental activities expenses totaled \$6.1 million, a decrease of \$3.3 million or 35.1 percent when compared to the prior fiscal year due to decreases from the following tasks: \$2.2 million for the managed marsh areas, \$0.9 million for the Salton Sea air quality monitoring, \$0.1 million for funding the biologist team, \$0.1 million for the desert pupfish abundance and distribution study, and \$0.1 million for the pupfish selenium drain studies; and offset by an increase from the following task: \$0.1 million for the pupfish construction and maintenance conservation measures.

Program revenues include member contributions which totaled \$3.6 million for the year ended June 30, 2022, a decrease of \$0.2 million or 5.3 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 2021 Compared to Fiscal Year 2020

Program expenses include environmental mitigation and general operating expenses. For the year ended June 30, 2021, governmental activities expenses totaled \$9.4 million, a decrease of \$5.7 million or 37.7 percent when compared to the prior fiscal year due to decreases from the following tasks: \$7.0 million for the Salton Sea mitigation water predelivery payback, and \$0.2 million for the burrowing owl distribution surveys; and offset by increases from the following tasks: \$0.9 million for the Salton Sea air quality monitoring, \$0.4 million for the managed marsh areas, \$0.1 million for funding the biologist team, and \$0.1 million for the pupfish selenium drain studies.

Program revenues include member contributions which totaled \$3.8 million for the year ended June 30, 2021, a decrease of \$0.3 million or 7.3 percent when compared to the prior fiscal year due to the timing of revenue received but in accordance with the approved member payments schedule.

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 2022 expenditures were \$5.6 million less than budget primarily due to the deferral of items under the air quality mitigation program task, managed marsh 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, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Assets:		
Cash and investments	\$ 35,265,108	\$ 32,123,937
Mitigation contributions receivable	28,198,988	35,262,012
Interest receivable	<u>29,994,975</u>	<u>30,212,293</u>
Total assets	<u>93,459,071</u>	<u>97,598,242</u>
Liabilities:		
Accounts payable	<u>1,468,043</u>	<u>2,014,807</u>
Net position:		
Unrestricted	<u><u>\$ 91,991,028</u></u>	<u><u>\$ 95,583,435</u></u>

See accompanying notes to the basic financial statements.

**QUANTIFICATION SETTLEMENT AGREEMENT
JOINT POWERS AUTHORITY**

**STATEMENTS OF ACTIVITIES
FISCAL YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Program Expenses		
Governmental Activities:		
Environmental mitigation	\$ 6,086,015	\$ 9,389,916
Program Revenues		
Governmental Activities:		
Operating grants and contributions:		
Mitigation contributions	<u>3,576,582</u>	<u>3,848,609</u>
Net program expenses	<u>(2,509,433)</u>	<u>(5,541,307)</u>
General Revenues		
Interest income (loss)	<u>(1,082,974)</u>	<u>(38,963)</u>
Changes in net position	<u>(3,592,407)</u>	<u>(5,580,270)</u>
Net position - beginning of year	<u>95,583,435</u>	<u>101,163,705</u>
Net position - end of year	<u><u>\$ 91,991,028</u></u>	<u><u>\$ 95,583,435</u></u>

See accompanying notes to the basic financial statements.

**QUANTIFICATION SETTLEMENT AGREEMENT
JOINT POWERS AUTHORITY**

**BALANCE SHEETS
GENERAL FUND
JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Assets:		
Cash and investments	\$ 35,265,108	\$ 32,123,937
Mitigation contributions receivable	28,198,988	35,262,012
Interest receivable	<u>29,994,975</u>	<u>30,212,293</u>
Total assets	<u><u>\$ 93,459,071</u></u>	<u><u>\$ 97,598,242</u></u>
Liabilities:		
Accounts payable	<u>\$ 1,468,043</u>	<u>\$ 2,014,807</u>
Deferred inflows of resources:		
Unavailable mitigation contributions	<u>58,111,593</u>	<u>65,419,313</u>
Fund balance:		
Unassigned	<u>33,879,435</u>	<u>30,164,122</u>
Total liabilities, deferred inflows of resources, and fund balance	<u><u>\$ 93,459,071</u></u>	<u><u>\$ 97,598,242</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, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Fund balance of the General Fund	\$ 33,879,435	\$ 30,164,122
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>58,111,593</u>	<u>65,419,313</u>
Net position of governmental activities	<u><u>\$ 91,991,028</u></u>	<u><u>\$ 95,583,435</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, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Revenues:		
Interest income (loss)	\$ (1,082,974)	\$ (38,963)
Mitigation contributions	<u>10,884,302</u>	<u>5,366,051</u>
Total revenues	<u>9,801,328</u>	<u>5,327,088</u>
Expenditures:		
Environmental mitigation	<u>6,086,015</u>	<u>9,389,916</u>
Net changes in fund balance	3,715,313	(4,062,828)
Fund balance - beginning of year	<u>30,164,122</u>	<u>34,226,950</u>
Fund balance - end of year	<u><u>\$ 33,879,435</u></u>	<u><u>\$ 30,164,122</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, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Net changes in fund balance	\$ 3,715,313	\$ (4,062,828)
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>(7,307,720)</u>	<u>(1,517,442)</u>
Changes in net position of governmental activities	<u><u>\$ (3,592,407)</u></u>	<u><u>\$ (5,580,270)</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, 2022**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance</u>
Revenues			
Interest income (loss)	\$ 95,200	\$ (1,082,974)	\$ (1,178,174)
Mitigation contributions	10,884,302	10,884,302	-
Total revenues	10,979,502	9,801,328	(1,178,174)
Expenditures			
Current:			
Environmental mitigation	11,698,380	6,086,015	5,612,365
Net change in fund balance	(718,878)	3,715,313	4,434,191
Fund balance - beginning of year	30,164,122	30,164,122	-
Fund balance - end of year	\$ 29,445,244	\$ 33,879,435	\$ 4,434,191

**BUDGETARY COMPARISON STATEMENT
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2021**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance</u>
Revenues			
Interest income	\$ 900,000	\$ (38,963)	\$ (938,963)
Mitigation contributions	7,191,051	5,366,051	(1,825,000)
Total revenues	8,091,051	5,327,088	(2,763,963)
Expenditures			
Current:			
Environmental mitigation	14,994,760	9,389,916	5,604,844
Net change in fund balance	(6,903,709)	(4,062,828)	2,840,881
Fund balance - beginning of year	34,226,950	34,226,950	-
Fund balance - end of year	\$ 27,323,241	\$ 30,164,122	\$ 2,840,881

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, 2022 and 2021

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, 2022 and 2021**

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, 2022 and 2021**

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, 2022 and 2021**

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:

	2022	2021
Deposits	\$ 10,452	\$ 10,300
Investments	35,254,656	32,113,637
Total cash and investments	\$ 35,265,108	\$ 32,123,937

Investments Authorized by the California Government Code and 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.

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
Municipal Securities		None	None	30%	None	5%	None	"A"
U.S. Treasury securities		None	None	None	None	None	None	None
Federal agency securities		None	None	None	None	None	None	None
Bankers' acceptances	180 days	180 days	40%	40%	30%	5%	None	"A-1"
Commercial paper	270 days	270 days	40% (6)	30%	10% (7)	5%	"A-1"	"A-1"
Non-Negotiable Certificates of Deposit	5 years	5 years	None	30% (1)	None	None	None	None
Placement service deposits	5 years	5 years	50%	30% (1)	None	None	None	None
Negotiable Certificates of Deposit	5 years	5 years	30%	30% (1)	None	5%	None	"A-1" or "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 (2)	AAA (2)
Money market mutual funds	n/a	n/a	20%	20%	None	20%	AAA (2)	AAA (2)
Mortgage pass-through and asset backed securities (3)	5 years	5 years	20%	20%	None	5%	"AA"	"AA"
County pooled investment funds	n/a	(4)	None	(4)	None	(4)	None	(4)
JPA pools (other investment pools)	n/a	n/a	None	25%	None	25%	None	AAA
Supranationals	5 years	5 years	30%	15%	None	5%	"AA"	"AA"
Local agency investment fund (LAIF)	n/a	n/a	None	(5)	None	None	None	None

Notes:

- (1) Combined investment policy maximum portfolio exposure is 30%.
- (2) Investment must receive the highest ranking by not less than two NRSROs authorized by Govt. Code Sections 53601 and 53635.
- (3) Limitations in this section apply to securities not issued by the US Treasury or Federal Agencies.
- (4) These investments are not authorized by the investment policy.
- (5) The investment policy's maximum investment amount is the maximum permitted by LAIF.
- (6) SB 998, until January 1, 2026, allows for a maximum of 40% of the portfolio to be invested in eligible commercial paper for local agencies that have more than \$100 million in assets under management.
- (7) The combined maximum portfolio exposure of any single issuer is 10% per Govt. Code Section 53601(h)(k).

**QUANTIFICATION SETTLEMENT AGREEMENT
JOINT POWERS AUTHORITY**

**Notes to the Basic Financial Statements (Continued)
Fiscal Years Ended June 30, 2022 and 2021**

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, 2022 and 2021, respectively.

Investment Type	June 30, 2022	Maturities in Years		
		Less than 1	1-3	4-5
LAIF	\$ 14,200,199	\$ 14,200,199	\$ -	\$ -
U.S. Treasury securities	9,406,937	3,401,505	2,804,225	3,201,207
Federal agency securities	5,936,833	1,476,583	2,390,795	2,069,455
Medium-term notes	3,881,329	1,125,780	1,819,283	936,266
Supranationals	1,213,102	244,698	233,523	734,881
Commercial Paper	394,759	394,759	-	-
Asset backed securities	120,281	-	120,281	-
CAMP JPA pool	60,063	60,063	-	-
Money market mutual funds	41,153	41,153	-	-
Total	\$ 35,254,656	\$ 20,944,740	\$ 7,368,107	\$ 6,941,809

Investment Type	June 30, 2021	Maturities in Years		
		Less than 1	1-3	4-5
LAIF	\$ 12,082,674	\$ 12,082,674	\$ -	\$ -
Federal agency securities	7,285,068	1,010,130	2,012,395	4,262,543
U.S. Treasury securities	6,798,140	1,003,340	3,093,137	2,701,663
Medium-term notes	2,925,677	127,050	1,182,909	1,615,718
Supranationals	1,294,371	-	251,020	1,043,351
Money market mutual funds	998,467	998,467	-	-
Asset backed securities	669,334	-	669,334	-
CAMP JPA pool	59,906	59,906	-	-
Total	\$ 32,113,637	\$ 15,281,567	\$ 7,208,795	\$ 9,623,275

**QUANTIFICATION SETTLEMENT AGREEMENT
JOINT POWERS AUTHORITY**

**Notes to the Basic Financial Statements (Continued)
Fiscal Years Ended June 30, 2022 and 2021**

Note 2: Cash and Investments (Continued)

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, is the minimum rating required (where applicable) by the Gov't. Code or the Inv. Policy, and the actual rating for each issuer as of June 30, 2022 and 2021, respectively.

Investment Type	June 30, 2022	Minimum Rating	Exempt from Disclosure	Rating as of Fiscal Year Ended June 30, 2022			
				AAA	AA	A/A-1	Not Rated
LAIF	\$ 14,200,199	n/a	\$ -	\$ -	\$ -	\$ -	\$ 14,200,199
U.S. Treasury securities	9,406,937	n/a	9,406,937	-	-	-	-
Federal agency securities	5,936,833	n/a	-	-	5,936,833	-	-
Medium-term notes	3,881,329	A	-	343,505	601,795	2,936,029	-
Supranationals	1,213,102	AA	-	1,213,102	-	-	-
Commercial Paper	394,759	A-1	-	-	-	394,759	-
Asset backed securities	120,281	AA	-	120,281	-	-	-
CAMP JPA Pools	60,063	AAAm	-	60,063	-	-	-
Money market mutual funds	41,153	AAAm	-	41,153	-	-	-
Total	\$ 35,254,656		\$ 9,406,937	\$ 1,778,104	\$ 6,538,628	\$ 3,330,788	\$ 14,200,199

Investment Type	June 30, 2021	Minimum Rating	Exempt from Disclosure	Rating as of Fiscal Year Ended June 30, 2021			
				AAA	AA	A	Not Rated
LAIF	\$ 12,082,674	n/a	\$ -	\$ -	\$ -	\$ -	\$ 12,082,674
Federal agency securities	7,285,068	n/a	-	-	7,285,068	-	-
U.S. Treasury securities	6,798,140	n/a	6,798,140	-	-	-	-
Medium-term notes	2,925,677	A	-	130,744	253,546	2,541,387	-
Supranationals	1,294,371	AA	-	1,294,371	-	-	-
Money market mutual funds	998,467	AAAm	-	998,467	-	-	-
Asset backed securities	669,334	AA	-	669,334	-	-	-
CAMP JPA Pool	59,906	AAAm	-	59,906	-	-	-
Total	\$ 32,113,637		\$ 6,798,140	\$ 3,152,822	\$ 7,538,614	\$ 2,541,387	\$ 12,082,674

**QUANTIFICATION SETTLEMENT AGREEMENT
JOINT POWERS AUTHORITY**

**Notes to the Basic Financial Statements (Continued)
Fiscal Years Ended June 30, 2022 and 2021**

Note 2: Cash and Investments (Continued)

Concentration of Credit Risk

For the fiscal years ended, June 30, 2022 and 2021, investments in any one issuer that represents five percent or more of investments (other than U.S. Treasury securities, money market mutual funds, and external investment pools, which are all exempt) are as follows:

		June 30, 2022	
Issuer	Investment Type	Reported Amount	% of Total Investments
Federal Home Loan Mtg. Corp.	Federal agency securities	\$ 2,607,373	7.0%
Federal National Mtg. Assn.	Federal agency securities	2,338,298	7.0%
		June 30, 2021	
Issuer	Investment Type	Reported Amount	% of Total Investments
Federal National Mtg. Assn.	Federal agency securities	\$ 2,748,945	9.0%
Federal Home Loan Bank	Federal agency securities	2,483,033	8.0%

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 Gov't. Code and the Inv. 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 Gov't. 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.

**QUANTIFICATION SETTLEMENT AGREEMENT
JOINT POWERS AUTHORITY**

**Notes to the Basic Financial Statements (Continued)
Fiscal Years Ended June 30, 2022 and 2021**

Note 2: Cash and Investments (Continued)

Fair Value Measurement

The QSA JPA categorizes certain assets and liabilities within the fair value hierarchy established by generally accepted accounting principles. 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. As of June 30, 2022 and 2021, there are no Level 1 investments.

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. As of June 30, 2022 and 2021, there are no Level 3 investments.

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.

Investments in CAMP JPA Pool and LAIF are not subject to fair value categorization. The following is a summary of the QSA JPA investments based on the method for measuring value as of June 30, 2022 and 2021:

	Significant Other Observable Inputs (Level 2)	
	June 30, 2022	June 30, 2021
Investments by fair value level		
U.S. Treasury securities	\$ 9,406,937	\$ 6,798,140
Federal agency securities	5,936,833	7,285,068
Medium-term notes	3,881,329	2,925,677
Supranationals	1,213,102	1,294,371
Commercial Paper	394,759	-
Asset backed securities	120,281	669,334
Total investments by fair value level	\$ 20,953,241	\$ 18,972,590
Investments measured at cost		
LAIF ⁽¹⁾	14,200,199	12,082,674
Money market mutual funds ⁽²⁾	41,153	998,467
CAMP JPA Pool ⁽³⁾	60,063	59,906
Total investments measured at cost	14,301,415	13,141,047
Total investments	\$ 35,254,656	\$ 32,113,637

Notes:

⁽¹⁾ Reported based on the application of a fair value factor to each one-dollar share.

⁽²⁾ Reported as a stable one-dollar value per share.

⁽³⁾ Measured at amortized cost.

**QUANTIFICATION SETTLEMENT AGREEMENT
JOINT POWERS AUTHORITY**

**Notes to the Basic Financial Statements (Continued)
Fiscal Years Ended June 30, 2022 and 2021**

Note 2: Cash and Investments (Continued)

Investments in State Investment Pool

The QSA JPA is a voluntary participant in the LAIF that is regulated by Gov't Code Section 16429.1 under the oversight of the Treasurer of the State of California. 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 Gov't 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.

Note 3: 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.

**QUANTIFICATION SETTLEMENT AGREEMENT
JOINT POWERS AUTHORITY**

**Notes to the Basic Financial Statements (Continued)
Fiscal Years Ended June 30, 2022 and 2021**

Note 3: Mitigation Contributions Receivable (Continued)

As of June 30, 2022 and 2021, the total mitigation contributions receivable balance was as follows:

	Final Contributions Fiscal Year	2022	2021
IID	2036	\$ 18,159,281	\$ 19,659,281
CVWD	2026	5,561,053	7,791,140
SDCWA	2026	4,478,654	7,811,591
Total		<u>\$ 28,198,988</u>	<u>\$ 35,262,012</u>

Note 4: Interest Receivable

Interest receivable consists of the following items: (1) accrued interest due from LAIF and BNY, (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 3 for further information on the Agreement.

As of June 30, 2022 and 2021, the total interest receivable balance was as follows:

	2022	2021
(1) Accrued interest due from LAIF and BNY	\$ 82,370	\$ 54,992
(2) Accrued interest due from member agencies	1,692,571	1,884,012
(3) Cumulative unpaid accrued interest due from IID	28,220,034	28,273,289
Total	<u>\$ 29,994,975</u>	<u>\$ 30,212,293</u>

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 \$28,198,988 and \$35,262,012 at June 30, 2022 and 2021, respectively, plus interest receivable on unpaid member balances of \$29,912,605 and \$30,157,301 at June 30, 2022 and 2021, respectively, for a total unavailable mitigation contributions balance of \$58,111,593 and \$65,419,313 at June 30, 2022 and 2021, 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.

**QUANTIFICATION SETTLEMENT AGREEMENT
JOINT POWERS AUTHORITY**

**Notes to the Basic Financial Statements (Continued)
Fiscal Years Ended June 30, 2022 and 2021**

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, 2022**

No.	Mitigation Tasks	Adopted FY 2022 Budget	Total Expenditures	Variance
1	QSA Implementation Team	\$ -	\$ -	\$ -
2	QSA Implementation Team Biologists	1,216,590	920,524	296,066
3	Environmental Reporting and Monitoring	540	-	540
4	Salton Sea Salinity and Elevation Program	10,610	15,326	(4,716)
5	Salton Sea Mitigation Water to Salton Sea	-	-	-
6	Tamarisk Scrub Habitat - Surveys and Mitigation	72,740	7,678	65,062
7	Drain Habitat - Initial Vegetation and Habitat Surveys	-	-	-
8	Drain Habitat (Aquatic) - Create/Manage/Monitor "Managed Marsh" Areas	931,480	403,912	527,568
9	Drain Habitat Restrictions/Requirements for Construction and Maintenance	-	-	-
10/10A	Worker Education Program Covered Species Training and Manual	640	-	640
11	Desert Habitat Survey and Mapping of Right of Way	-	-	-
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	8,950	3,933	5,017
16	Burrowing Owl Relative Abundance and Distribution Surveys	-	-	-
17	Farmer and Public Education Program	7,380	2,493	4,887
18	Desert Pupfish Abundance and Distribution Study	6,530	(17,165)	23,695
19/19A	Pupfish Selenium Drain Studies	210,940	58,234	152,706
20	Pupfish Construction and Maintenance Conservation Measures	500,000	65,382	434,618
21	Salvage of Razorback Suckers when Dewatering Canals	-	-	-
22	Maintain Habitat on Fallowed Parcels	-	-	-
23	Covered Species Baseline and Monitoring Surveys	5,300	-	5,300
24	Salton Sea Air Quality	8,596,440	4,588,075	4,008,365
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	-	-	-
36	JPA Audit Fees	10,770	10,560	210
37	JPA Bank Fees	3,000	1,776	1,224
38	Financial Advisor	16,000	12,567	3,433
39	Bond Counsel Fees	-	-	-
40	2001 Biological Opinion Measures	-	-	-
41	Brown Pelican Coast	-	-	-
42	Brown Pelican Sea	58,540	329	58,211
43	Salton Sea Shoreline Strand Study	-	-	-
44	Pupfish Refugium	31,930	3,051	28,879
45	Recreation Facilities at Salton Sea	-	-	-
46	QSA JPA Website	10,000	9,340	660
Total Expenditures		\$ 11,698,380	\$ 6,086,015	\$ 5,612,365



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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**

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

Independent Auditor's Report

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, 2022, and 2021, and the related notes to the financial statements, which collectively comprise QSA JPA's basic financial statements, and have issued our report thereon dated September 8, 2022.

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) as a basis for designing 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 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 entity'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 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 financial statements. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DavisFarrLLP

Irvine, California
September 8, 2022

Quantification Settlement Agreement
Joint Powers Authority
Treasurer's Report
at September 30, 2022

<u>Investment Type</u>	<u>% Limit</u>	<u>% of Portfolio</u>	<u>Book</u>
CA Asset Mgmt Program (CAMP)	25%	73.30%	\$ 61,476,875.43 ⁽¹⁾
Treasury Securities	100%	12.45%	10,442,866.55
Federal Agency Securities	100%	6.93%	5,808,500.00
Medium Term Notes	100%	4.99%	4,183,471.25
Supranationals	100%	1.55%	1,301,526.00
Commercial Paper	30%	0.47%	395,282.67
Local Agency Investment Fund (LAIF)	\$75M - Maximum	0.12%	99,755.08
Asset Back Securities	100%	0.10%	83,906.43
Chandler Managed Account (BNY)	100%	0.08%	69,080.20
CEO Account (Wells Fargo)	100%	0.01%	11,235.14
Total Cash and Investments		100%	\$ 83,872,498.75
Effective Rate of Return			0.56%
<u>Interest Earnings (Cash and Investments):</u>			
Fiscal Year to Date			\$ 117,648.00
Average Term			343
Average Days to Maturity (730 Days Maximum)			197



Lisa Marie Harris, Treasurer

⁽¹⁾Imperial Irrigation District paid their remaining balance of \$48,458,655.04 in full on September 29, 2022. The monies were deposited into CAMP because they were paying a higher return than LAIF

Quantification Settlement Agreement
Joint Powers Authority
Treasurer's Report
at September 30, 2022

Deposit & Invoice Activity:

Date	Name	Deposits	Invoices
	Total Fiscal Year 6/30/2004	\$ 4,387,846.00	\$ -
	Total Fiscal Year 6/30/2005	\$ 1,758,945.00	\$ (1,959,440.28)
	Total Fiscal Year 6/30/2006	\$ 2,161,019.83	\$ (4,555,061.94)
	Total Fiscal Year 6/30/2007	\$ 2,347,672.00	\$ (2,938,474.58)
	Total Fiscal Year 6/30/2008	\$ 11,644,612.84	\$ (5,779,276.79)
	Total Fiscal Year 6/30/2009	\$ 6,870,567.00	\$ (8,251,293.97)
	Total Fiscal Year 6/30/2010	\$ 14,545,715.00	\$ (9,061,269.71)
	Total Fiscal Year 6/30/2011	\$ 5,849,675.00	\$ (5,944,418.65)
	Total Fiscal Year 6/30/2012	\$ 6,585,384.00	\$ (1,851,265.44)
	Total Fiscal Year 6/30/2013	\$ 7,497,513.00	\$ (4,335,543.28)
	Total Fiscal Year 6/30/2014	\$ 10,699,074.00	\$ (10,987,218.93)
	Total Fiscal Year 6/30/2015	\$ 17,331,735.00	\$ (14,361,492.54)
	Total Fiscal Year 6/30/2016	\$ 15,222,157.00	\$ (22,997,264.03)
	Total Fiscal Year 6/30/2017	\$ 29,162,833.00	\$ (21,104,845.03)
	Total Fiscal Year 6/30/2018	\$ 18,183,882.00	\$ (16,428,573.00)
	Total Fiscal Year 6/30/2019	\$ 20,121,404.00	\$ (5,447,961.38)
	Total Fiscal Year 6/30/2020	\$ 11,654,013.00	\$ (8,417,595.87)
	Total Fiscal Year 6/30/2021	\$ 5,366,051.00	\$ (18,469,059.88)
	Total Fiscal Year 6/30/2022	\$ 10,884,302.00	\$ (6,598,421.27)
07/27/2022	Mitigation # 1189		\$ (449,805.18)
08/24/2022	Mitigation # 1190		\$ (464,473.23)
09/28/2022	Mitigation # 1191		\$ (471,487.12)
09/29/2022	IID Balance Payoff	\$ 48,458,655.04	
	Total Fiscal Year 6/30/2023 (YTD)	\$ 48,458,655.04	\$ (1,385,765.53)
	Totals to date:	\$ 250,733,055.71	\$ (170,874,242.10)

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

Deposits	\$ 250,733,055.71
Invoices	(170,874,242.10)
Subtotal	79,858,813.61
Interest Earned - Fiscal Year 2023	117,648.00
Interest Earned - Fiscal Year 2022	264,804.05
Interest Earned - Fiscal Year 2021	256,696.76
Interest Earned - Fiscal Year 2020	875,225.18
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	(78,753.46)
Interest not yet received at September 30, 2022	(134,499.36)
Total Cash & Investments	\$ 83,872,498.75

Quantification Settlement Agreement
Joint Powers Authority
Treasurer's Report
at September 30, 2022

Deposit History (Inception-to-Date):

Calendar Year	Payment Type	SDCWA (1)	IID	CVWD	Total
2003	Original Payment	\$ 2,340,273.00	\$ 402,069.00	\$ 1,645,504.00	\$ 4,387,846.00
2004	Original Payment	1,032,775.00	-	726,170.00	1,758,945.00
2005	Original Payment	969,146.83	418,191.00	773,682.00	2,161,019.83
2006	Original Payment	848,849.00	574,316.00	924,507.00	2,347,672.00
2007	Advance Payment	4,094,225.00	1,658,950.00	2,878,752.00	8,631,927.00
2007	Original Payment	1,214,878.84	739,432.00	1,058,375.00	3,012,685.84
2008	Advance Payment	2,164,086.00	876,872.00	1,521,623.00	4,562,581.00
2008	Original Payment	-	761,615.00	1,546,371.00	2,307,986.00
2009	Original Payment	7,879,603.00	941,356.00	5,724,756.00	14,545,715.00
2010	Original Payment	2,770,483.00	1,131,196.00	1,947,996.00	5,849,675.00
2011	Original Payment	3,084,803.00	1,331,579.00	2,169,002.00	6,585,384.00
2012	Original Payment	3,496,247.00	1,542,967.00	2,458,299.00	7,497,513.00
2013	Original Payment	5,245,201.00	1,765,841.00	3,688,032.00	10,699,074.00
2014	Original Payment	5,291,989.00	1,818,816.00	3,720,930.00	10,831,735.00
2015	Advance Payment	2,000,000.00	6,500,000.00	1,000,000.00	9,500,000.00
2015	Original Payment	6,076,346.00	1,873,380.00	4,272,431.00	12,222,157.00
2016	Advance Payment	1,800,000.00	5,125,000.00	2,000,000.00	8,925,000.00
2016	Original Payment	8,254,386.00	1,929,582.00	5,803,865.00	15,987,833.00
2017	Advance Payment	1,850,000.00	4,250,000.00	500,000.00	6,600,000.00
2017	Original Payment	8,314,814.00	1,987,469.00	5,531,599.00	15,833,882.00
2018	Advance Payment	1,750,000.00	3,500,000.00	500,000.00	5,750,000.00
2018	Original Payment	6,914,667.00	2,261,221.00	5,195,516.00	14,371,404.00
2019	Advance Payment	1,750,000.00	2,800,000.00	1,000,000.00	5,550,000.00
2019	Original Payment	1,060,053.00	2,473,610.00	745,350.00	4,279,013.00
2020	Advance Payment	850,000.00	1,825,000.00	-	2,675,000.00
2020	Original Payment	1,050,836.00	2,726,346.00	738,869.00	4,516,051.00
2021	Advance Payment	-	1,500,000.00	-	1,500,000.00
2021	Original Payment	3,801,632.00	2,885,115.00	2,697,555.00	9,384,302.00
2022	Balance Payoff	-	48,458,655.04	-	48,458,655.04
		-	-	-	-
	Totals to date:	<u>\$ 85,905,293.67</u>	<u>\$ 104,058,578.04</u>	<u>\$ 60,769,184.00</u>	<u>\$ 250,733,055.71</u>

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

Total Outstanding Balance Due at September 30, 2022				
Payment Schedules ⁽²⁾	SDCWA	IID	CVWD	Total
Nominal amount	\$ 5,132,566	\$ -	\$ 6,156,758	\$ 11,289,324
Present value (@ 6%)	\$ 4,680,193	\$ -	\$ 5,811,300	\$ 10,491,493

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

QSA JPA - Fiscal Year 2023
Portfolio Management
Portfolio Summary
September 30, 2022

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM 365 Equiv.
Managed Pool Accounts	61,645,710.71	61,645,710.71	61,645,710.71	73.50	1	1	2.572	2.608
Passbook/Checking Accounts	11,235.14	11,235.14	11,235.14	0.01	1	1	0.000	0.000
Medium Term Notes	4,025,000.00	3,801,637.00	4,183,471.25	4.99	1,346	761	0.989	1.002
Commercial Paper - Discount	400,000.00	397,069.05	395,282.67	0.47	183	73	2.380	2.413
Federal Agency - Coupon	5,750,000.00	5,327,387.50	5,808,500.00	6.93	1,547	806	0.444	0.450
Treasury - Coupon	9,600,000.00	8,988,539.76	9,616,083.76	11.47	1,195	731	0.815	0.826
Treasury - Discount	850,000.00	827,002.50	826,782.79	0.99	308	259	3.089	3.132
Supranationals	1,300,000.00	1,182,932.00	1,301,526.00	1.55	1,637	956	0.569	0.577
Asset Backed Securities	82,097.72	81,594.13	83,906.43	0.10	1,407	592	0.457	0.463
	83,664,043.57	82,263,107.79	83,872,498.75	100.00%	343	197	2.115	2.145
Investments								

Total Earnings	September 30 Month Ending	Fiscal Year To Date
Current Year	28,715.61	91,855.30
Average Daily Balance	39,107,334.24	27,737,529.04
Effective Rate of Return	0.89%	1.31%

QSA Joint Powers Authority,

Reporting period 09/01/2022-09/30/2022

Run Date: 10/12/2022 - 14:24

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QSA JPA - Fiscal Year 2023
Portfolio Management
Portfolio Details - Investments
September 30, 2022

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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Managed Pool Accounts												
SYS	2000	BNY Mellon			69,080.20	69,080.20	69,080.20	2.580		2.580	1	
SYS1001	1001	CAMP - QSA OPERATING			61,476,875.43	61,476,875.43	61,476,875.43	2.610	AAA	2.610	1	
SYS1000	1000	Local Agency Investment Fund			99,755.08	99,755.08	99,755.08	1.513		1.513	1	
Subtotal and Average			16,874,931.65		61,645,710.71	61,645,710.71	61,645,710.71			2.608	1	
Passbook/Checking Accounts												
SYS100	100	Wells Fargo Bank			11,235.14	11,235.14	11,235.14			0.000	1	
Subtotal and Average			25,386.75		11,235.14	11,235.14	11,235.14			0.000	1	
Medium Term Notes												
023135BX3	20048	Amazon		06/09/2021	250,000.00	219,695.00	250,235.00	1.000	AA-	0.980	1,319	05/12/2026
037833DT4	20005	Apple Inc		05/15/2020	125,000.00	114,535.00	125,710.00	1.125	AAA	1.006	953	05/11/2025
06406HCS6	20021	BNY Mellon		06/30/2020	125,000.00	123,255.00	137,736.25	3.650	A	0.709	491	02/04/2024
06051GHR3	20020	Bank of America		06/30/2020	125,000.00	121,073.75	135,600.00	3.458	A-	1.117	896	03/15/2025
06051GEU9	20038	Bank of America		08/18/2020	125,000.00	124,688.75	133,401.25	3.300	A-	0.477	113	01/22/2023
06367WB85	20061	Bank of Montreal		09/25/2021	250,000.00	230,037.50	258,362.50	1.850	A-	1.054	943	05/01/2025
06406RBA4	20070	Bank of NY Mellon		01/26/2022	125,000.00	110,936.25	125,402.50	2.050	A	1.981	1,578	01/26/2027
00440EAP2	20074	Chubb INA Holdings Inc		05/17/2022	250,000.00	248,190.00	250,657.50	2.700	A	2.373	163	03/13/2023
808513BN4	20064	Charles Schwab Corp		09/27/2021	250,000.00	236,480.00	251,097.50	0.750	A	0.565	534	03/18/2024
438516BW5	20015	Honeywell International		06/23/2020	250,000.00	240,012.50	265,285.00	2.300	A	0.768	684	08/15/2024
24422EVC0	20022	John Deere Owner Trust		06/30/2020	125,000.00	117,777.50	132,176.25	2.050	A	0.757	831	01/09/2025
46625HRL6	20006	JP MORGAN SECURITIES LLC		05/15/2020	125,000.00	123,800.00	129,938.75	2.700	A-	1.280	229	05/18/2023
46647PBK1	20049	JP MORGAN SECURITIES LLC		06/09/2021	150,000.00	136,683.00	155,842.50	2.083	A-	1.053	1,299	04/22/2026
58933YAF2	20023	Merck & Co Inc		06/30/2020	250,000.00	247,740.00	266,602.50	2.800	AA-	0.478	229	05/18/2023
69353RFL7	20039	PNC Bank		08/18/2020	250,000.00	248,575.00	270,380.00	3.500	A	0.485	250	06/08/2023
747525AF0	20050	Qualcomm Inc		06/09/2021	250,000.00	242,022.50	274,905.00	3.450	A-	0.715	962	05/20/2025
78013XZU5	20001	RBC CAPITAL MARKETS		05/15/2020	125,000.00	119,895.00	130,016.25	2.550	A	1.552	654	07/16/2024
78015K7H1	20068	RBC CAPITAL MARKETS		12/28/2021	125,000.00	112,815.00	123,856.25	1.150	A	1.423	983	06/10/2025
89236TJK2	20062	Toyota Auto Receivables		09/17/2021	250,000.00	218,770.00	249,850.00	1.125	AAA	1.034	1,356	06/18/2026
89114QCA4	20024	Toronto Dominion Bank		06/30/2020	125,000.00	120,061.25	133,626.25	2.650	A	0.869	620	06/12/2024
89114TZD7	20052	Toronto Dominion Bank		06/17/2021	150,000.00	130,198.50	150,562.50	1.200	A	1.122	1,341	06/03/2026
87612EBM7	20071	Target Corp		01/26/2022	100,000.00	89,693.00	100,335.00	1.950	A	1.878	1,567	01/15/2027
92826CAC6	20017	Visa Inc		06/23/2020	125,000.00	124,702.50	131,892.50	2.800	AA-	0.398	74	12/14/2022
Subtotal and Average			4,183,951.25		4,025,000.00	3,801,637.00	4,183,471.25			1.002	761	

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QSA JPA - Fiscal Year 2023
Portfolio Management
Portfolio Details - Investments
September 30, 2022

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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Commercial Paper - Discount												
62479MMD2	20075	MUFG Bank, Ltd		06/13/2022	400,000.00	397,069.05	395,282.67	2.320	A-1	2.413	73	12/13/2022
Subtotal and Average			395,282.67		400,000.00	397,069.05	395,282.67			2.413	73	
Federal Agency - Coupon												
3130A4CH3	20013	Federal Home Loan Bank		06/22/2020	500,000.00	477,975.00	543,535.00	2.375	AA+	0.509	895	03/14/2025
3137EAEP0	20002	Federal Home Loan Mtg Corp		05/14/2020	500,000.00	469,680.00	523,435.00	1.500	AA+	0.499	865	02/12/2025
3137EAER6	20014	Federal Home Loan Mtg Corp		06/22/2020	500,000.00	488,960.00	500,695.00	0.375	AA+	0.326	216	05/05/2023
3137EAU9	20030	Federal Home Loan Mtg Corp		08/11/2020	500,000.00	448,645.00	500,035.00	0.375	AA+	0.373	1,024	07/21/2025
3137EAES4	20033	Federal Home Loan Mtg Corp		08/17/2020	500,000.00	486,025.00	499,860.00	0.250	AA+	0.260	268	06/26/2023
3137EAEX3	20041	Federal Home Loan Mtg Corp		10/14/2020	250,000.00	223,130.00	249,067.50	0.375	AA+	0.451	1,088	09/23/2025
3137EAEX3	20051	Federal Home Loan Mtg Corp		06/16/2021	500,000.00	446,260.00	494,625.00	0.375	AA+	0.631	1,088	09/23/2025
3135G03U5	20003	Federal National Mtg Assn		05/14/2020	500,000.00	455,705.00	502,235.00	0.625	AA+	0.533	934	04/22/2025
3135G04Z3	20029	Federal National Mtg Assn		08/11/2020	500,000.00	451,970.00	502,750.00	0.500	AA+	0.385	990	06/17/2025
3135G05G4	20032	Federal National Mtg Assn		08/17/2020	500,000.00	485,640.00	499,835.00	0.250	AA+	0.261	282	07/10/2023
3135G05X7	20040	Federal National Mtg Assn		10/14/2020	250,000.00	223,575.00	249,155.00	0.375	AA+	0.445	1,059	08/25/2025
3135G06G3	20042	Federal National Mtg Assn		11/30/2020	250,000.00	222,672.50	250,012.50	0.500	AA+	0.499	1,133	11/07/2025
3135G05X7	20055	Federal National Mtg Assn		06/24/2021	500,000.00	447,150.00	493,260.00	0.375	AA+	0.704	1,059	08/25/2025
Subtotal and Average			5,946,794.67		5,750,000.00	5,327,387.50	5,808,500.00			0.450	806	
Treasury - Coupon												
9128282N9	20009	U.S. Treasury		05/29/2020	500,000.00	481,155.00	537,695.31	2.125	AA+	0.305	669	07/31/2024
912828ZL7	20025	U.S. Treasury		06/30/2020	500,000.00	453,010.00	502,285.16	0.375	AA+	0.280	942	04/30/2025
912828ZP8	20027	U.S. Treasury		06/30/2020	500,000.00	488,045.00	499,335.94	0.125	AA+	0.171	226	05/15/2023
912828ZY9	20036	U.S. Treasury		08/17/2020	500,000.00	484,355.00	499,218.75	0.125	AA+	0.179	287	07/15/2023
91282CBH3	20044	U.S. Treasury		02/19/2021	300,000.00	264,282.00	297,410.16	0.375	AA+	0.552	1,218	01/31/2026
91282CBC4	20045	U.S. Treasury		03/05/2021	250,000.00	221,102.50	246,230.47	0.375	AA+	0.693	1,187	12/31/2025
91282CBQ3	20046	U.S. Treasury		03/05/2021	250,000.00	220,635.00	247,343.75	0.500	AA+	0.717	1,246	02/28/2026
91282CBT7	20053	U.S. Treasury		06/21/2021	500,000.00	444,045.00	497,402.34	0.750	AA+	0.861	1,277	03/31/2026
91282CBN0	20056	U.S. Treasury		06/25/2021	600,000.00	591,162.00	599,109.38	0.125	AA+	0.213	150	02/28/2023
91282CCF6	20057	U.S. Treasury		06/25/2021	400,000.00	353,360.00	397,312.50	0.750	AA+	0.890	1,338	05/31/2026
91282CCG4	20058	U.S. Treasury		06/25/2021	400,000.00	373,672.00	397,390.63	0.250	AA+	0.471	623	06/15/2024
91282CCK5	20059	U.S. Treasury		06/30/2021	600,000.00	582,516.00	598,312.50	0.125	AA+	0.266	272	06/30/2023
91282CCP4	20060	U.S. Treasury		08/10/2021	400,000.00	349,984.00	396,656.25	0.625	AA+	0.800	1,399	07/31/2026
91282CCW9	20063	U.S. Treasury		09/16/2021	500,000.00	438,670.00	498,671.88	0.750	AA+	0.805	1,430	08/31/2026
912828T91	20065	U.S. Treasury		09/24/2021	500,000.00	485,900.00	514,023.44	1.625	AA+	0.285	395	10/31/2023
912828D1	20066	U.S. Treasury		09/24/2021	500,000.00	487,090.00	510,781.25	1.375	AA+	0.256	334	08/31/2023

Portfolio JPA

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QSA JPA - Fiscal Year 2023
Portfolio Management
Portfolio Details - Investments
September 30, 2022

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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Treasury - Coupon												
91282CCZ2	20067	U.S. Treasury		11/02/2021	500,000.00	440,060.00	493,066.41	0.875	AA+	1.166	1,460	09/30/2026
91282CDG3	20069	U.S. Treasury		12/27/2021	400,000.00	354,828.00	397,468.75	1.125	AA+	1.260	1,491	10/31/2026
912828Q29	20072	U.S. Treasury		05/16/2022	500,000.00	494,120.00	497,871.09	1.500	AA+	1.993	181	03/31/2023
912828R28	20073	U.S. Treasury		05/16/2022	500,000.00	493,458.26	498,243.89	1.625	AA+	2.072	211	04/30/2023
912828D1	20077	U.S. Treasury		08/10/2022	500,000.00	487,090.00	490,253.91	1.375	AA+	3.265	334	08/31/2023
Subtotal and Average			9,616,994.96		9,600,000.00	8,988,539.76	9,616,083.76			0.826	731	
Treasury - Discount												
912796X61	20076	U.S. Treasury		06/13/2022	250,000.00	248,632.50	247,721.23	1.843	A-1	1.912	68	12/08/2022
912796YH6	20078	U.S. Treasury		09/09/2022	600,000.00	578,370.00	579,061.56		A-1	3.654	341	09/07/2023
Subtotal and Average			672,366.37		850,000.00	827,002.50	826,782.79			3.132	259	
Supranationals												
4581X0DM7	20011	Inter-American Devel Bank		06/08/2020	250,000.00	244,295.00	250,900.00	0.500	AAA	0.378	235	05/24/2023
4581X0DV7	20047	Inter-American Devel Bank		04/23/2021	300,000.00	266,157.00	299,826.00	0.875	AAA	0.887	1,297	04/20/2026
459058JB0	20012	Intl Bank Recon & Develop		06/08/2020	250,000.00	227,605.00	250,480.00	0.625	AAA	0.585	934	04/22/2025
459058JL8	20043	Intl Bank Recon & Develop		01/28/2021	500,000.00	444,875.00	500,320.00	0.500	AAA	0.486	1,123	10/28/2025
Subtotal and Average			1,301,526.00		1,300,000.00	1,182,932.00	1,301,526.00			0.577	956	
Asset Backed Securities												
89232HAC9	20028	Toyota Auto Receivables		07/08/2020	82,097.72	81,594.13	83,906.43	1.660	AAA	0.463	592	05/15/2024
Subtotal and Average			90,099.93		82,097.72	81,594.13	83,906.43			0.463	592	
Total and Average			39,107,334.24		83,664,043.57	82,263,107.79	83,872,498.75			2.145	197	

QSA JPA - Fiscal Year 2023
Portfolio Management
Portfolio Details - Cash
September 30, 2022

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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity
Average Balance			0.00								0
Total Cash and Investments			39,107,334.24		83,664,043.57	82,263,107.79	83,872,498.75			2.145	197

Unaudited
**QUANTIFICATION SETTLEMENT AGREEMENT
 JOINT POWERS AUTHORITY**

**BALANCE SHEET
 GENERAL FUND
 SEPTEMBER 30, 2022**

Assets:

Cash	\$ 11,235
Investments	82,252,504
Mitigation contributions receivable	10,039,707
Interest receivable	<u>382,395</u>
Total assets	<u>\$ 92,685,841</u>

Liabilities:

Accounts payable	<u>\$ 1,040,152</u>
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Deferred inflows of resources:

Unavailable mitigation contributions	<u>10,340,898</u>
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Fund balance:

Unassigned	<u>81,304,791</u>
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**Total liabilities, deferred inflows of resources,
 and fund balance**

\$ 92,685,841

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, 2022

Revenues:

Interest income (loss)	\$ (72,042) *
Mitigation contributions	<u>48,458,655</u>
Total revenues	<u>48,386,613</u>

Expenditures:

Environmental mitigation	958,708
Administrative	<u>2,549</u>
Total expenditures	<u>961,257</u>

Net changes in fund balance	47,425,356
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Fund balance at beginning of year	<u>33,879,435</u>
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Fund balance at end of year	<u>\$ 81,304,791</u>
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* Note: This is due to a mark-to-market value adjustment as required by accounting standards and is tied to interest rates. As interest rates change, the market values of the securities in the portfolio will also change, resulting in unrealized gains or losses. The QSA JPA follows the practice of holding its investments to maturity to receive scheduled principal and interest payments and avoid incurring any realized losses.

<i>Unaudited</i>					
QUANTIFICATION SETTLEMENT AGREEMENT JOINT POWERS AUTHORITY					
SUPPLEMENTARY INFORMATION - BUDGET STATUS REPORT FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2022					
Task No.	Mitigation Tasks	Adopted FY 2023 Budget	Total Expenditures	Variance (Remaining)	Percent Complete
1	QSA Implementation Team	\$ -	\$ -	\$ -	0.0%
2	QSA Implementation Team Biologists	1,197,060	319,302	877,758	26.7%
3	Environmental Reporting and Monitoring	560	-	560	0.0%
4	Salton Sea Salinity and Elevation Program	8,000	1,996	6,004	25.0%
5	Salton Sea Mitigation Water to Salton Sea	-	-	-	0.0%
6	Tamarisk Scrub Habitat - Surveys and Mitigation	74,920	10,272	64,648	13.7%
7	Drain Habitat - Initial Vegetation and Habitat Surveys	-	-	-	0.0%
8	Drain Habitat (Aquatic) - Create/Manage/Monitor "Managed Marsh" Areas	564,080	115,368	448,712	20.5%
9	Drain Habitat Restrictions/Requirements for Construction and Maintenance	-	-	-	0.0%
10/10A	Worker Education Program Covered Species Training and Manual	-	-	-	0.0%
11	Desert Habitat Survey and Mapping of Right of Way	-	-	-	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	3,390	30	3,360	0.9%
16	Burrowing Owl Relative Abundance and Distribution Surveys	-	2,729	(2,729)	0.0%
17	Farmer and Public Education Program	7,600	2,800	4,800	36.8%
18	Desert Pupfish Abundance and Distribution Study	6,750	1,311	5,439	19.4%
19/19A	Pupfish Selenium Drain Studies	317,310	4,271	313,039	1.3%
20	Pupfish Construction and Maintenance Conservation Measures	257,500	3,863	253,637	1.5%
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	-	-	-	0.0%
24	Salton Sea Air Quality	12,822,120	487,725	12,334,395	3.8%
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	-	-	-	0.0%
36	JPA Audit Fees	10,770	-	10,770	0.0%
37	JPA Bank Fees	3,090	906	2,184	29.3%
38	Financial Advisor	16,000	1,643	14,357	10.3%
39	Bond Counsel Fees	-	-	-	0.0%
40	2001 Biological Opinion Measures	-	-	-	0.0%
41	Brown Pelican Coast	-	-	-	0.0%
42	Brown Pelican Sea	55,920	-	55,920	0.0%
43	Salton Sea Shoreline Strand Study	-	-	-	0.0%
44	Pupfish Refugium	32,890	9,041	23,849	27.5%
45	Recreation Facilities at Salton Sea	-	-	-	0.0%
46	QSA JPA Website Maintenance Services	1,320	-	1,320	0.0%
Total Expenditures		\$ 15,379,280	\$ 961,257	\$ 14,418,023	6.3%



IID

A century of service.

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October 5, 2022

Quantification Settlement Agreement Joint Powers Authority
c/o San Diego County Water Authority
4677 Overland Avenue
San Diego, CA 92123

Subject: IID 2022 Prepayment of Remaining QSA JPA Funding Obligation

Dear QSA JPA Commissioners:

This letter is to provide notice that the Imperial Irrigation District wired \$48,458,655.04 to the San Diego County Water Authority, as treasurer of the Quantification Settlement Agreement Joint Powers Authority on September 29, 2022 to complete an early payoff of the balance of IID's QSA JPA funding commitment. This payment was made consistent with the terms and conditions of the *Quantification Settlement Agreement Joint Powers Authority Creation and Funding Agreement* that was executed on October 10, 2003. IID's payoff balance was calculated using the parameters established in Section 9.5 ("Adjustment of Payment Schedules") of the JPA Agreement, and the final payment valuation was confirmed by financial staff from the SDCWA.

IID appreciates the close coordination of the final calculations with SDCWA's staff, and is confident that the accelerated timing of IID's funding will help to address anticipated cash-flow shortfalls of the QSA JPA in future years.

Sincerely,

Tina Anderholt Shields, PE
Water Department Manager

cc: Charlton Bonham/Tonya Marshall, CDFW QSA JPA Commissioner/Alternate Commissioner
Enrique Martinez, IID QSA JPA Commissioner
Dan Denham/Kelly Rogers, SDCWA QSA JPA Commissioner/Alternate Commissioner
Jim Barrett/Robert Cheng, CVWD QSA JPA Commissioner/Alternate Commissioner
Jeff Ferre, BBK QSA JPA legal counsel
Chris Woidzik, SDCWA Controller
Belen Valenzuela/Cynthia Matejovsky, IID CFO/Controller



ITEM 11 – MANAGED MARSH MITIGATION REIMBURSEMENT

QSA JPA Meeting

November 28, 2022

11. MANAGED MARSH MITIGATION REIMBURSEMENT

- A. Approval of the appraised value of the land to be reimbursed to IID for the properties' use for the Managed Marsh
- B. Approval of the proposed QSA JPA FY 2023 amended budget to fund the land valuation and third-party consultant costs to IID for the property used for the Managed Marsh



11. MANAGED MARSH MITIGATION REIMBURSEMENT

- A. Approval of the appraised value of the land to be reimbursed to IID for the properties' use for the Managed Marsh



PAST APPRAISALS (2010)

Company	Prepared for	Gross Acres	Total Value	Value with Conservation Easement	Difference
Catling Company	QSA JPA	955	\$4,775,000 (\$5,000/acre)	\$4,393,000 (\$4,600/acre)	\$382,000
Erickson & Associates	IID	955	\$5,730,000 (\$6,000/acre)	\$5,040,000 (\$5,277/acre)	\$690,000

CURRENT RESTRICTED APPRAISAL (2022): PHASES I - 2

RESTRICTED APPRAISAL REPORT

File # 27963

Acreage:
954.92

Imperial Irrigation District

954.92 gross acres of irrigated cropland
Located at the Southwest and Northwest corner of Hwy 111 and McDonald Rd
Imperial County, California

Summary of Facts and Conclusions

Date of Inspection: 05/31/22 Effective Date of Appraisal: 05/31/22

Value Indication

- Cost Approach: \$ N/A
- Income Approach: \$ 6,391,692
- Sales Comparison Approach: \$ 6,497,925

Opinion of Value: (Estimated Marketing Time 3-6 months) \$ 6,500,000

Cost of Repairs: \$ Cost of Additions: \$

Allocation:

	Land: \$	Land Improvements: \$	Structural Improvement Contribution: \$	Non-Realty Items: \$	Leased Fee Value (Remaining term of encumbrance) \$	Leasehold Value: \$	Overall Value: \$
	6,500,000	0	0	0	0	0	6,500,000

Income and Other Data Summary: ☒ Cash Rent ☐ Share ☐ Owner/Operator ☐ FAMC Suppl. Attached

Income Multiplier () Income Estimate: \$ 243.21 / Acre (unit)

Expense Ratio 36.90 % Expense Estimate: \$ 78.68 / Acre (unit)

Overall Cap Rate: 2.01 % Net Property Income: \$ 134.54 / Acre (unit)

Area-Regional-Market Area Data and Trends:

	Above Avg.	Avg.	Below Avg.	N/A
Value Trend	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Sales Activity Trend	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Property Compatibility	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Effective Purchase Power	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Demand	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Development Potential	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Desirability	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Subject Property Rating:

	Above Avg.	Avg.	Below Avg.	N/A
Location	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Soil Quality/Productivity	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Improvement Rating	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Compatibility	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Rentability	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Market Appeal	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Overall Property Rating	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

UAAAR®

Farm Credit West

File # 27963

Uniform Agricultural Appraisal Report

Owner/Occupant: Imperial Irrigation District

Property Address: P Lateral, Gates 18, 20, 22 & O Lateral, Gates 19, 22, 24 & 25

State/County: CA / Imperial

Property Location: NW and SW corners of Hwy 111 and McDonald Rd

Highest & Best Use: Irrigated Cropland "As If" Vacant
Irrigated Cropland "As Improved"

Zoning: A-2G, A-2RG - Imperial County

Unit Type: ☐ Economic Sized Unit ☒ Supplemental/Add-On Unit

FEMA Community # 060065 **FEMA Map #** 06025C0725C **FEMA Zone/Date:** Zone X / 9-26-08

Legal Description: See addenda for legal description SEC 18, 16, 20, 21 TWP 11S RNG 14E Attached ☒

Purpose of Report: Estimate the market value of the subject using a hypothetical condition the subject is irrigated farmland

Use/Intended User(s): Land Value Reimbursement / Ms. Linda Gallinat, others at the Imperial Irrigation District & Marsh JPA Partners

Rights Appraised: Fee Simple - surface rights encumbered by State, Co., Water District.

Value Definition: Market Value - See definition page Attached ☒

Assignment: See Scope of Work on next page **Report Type:** Restricted Appraisal Report

Assessor Parcel Numbers Appraised: 021-310-004, 022-020-001, 021-300-016, 009, 022-010-004 & 022-010-003

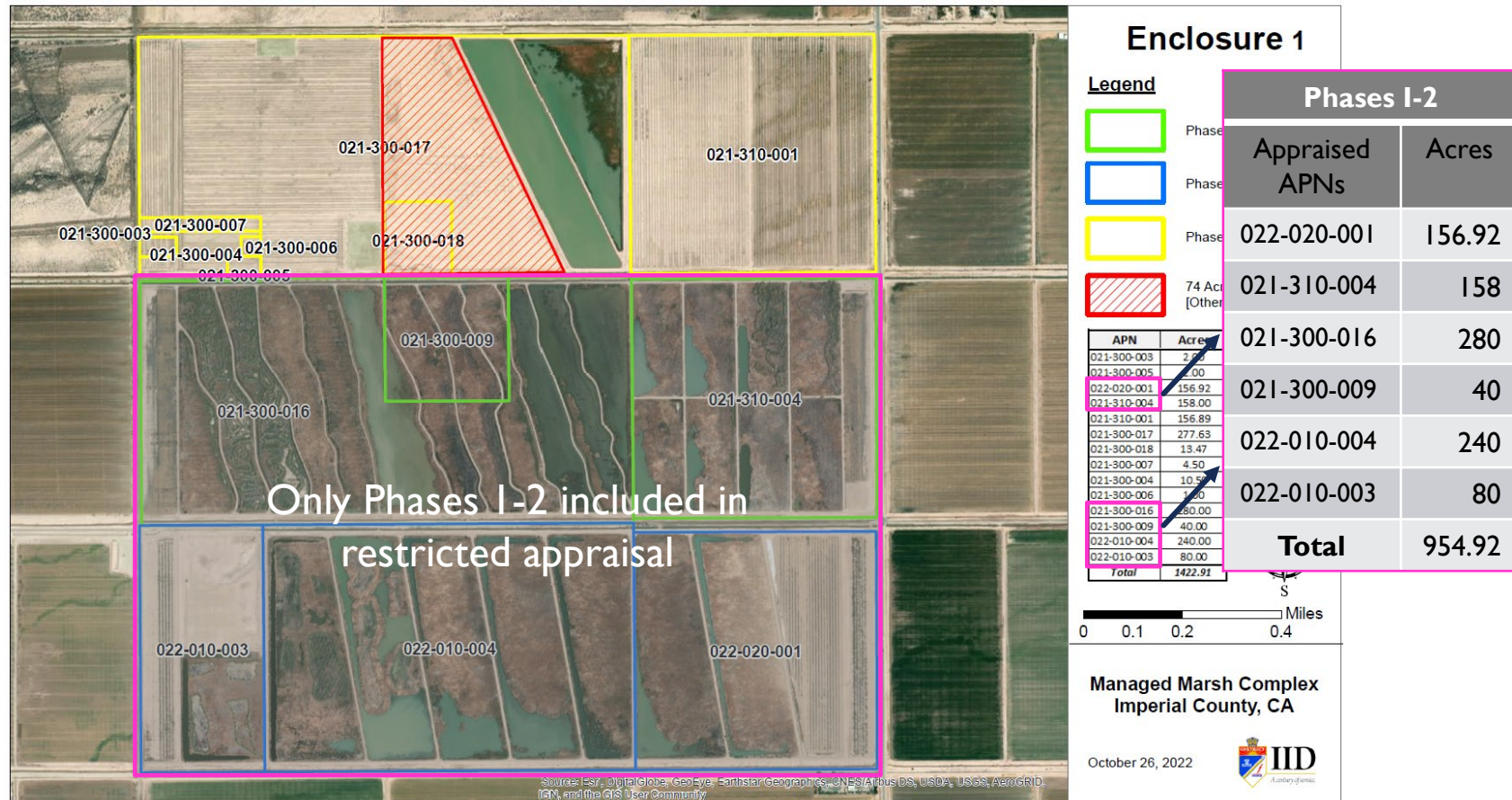
Price/acre:
\$6,807

Opinion of value:
\$6,500,000

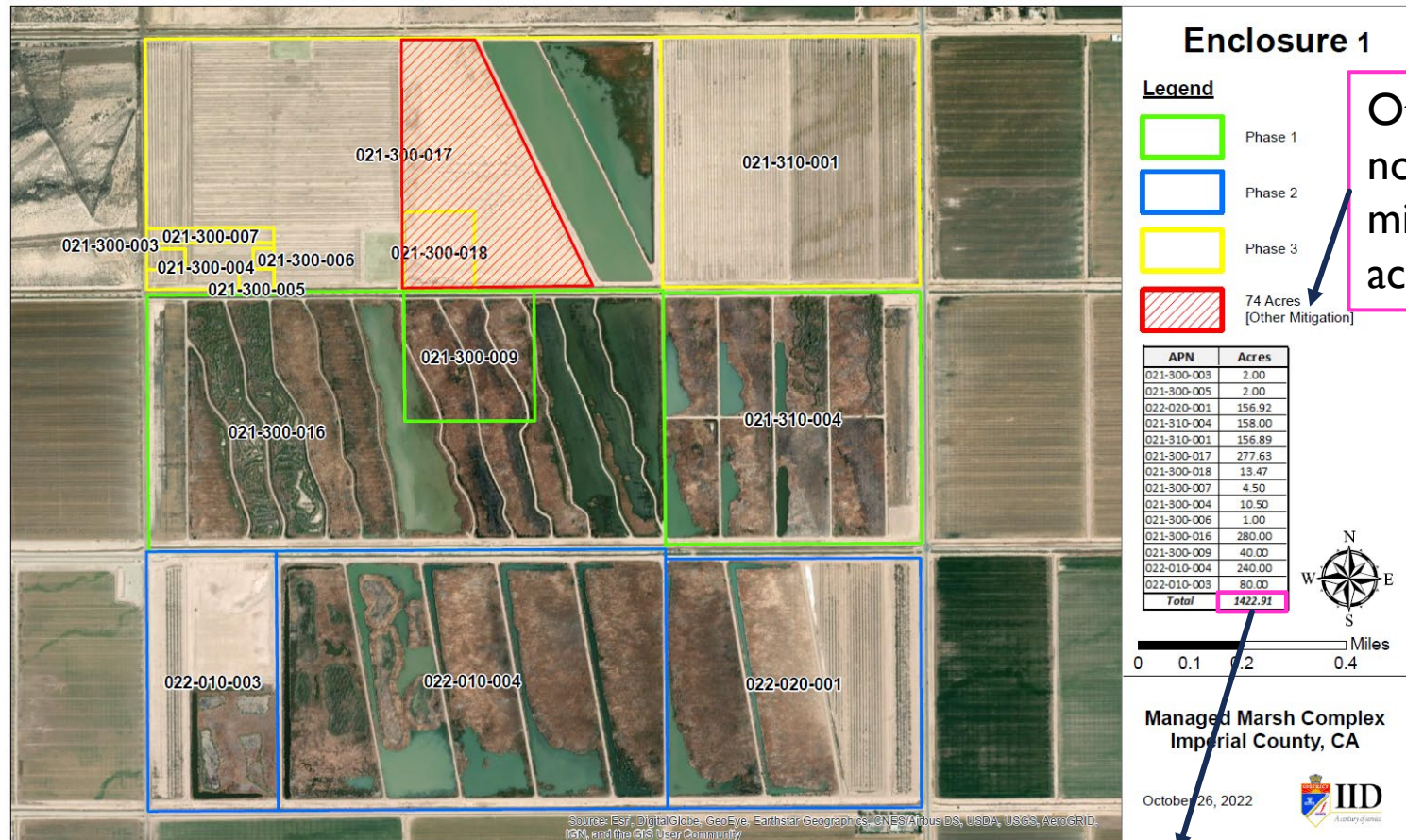
APNs Appraised:
021-310-004,
022-020-001,
021-300-016, 009,
022-010-004 &
022-010-003



CURRENT RESTRICTED APPRAISAL (2022) CONT.



CURRENT RESTRICTED APPRAISAL (2022) CONT.



Phases 1-3 total acreage: 1422.91

CURRENT RESTRICTED APPRAISAL (2022) CONT.

Company	Prepared for	Gross Acres	Total Value*	Value with Conservation Easement	Difference
Farm Credit West	IID	954.92	\$6,500,000 (\$6,807/acre)	N/A	N/A

*Only includes total value of land underlying Phases 1 and 2 of the Managed Marsh



CURRENT RESTRICTED APPRAISAL (2022) CONT.

Company	Prepared for	Gross Acres	Total Value*	Value with Conservation Easement	Difference
Farm Credit West	IID	954.92	\$6,500,000 (\$6,807/acre)	N/A	N/A

Restricted Appraisal Calculation

Gross Acres (954.92) x Price/Acre (\$6,807) ≈ Total Value* (\$6,500,000)

*Only includes total value of land underlying Phases 1 and 2 of the Managed Marsh



CURRENT RESTRICTED APPRAISAL (2022) CONT.

Company	Prepared for	Gross Acres	Total Value*	Value with Conservation Easement	Difference
Farm Credit West	IID	954.92	\$6,500,000 (\$6,807/acre)	N/A	N/A

Restricted Appraisal Calculation

Gross Acres (954.92) x Price/Acre (\$6,807) \approx Total Value* (\$6,500,000)

Calculation Including Land Underlying Phase 3

Gross Acres (up to 1,422.91) x Price/Acre (\$6,807) \approx Total Value (up to \$9,685,748.37)

*Only includes total value of land underlying Phases 1 and 2 of the Managed Marsh



CURRENT RESTRICTED APPRAISAL (2022) CONT.

Company	Prepared for	Gross Acres	Total Value*	Value with Conservation Easement	Difference
Farm Credit West	IID	954.92	\$6,500,000 (\$6,807/acre)	N/A	N/A

Restricted Appraisal Calculation

Gross Acres (954.92) x Price/Acre (\$6,807) \approx Total Value* (\$6,500,000)

Calculation Including Land Underlying Phase 3

Gross Acres (up to 1,422.91) x Price/Acre (\$6,807) \approx Total Value (up to \$9,685,748.37)

Calculation Phases 1-3 Less Non-JPA Qualified Mitigation (-74 Acres)

Qualified Acreage (1,348.91) x Price/Acre (\$6,807) \approx Mitigation Value (\$9,182,030.37)

*Only includes total value of land underlying Phases 1 and 2 of the Managed Marsh



ITEM 11A SUMMARY

- Total Amount for Managed Marsh Reimbursement (Phase 1, 2, and 3) - \$9,182,030.37
- Placeholder Budget for Managed Marsh Outstanding Liability - \$10M
- The reimbursement amount to IID is less than previously estimated
- Detailed budget discussion covered in presentation on Item 11B.



DISCUSSION

Questions?



11. MANAGED MARSH MITIGATION REIMBURSEMENT

- B. Approval of the proposed QSA JPA FY 2023 amended budget to fund the land valuation and third-party consultant costs to IID for the property used for the Managed Marsh



PROPOSED AMENDED BUDGET SUMMARY

- Task 8A - Appraised Value of Managed Marsh Land (based on 1,422.91 acres) \$9,685,748.37
 - IID is now anticipating reimbursement for 1,348.91 acres; \$9,182,030.37
- Task 8B – Reimbursement to IID for Third-Party Appraiser \$2,500
- Total FY 2023 Proposed Budget Increase: **\$9,688,248.37**
- Total FY 2023 Proposed Amended Budget: \$25,067,528.37

DISCUSSION

Questions?



RECOMMENDATIONS FOR AGENDA ITEM #11

- A. Approve the appraised value of the land to be reimbursed to the Imperial Irrigation District (IID) for the properties' use for the Managed Marsh
- B. Approve the proposed QSA JPA Fiscal Year 2023 amended budget to fund the land valuation and third-party consultant costs to IID for the property used for the Managed Marsh.





QUANTIFICATION SETTLEMENT AGREEMENT JOINT POWERS AUTHORITY

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

November 21, 2022

To: Quantification Settlement Agreement Joint Powers Authority (QSA JPA) Commissioners

Subject: Managed Marsh mitigation reimbursement (Action)

Recommendations:

1. **Approve the appraised value of the land to be reimbursed to the Imperial Irrigation District (IID) for the properties' use for the Managed Marsh and**
2. **Approve the proposed QSA JPA Fiscal Year (FY) 2023 amended budget to fund the land valuation and third-party consultant costs to IID for the property used for the Managed Marsh.**

Fiscal Impact: The FY 2023 budget would be increased by \$9,688,248.37, bringing the total amended FY 2023 budget amount to \$25,067,528.37.

Background:

An annual budget is adopted by the QSA JPA Commission for payment of environmental mitigation costs. Mitigation Task 8 (Managed Marsh Areas) involves the creation, management, and monitoring of a managed marsh habitat constructed in three phases and specifies that the land underlying the Managed Marsh areas be purchased from IID or subject to a conservation easement with appropriate land compensation for the site.

Previous Actions:

January 6, 2022 The Commission requested that IID provide a third-party appraisal of the Managed Marsh land (currently owned by IID). IID indicated at previous QSA JPA meetings that an updated appraisal could cost at least \$50,000, the availability of appraisers familiar with local land costs is limited, and as an alternative, IID staff could update the appraisal and hire an independent consultant to review at a much lower cost.

June 6, 2022 IID reported to the Commission that it had hired an independent consultant for a restricted appraisal report of the site at a cost of \$2,500.

September 7, 2022 IID reported to the Commission that the consultant had completed its report (Enclosure 1) but inadvertently excluded the value of land underlying Phase 3 of the Managed Marsh areas. As proposed by IID, the Commission agreed that the final land value would be determined by applying the appraised price per acre to the total project acreage (Phases 1, 2, and 3). A map of the Managed Marsh areas is included as Enclosure 2.

Discussion:

Per Section 10.3 of the QSA JPA Creation and Funding Agreement (JPA Agreement), the QSA JPA is authorized to reimburse the QSA JPA parties for direct environmental mitigation costs, including for real property and contractors, provided the costs are listed in a Commission-adopted budget. Using the approach approved by the Commission for land valuation, the total value for the Managed Marsh land (all three phases) is \$9,685,748.37 (appraised price per acre (\$6,807, as provided in Enclosure 1) x total project acreage (up to 1,422.91 acres, as shown in Enclosure 2). Adding to that the cost for the independent consultant of \$2,500, the total reimbursable cost to IID is up to \$9,688,248.37.

The Commission adopted the FY 2023 Budget in the amount of \$15,379,280 on June 6, 2022. The Managed Marsh land valuation was not complete at that time and the budget did not include funds to cover the cost of the land or independent consultant. At this time, the next step would be for the Commission to approve the appraised value of the land (up to \$9,685,748.37) and adopt the proposed amended FY 2023 Budget (Enclosure 3) to provide funding to reimburse IID for the value of the managed marsh land and provide reimbursement for the independent consultant. These expenses are included as two new budget line items in Table 7: Task 8A, reimbursement to IID for the appraised value of the Managed Marsh land (up to \$9,685,748.37), and Task 8B, reimbursement to IID for the independent consultant (\$2,500), for a total proposed budget increase of \$9,688,248.37.

If the proposed amended budget is adopted, IID will submit a cost report consistent with the reimbursement of direct costs procedures (Enclosure 4) approved by the Commission on January 24, 2007.

Prepared by: Dennis Davis, Water Resources Specialist, San Diego County Water Authority

Reviewed by: Alexi Schnell, Chief Administrative Officer, QSA JPA

Reviewed by: Tina Shields, IID, Alternate Commissioner, QSA JPA

Reviewed by: Jeff Ferre, Legal Counsel, QSA JPA

Enclosures

1. Farm Credit West Restricted Appraisal Report, May 31, 2022
2. Managed Marsh Complex, Parcels Map, October 26, 2022
3. Proposed Amended FY 2023 Budget
4. Procedure for JPA Commission Budget Approval and Payment for Environmental Mitigation Costs

Enclosure 1

File #

27963

RESTRICTED APPRAISAL REPORT

Imperial Irrigation District

954.92 gross acres of irrigated cropland

Located at the Southwest and Northwest corner of Hwy 111 and McDonald Rd
Imperial County, California

Client/Intended User:

Ms. Linda Gallinat as the Client and as an Intended User
Imperial Irrigation District as an Intended User
Marsh JPA Partners as an Intended User

Completed By:

Todd Menvielle, Sr. Appraiser
Farm Credit West
2490 S. 5th Avenue
Yuma, AZ 85364

Effective Date:

05/31/22

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06/09/2022

Imperial Irrigation District
Ms. Linda Gallinat
333. E. Barioni Blvd
Imperial, CA 92251

RE: A Restricted Appraisal Report of 954.92 gross acres of irrigated cropland located at the northwest and southwest corners of Hwy 111 and McDonald Rd in Imperial County, California.

At your request, I have completed an analysis and restricted appraisal report of the above referenced real property. The appraisal states my opinion of the fee simple interest in the property utilizing the Hypothetical Condition that the subject is active farmland with typical improvements for similar farmland for the area. The subject's market value is also subject to the Assumptions and Limiting Conditions, described in the accompanying report. I have personally conducted the physical inspection and analysis that forms the basis of the appraisal. Included in the accompanying report are summaries describing the subject property, the area in which it is located, data secured in my investigation, and the processes used to arrive at my conclusion of market value.

The purpose of this appraisal report is to provide an estimated market value of fee simple market value of the property utilizing the previously described Hypothetical Condition. The effective date of this appraisal is May 31, 2022, which is also the inspection date of the property. The intended use of this report is for Land Value Reimbursement.

This Appraisal Report is intended to comply with the reporting requirements for a Restricted Appraisal Report set forth under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice (USPAP). The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated. The appraiser is not responsible for the unintended use of this report.

As summarized in the following report, it is my opinion the market value of the fee simple interest utilizing the Hypothetical Condition of the subject property as of May 31, 2022, subject to the Assumptions and Limiting Conditions is:

Six Million Five Hundred Thousand Dollars

\$6,500,000

Respectfully submitted,



Todd Menvielle
Sr. Appraiser
Farm Credit West
CA Certification # 3001276

Uniform Agricultural Appraisal Report

Property Identification

Owner/Occupant: Imperial Irrigation District	Total Deeded Acres: 954.92
Property Address: P Lateral., Gates 18, 20, 22 & O Lateral, Gates 19, 22, 24 & 25	Effective Unit Size: 866.39
State/County: CA / Imperial	Zip Code: 92257
Property Location: NW and SW corners of Hwy 111 and McDonald Rd	Property Code #: N/A
Highest & Best Use: Irrigated Cropland "As If" Vacant	FAMC Comd'ty Gp: N/A
Irrigated Cropland "As Improved"	Primary Land Type: Irrigated Cropland
Zoning: A-2G, A-2RG - Imperial County	Primary Commodity: Irrigated Cropland
Unit Type: <input type="checkbox"/> Economic Sized Unit <input checked="" type="checkbox"/> Supplemental/Add-On Unit	
FEMA Community # 060065 FEMA Map # 06025C0725C FEMA Zone/Date: Zone X / 9-26-08	
Legal Description: See addenda for legal description SEC 18, 16, 20, 21 TWP 11S RNG 14E Attached <input checked="" type="checkbox"/>	
Purpose of Report: Estimate the market value of the subject using a hypothetical condition the subject is irrigated farmland	
Use/Intended User(s): Land Value Reimbursement / Ms. Linda Gallinat, others at the Imperial Irrigation District & Marsh JPA Partners	
Rights Appraised: Fee Simple - surface rights encumbered by State, Co., Water District.	
Value Definition: Market Value - See definition page Attached <input checked="" type="checkbox"/>	
Assignment: See Scope of Work on next page Report Type: Restricted Appraisal Report	
Assessor Parcel Numbers Appraised: 021-310-004, 022-020-001, 021-300-016, 009, 022-010-004& 022-010-003	

Summary of Facts and Conclusions

Appraisal Report Summary

Date of Inspection: 05/31/22	Effective Date of Appraisal: 05/31/22	
Value Indication	- Cost Approach:	\$ N/A
	- Income Approach:	\$ 6,391,692
	- Sales Comparison Approach:	\$ 6,497,925
Opinion of Value:	(Estimated Marketing Time 3-6 months)	\$ 6,500,000
Cost of Repairs: \$	Cost of Additions: \$	
Allocation:	Land: \$ 6,500,000	\$ 6,807 / (100 %)
	Land Improvements: \$	\$ 0 / (0 %)
	Structural Improvement Contribution: \$	\$ 0 / (0 %)
	Non-Realty Items: \$	\$ 0 / (0 %)
Leased Fee Value (Remaining term of encumbrance)	\$	\$ 0 / (0 %)
Leasehold Value: \$		\$ 0 / (0 %)
	Overall Value: \$	\$ 6,807 / (100 %)
Income and Other Data Summary:	<input checked="" type="checkbox"/> Cash Rent <input type="checkbox"/> Share <input type="checkbox"/> Owner/Operator <input type="checkbox"/> FAMC Suppl. Attached	
Income Multiplier ()	Income Estimate: \$ 213.21 / Acre (unit)	
Expense Ratio 36.90 %	Expense Estimate: \$ 78.68 / Acre (unit)	
Overall Cap Rate: 2.01 %	Net Property Income: \$ 134.54 / Acre (unit)	

Area-Regional-Market Area Data and Trends:

	Above Avg.	Avg.	Below Avg.	N/A
Value Trend	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sales Activity Trend	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Property Compatibility	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Effective Purchase Power	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Demand	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Development Potential	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Desirability	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Subject Property Rating:

	Above Avg.	Avg.	Below Avg.	N/A
Location	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Soil Quality/Productivity	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Improvement Rating	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Compatibility	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rentability	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Market Appeal	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Overall Property Rating	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

APPROACHES TO VALUE & SCOPE OF WORK

Value Approaches Completed:

- ☐ **Cost Approach** - a set of procedures based on the premise that the informed purchaser will not pay more for a property than the cost of constructing an equally desirable substitute property minus applicable depreciation and assuming no undue delay. The process involves summation of each land type contribution plus the depreciated improvement contribution.
- ☒ **Income Approach** - a set of procedures in which the appraiser derives a value indication by comparing the subject's income-producing potential to the incomes produced by similar properties that have recently sold. There are two possible income procedures, i.e., income capitalization and yield capitalization. Most rural property valuations utilize direct capitalization where the value indication is calculated by dividing the net income by a market derived capitalization rate.
- ☒ **Sales Comparison Approach (Direct Sales Comparison)** - a set of procedures in which the appraiser derives a value by comparing the property appraised to similar properties that have recently sold, applying appropriate units of comparison, and making adjustments to the sale prices of comparable sales.

Explanation of Approaches Omitted:

All three approaches were considered but only the Income Approach and Sales Comparison Approach were completed. The Cost Approach was not completed due to the lack of structures on the properties.

SCOPE OF WORK

The scope of this restricted appraisal is to accurately collect, confirm, analyze, and report sufficient market data to enable the reader to readily follow logic of the appraiser in reaching a conclusion regarding the estimated values of the fee simple estate of subject while utilizing the hypothetical condition that the property is actively farmed. This report is intended to comply with the reporting requirements set forth under Standard Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for an Appraisal Report. As such, it might not include full discussions of the data, reasoning and analysis that was used in the appraisal process to develop the appraiser's opinion of value. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. Supporting documentation concerning the data, reasoning and analysis is retained in the appraiser's file.

During the appraisal process, I discussed closed sales, listings and value trends with market participants, appraiser, and other Farm Credit West employees in the subject's market area. The data used in this appraisal has been analyzed and confirmed whenever possible with parties directly involved in the transactions such as buyers, seller, brokers, or agents.

Pertinent subject property information was collected and obtained from appropriate governmental agencies and a personal physical site inspection. I personally inspected the subject property on 05/31/2022.

Personal property valuation is not part of this appraisal. The irrigation system infrastructure is considered inherent in the land value.

Per the clients request the subject is appraised with a Hypothetical Condition that the subject is actively farmed and has typical improvements as other farms in the area. The typical improvements are leveling for gravity flow irrigation, average quality concrete service ditches, underground tile, and a drain to an IID drainage ditch.

Gross acreage used in the appraisal were obtained from the Imperial County. The subject soil type was verified through the N.R.C.S. (Natural Resources Conservation Services). To obtain the subject estimated farmable acres a 2008 satellite image from the Imperial County GIS System was used. For this assignment I have elected to use the farmable acreage as the unit of comparison in lieu of gross acres to maintain consistency with other gathered data used in the analysis.

Appraiser Certification

I certify that, to the best of my knowledge and belief:

1. the statements of fact contained in this report are true and correct.
2. the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analysis, opinions, and conclusions.
3. I have ☒ no ☐ the specified present or prospective interest in the property that is the subject of this report and I have ☒ no ☐ the specified personal interest with respect to the parties involved.
4. I have performed ☒ no ☐ the specified services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. my engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. my compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
9. I ☒ have ☐ have not made a personal inspection of the property that is the subject of this report.
10. ☒ no one ☐ the specified persons provided significant real property appraisal assistance to the person signing this certification.

Effective Date of Appraisal: 05/31/22

Opinion of Value: \$ 6,500,000

Appraiser:

Signature: 

Property Inspection: ☒ Yes ☐ No
Inspection Date: 05/31/22

Name: Todd Menvielle
License #: CA# 3001276
Certification #:

Appraiser has ☒ inspected ☒ verified ☒ analyzed the sales contained herein.

Date Signed: 06/09/22

Assumptions and Limiting Conditions

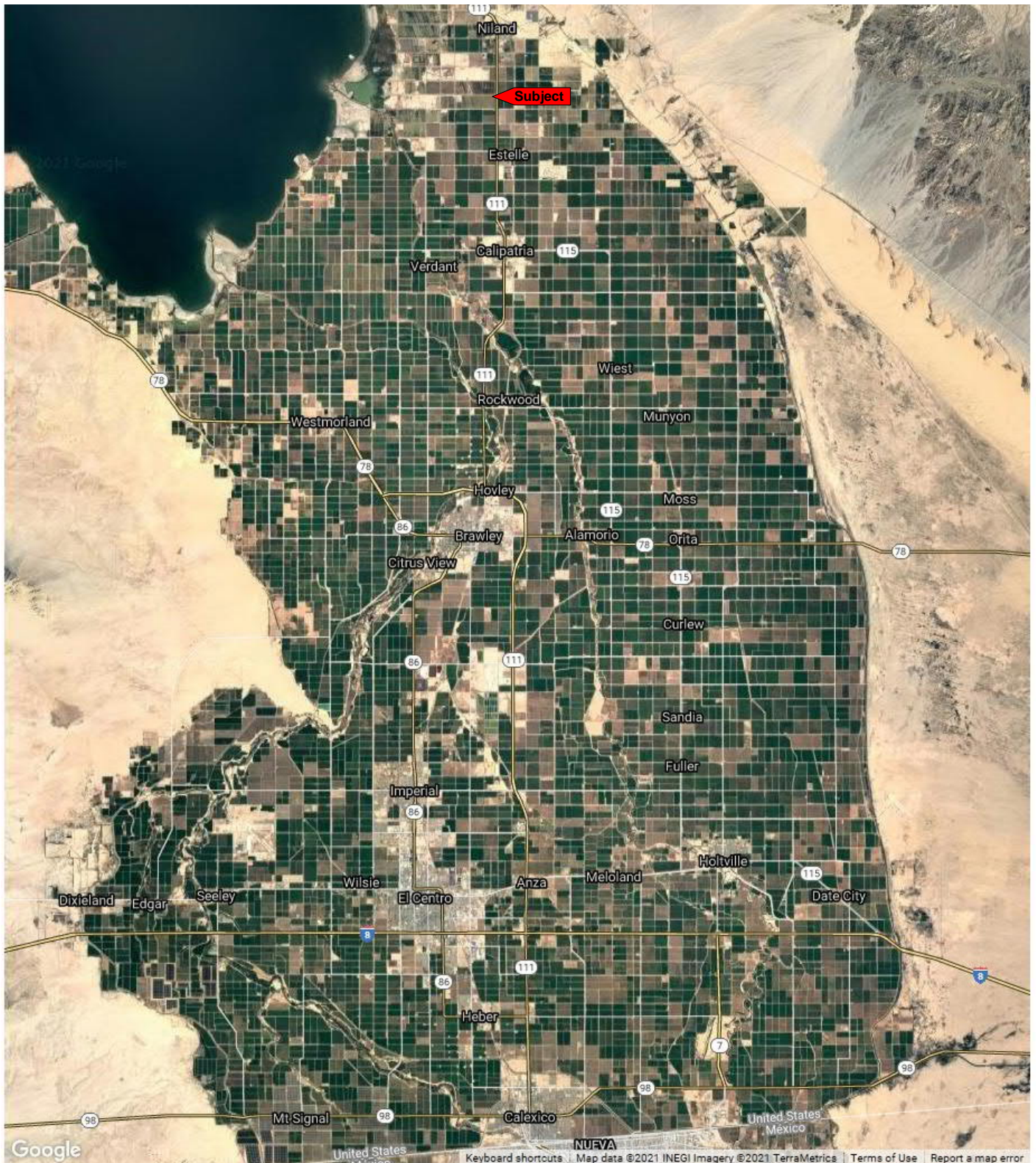
The certification of the Appraiser(s) appearing in the appraisal report is subject to the following conditions and to such other specific and limiting conditions as are set forth in the report.

1. The Appraiser(s) assume no responsibility for matters of a legal nature affecting the property appraised or the title thereto, nor does the Appraiser(s) render any opinion as to title, which is assumed to be good and marketable. The property is appraised as though under responsible ownership.
2. Sketches in the report may show approximate dimensions and are included only to assist the reader in visualizing the property. The Appraiser(s) have made no survey of the property. Drawings and/or plats are not represented as an engineer's work product, nor are they provided for legal reference.
3. The Appraiser(s) are not required to give testimony or appear in court because of having made the appraisal with reference to the property in question, unless arrangements have been previously made.
4. Any distribution of the valuation in the report applies only under the existing program of utilization. The separate valuations of components must not be used outside of this appraisal and are invalid if so used.
5. The Appraiser(s) have, in the process of exercising due diligence, requested, reviewed, and considered information provided by the ownership of the property and client, and the Appraiser(s) have relied on such information and assumes there are no hidden or unapparent conditions of the property, subsoil, or structures, which would render it more or less valuable. The Appraiser(s) assume no responsibility for such conditions, for engineering which might be required to discover such factors, or the cost of discovery or correction.
6. While the Appraiser(s) ☒ have ☐ have not inspected the subject property and ☒ have ☐ have not considered the information developed in the course of such inspection, together with the information provided by the ownership and client, the Appraiser(s) are not qualified to verify or detect the presence of hazardous substances by visual inspection or otherwise, nor qualified to determine the effect, if any, of known or unknown substances present. Unless otherwise stated, the final value conclusion is based on the subject property being free of hazardous waste contaminations, and it is specifically assumed that present and subsequent ownerships will exercise due diligence to ensure that the property does not become otherwise contaminated.
7. Information, estimates, and opinions furnished to the Appraiser(s), and contained in the report, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished the Appraiser(s) can be assumed by the Appraiser(s).
8. Unless specifically cited, no value has been allocated to mineral rights or deposits.
9. Water requirements and information provided has been relied on and, unless otherwise stated, it is assumed that:
 - a. All water rights to the property have been secured or perfected, that there are no adverse easements or encumbrances, and the property complies with Bureau of Reclamation or other state and federal agencies;
 - b. Irrigation and domestic water and drainage system components, including distribution equipment and piping, are real estate fixtures;
 - c. Any mobile surface piping or equipment essential for water distribution, recovery, or drainage is secured with the title to real estate; and
 - d. Title to all such property conveys with the land.
10. Disclosure of the contents of this report is governed by applicable law and/or by the Bylaws and Regulations of the professional appraisal organization(s) with which the Appraiser(s) are affiliated.
11. Neither all nor any part of the report, or copy thereof, shall be used for any purposes by anyone but the client specified in the report without the written consent of the Appraiser.
12. Where the appraisal conclusions are subject to satisfactory completion, repairs, or alterations, the appraisal report and value conclusion are contingent upon completion of the improvements in a workmanlike manner consistent with the plans, specifications and/or scope of work relied upon in the appraisal.
13. Acreage of land types and measurements of improvements are based on physical inspection of the subject property unless otherwise noted in this appraisal report.
14. EXCLUSIONS. The Appraiser(s) considered and used the three independent approaches to value (cost, income, and sales comparison) where applicable in valuing the resources of the subject property for determining a final value conclusion. Explanation for the exclusion of any of the three independent approaches to value in determining a final value conclusion has been disclosed in this report.
15. SCOPE OF WORK RULE. The scope of work was developed based on information from the client. This appraisal and report was prepared for the client, at their sole discretion, within the framework of the intended use. The use of the appraisal and report for any other purpose, or use by any party not identified as an intended user, is beyond the scope of work contemplated in the appraisal, and does not create an obligation for the Appraiser.
16. Acceptance of the report by the client constitutes acceptance of all assumptions and limiting conditions contained in the report.
17. Other Contingent and Limiting Conditions:

Per the clients request the subject is appraised with a Hypothetical Condition that the subject is actively farmed and has typical improvements as other farms in the area. The typical improvements are leveling for gravity flow irrigation, average quality concrete service ditches, underground tile, and a drain to an IID drainage ditch.

LAND TRENDS & PROPERTY DESCRIPTION

Subject Location Map



MARKET AREA DESCRIPTION

Competitive Market Area:

Irrigated farmland of similar quality within the Imperial Irrigation District in Imperial County, CA.

Property Types, Commodities, & Operating Arrangements:

The top ten commodities in Imperial in 2020 were Cattle, Alfalfa, Leaf Lettuce, Sweet Corn, Bermuda Grass, Romaine Lettuce, Carrots, sugar Beets, Head Lettuce, and Broccoli. A Large variety of other crops are also grown.

Open irrigated farmland in the Imperial Valley is owner operated and leased to area farmers by absentee landowners. Typical rental agreements are cash rents.

Impact of Non-Ag Influences: Non-ag development is a long-term proposition at this point.

Economic Base Change:

Currently agriculture, near term change is unlikely.

Market Area Summary

	Up	Stable	Down
Population Trend:	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Employment Trend:	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Competitive Demand:	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Buyer Purchase Power:	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Sales Volume Trend:	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Demand for Competitive/Alternative Types

	Under Supply	Balanced	Over Supply	No Infl.
Irrigated Cropland	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Residential	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Commercial	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Industrial	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Identify Positive & Negative Social, Economic, Governmental, & Environmental Influences:

Imperial County's economy is based largely on agriculture, with contributions from government employment, mining, manufacturing, and trade related activities. The Ag Sector has traditionally employed slightly less than half of the County's labor force. Local and Federal Government agencies also play a significant role in the non-farm economy. The proximity of the county to Mexico benefits the economy due to the manufacturing occurring in Mexicali, the capital of Baja California and Calexico's sister city. International trade continues to have a large influence on the Valley's economy. The development of minerals, i.e., gypsum and gold as well as natural resources like geothermal, solar and lithium offers promise to the Valley for future growth in the industrial sector, although its overall impact is minimal. Electricity generation using solar power and various other natural resources are emerging as a potentially new segment of the Valley's natural resource economy.

Market participants in the Imperial Valley can be divided into four groups: 1) local farmers, 2) well established regional growers, 3) packers and shippers of winter vegetables and other produce and 4) the solar energy sector buying or leasing large blocks of land. The solar energy sector's participation in the market has declined. There have been no known recent new leases or purchases for solar farms.

Urban pressure in the Imperial Valley has not been a major factor on farmland values. Farmland values are based largely on their agricultural use. In general, any location advantage a parcel might enjoy is limited to specific situations where a property is within the immediate sphere of influence from a community or possibly meets the needs of a producer in a particular way.

Total gross production in the Imperial County in 2020 was \$2,264,270,000 an increase from 2019's gross value of \$2,015,843,000. This is an increase of .53%. Cattle was again ranked the number one commodity with a gross value of \$427,087,000 which is a decrease of 4.88% from 2019. The decrease was due to the decrease in market value for beef. Alfalfa remained the second highest commodity for the area. Sweet Corn had the largest increase moving from the number 16th to 4th.

There were 33,180 less total harvest acres in 2020 than in 2019. The largest decline was in vegetable and melon crops which were down 9% from the prior year. Of the vegetable and melon crops the largest decline was Head Lettuce which saw a 59% decrease or 8,118 acres. Watermelon was the second largest decrease, down 55% or 353 acres.

Imperial County's water source is the Colorado River, which is diverted at the Imperial Dam through the All-American Canal into Imperial County. All water rights are appurtenant to the land and cannot be sold separately from the land. The IID is managed by an elected board of directors who act as the fiduciary managers of the resource. The IID is a dependable source of reasonably priced water for area farms. Entitlement to Colorado River water is 3.1 million acre-feet, and the delivery of irrigation water is limited to beneficial use. The IID is in discussion to limit area farmers to a per acre allotment. The final plan has not been released, but it will most likely include a straight-line and historical use component. This plan is the same plan used in the past. The Imperial Irrigation District has historically stayed within their water allotment. Implementing a per acre water will have minimal effect on area farmer.

Water is supplied from the Colorado River, which serves approximately 40 million people and 6,300 square miles of farmland in the United States and Mexico. The current drought cycle has the possibility of having a very large, negative economic impact on the communities it serves. If the drought continues, water supplies could be reduced to some users. Fortunately, the Imperial Irrigation District has senior rights to Colorado River water, which places Imperial County in a more favorable position over junior lien holders if a reduction were to occur.

Imperial County has historically been a stable farming area with historically steady to slightly increasing land values and rental rates on tightly held land. Over the past couple years property values have pulled back from their highs but recent sales indicated farmland values may be stabilizing. The pullback can be attributed to a couple bad years of produce and forage crop markets and the extreme measures to stop the spread of COVID-19. As commodity prices improve and the economy fully opens, it is expected that land values and rents will stabilize.

OWNERSHIP & LEASE HISTORY/INCOME POTENTIAL/MARKETABILITY & RENTABILITY/MARKETING & EXPOSURE TIMES**Ownership History:**

The current vesting of the subject is Imperial Irrigation District, A California Irrigation District. The vesting of the property hasn't changed within the past three years. The property was not reported to be in escrow or listed for sale.

Lease History:

The subject is an average quality farm, able to support mainly forage crops. The subject has not been leased for many years.

Income Earning Potential:

The subject is an average quality farm and rentable. See the income approach for income and expenses of the subject.

Marketability and Rentability:

Below is the area description of farmland and the sales range for irrigated cropland within IID's service area. **The subject is considered an average quality farm.**

Good: capable of growing all crops grown in the Imperial Valley including vegetables. Prices for good quality land is stable to slightly increasing from the recent decline in prices. Since the beginning of 2021 to present the range of prices have been \$12,225 to \$15,915 per net acre. Rents are stable and remain within the \$400 to \$500 per net acre range. Most new leases for this quality of land would be in the \$400 to \$450 range.

Average: mainly able to support forage crops with some better-quality average ground able to support limited vegetables. This type of farmland is historically the most active of the three. Prices paid for this type of land has remained stable. The range of prices for this quality of land was \$6,780 to \$15,304. The sales price at the higher end of the range are influenced by potential future development or are located adjacent to a city. Most sales for this quality land center in the \$9,000 to \$12,000 per acre range. Rents are stable and remain within the \$200 to \$400 per net acre range.

Limited quality land: able to support forage crops. There have been few sales of limited quality land sales since 2021. Sales ranging from \$2,456 to \$5,487 per net acre. Rents for this quality of land is stable ranging from \$175 to \$250 per net acre.

Organic farmland rent: Decreasing and range in the \$450 to \$600 per net acre. Most new organic leases are in the \$450 to \$550. Some less adaptable organic ground in less desirable locations is being converted back to conventional ground. Organic farmland sales are limited. Historically organic ground does not sell for a premium, sales prices are similar to conventional farm ground.

There have been 12 closed sales and 1 known escrow in 2022. The sales that have occurred in 2022 fall within the range or slightly higher than the 2021's range of sales. In 2021 there were 42 sales an increase from 2020 (36 sales). In 2019 and 2018 there were 32 closed farm sales, down from 37 in 2017. 24 sales closed in 2016, 28 in 2015, 40 in 2014 and 46 in 2013.

Estimated Marketing Time:

Considering the current market forces and the typical period of market exposure that preceded closing in recent area sales, the anticipated marketing time of the subject property is 3 - 6 months.

Estimated Exposure Time:

Considering the subject's physical characteristics and the current state of the market, the estimated exposure time of the subject property is 3 - 6 months assuming a competitive listing price.

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Property Description: (Location, use and physical characteristics)

				Subject Description:	Above Avg.	Avg.	Below Avg.	N/A		
Land Use	Deeded Acres	Unit Type			Unit Size					
Class II				(0.0%)	Location	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Class III	866.39	acre		(90.7%)	Legal Access	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Class IV				(0.0%)	Physical Access	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Site				(0.0%)	Contiguity	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Ancillary Land	88.53	acre		(9.3%)	Shape/Ease Mgt.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
				(0.0%)	Adequacy Utilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
				(0.0%)	Services	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
				(0.0%)	Rentability	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
				(0.0%)	Compatibility	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
				(0.0%)	Market Appeal	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
				(0.0%)	FEMA Zone/Date	Zone X / 9-26-08				
Total Deeded Acres	954.92	Total Units	0.00	(100 %)	Building Location	No Buildings				
Climatic:	3	" Annual Precipitation	16	' to	22	' Elevation	350	Frost-Free Days		
Utilities:	IID	Water	No	Electric	Septic	Sewer	None	Gas	Mobile	Telephone
Distance To:	5 miles	Schools	15 miles	Hospital	5 Miles	Markets	2 miles	Major Hwy.	5 miles	Service Center

Comments

Currently the subject is a managed marsh consisting of six assessor parcels totaling 954.92 gross acres. The client has requested that the appraisal be based on a Hypothetical Condition that the subject is farmed with typical area farm improvements. I have utilized historical satellite images from the County GIS to determine the subject's tillable acres and layout of the fields. Using the Hypothetical Condition, the subject would be leveled into 7 regular shaped fields with average concrete service ditches and 866.39 tillable acres. Access to the subject is average via Hwy 111 a state-maintained paved road as well as via other graveled county-maintained roads. The subject is irrigated from the P Lateral, Gates 18, 20, 22 & the O Lateral, Gates 19, 22, 24 & 25 which are on-site head gates. See the plat map for location of the head gates, service ditches and field drains. The soils are 100% Class III and are considered average, capable of growing mainly forage crops. Surrounding properties are irrigated farms of similar quality and a rural residence.

The current drought cycle since 2000 on the Colorado water shed is having a very negative economic impact on the "lower priority" users in Central Arizona served by the Central Arizona Project (CAP). The U.S. Bureau of Reclamation declared the first ever "Tier 1" shortage for 2022 due to falling water levels in Lake Mead. CAP supplied districts in Central Arizona have had water deliveries cut forcing significant acres to be fallowed or to rely on pump-groundwater where available. There is a predicted high probability for a "Tier 2" shortage in the coming year. To date, the Imperial Irrigation District along with other districts with "higher priority" rights to Colorado River water have not been required to cut diversions/deliveries. Higher priority users like the IID will be some of the last users forced to cut their water diversions. Studies indicate the current drought cycle length exceeds any others noted in the last 1,200 years. If this drought cycle continues, additional system cuts will be required based on priority. Water quality and quantity is reasonable and dependable within the IID's area and there are no other irrigation water sources available to the subject. The current price of water is \$20.00/AF with a water availability charge of \$3.80 per gross acre per year and a \$1.29 TMDL charge per gross acre.

The IID is planning on implemented an equitable distribution plan to managing its 3.1-million-acre feet water allotment. The plan will have two components for determining each fields allotment and they are straight-line and historical use. Historical use is calculated using a ten-year average from 2003 - 2012, excluding high and low years. Historical use is capped at 5-acre feet. The straight-line is calculated by taking IID's total water apportioned to agriculture land less the historical use component and dividing the remaining amount equally among eligible acreage. Farmers with excess water are encouraged to turn the excess water to the water bank. If a farm requires additional water a farmer can requested it through the water bank. This plan is expected to be implemented in June of 2022 and be retroactive to January 2022. If an overrun was to occur in 2022, the overage will be covered through water the IID has stored in Lake Mead.

Nearly all farms in the area have underground drainage tile to help prevent the build-up of salts due to a high-water table. Runoff water from fields and underground tile lines flows into IID drainage canals then northwest to the Salton Sea. The IID is responsible for the off-farm drainage canals which is an extensive connected system of canals. The subject is tiled with spacing between 40' to 50'.

Easements/Encroachments: During the on-site inspection of the property nothing was noted that would negatively influence the value or prevent the subject from being salable. Noted easements are typical for the area, county roads and irrigation canals, etc. A preliminary title report was not provided for this assignment.

Hazards/Detriments: Hazards are typical of desert areas in Southern California. There are strong spring and fall winds, infrequent killing frosts and unseasonable or intense rainfalls, which may cause flooding or crop damage. Because of the warm climate, rapid build-up of harmful insects may also occur causing increased costs and damage to crops. The subject is typical of area farms.

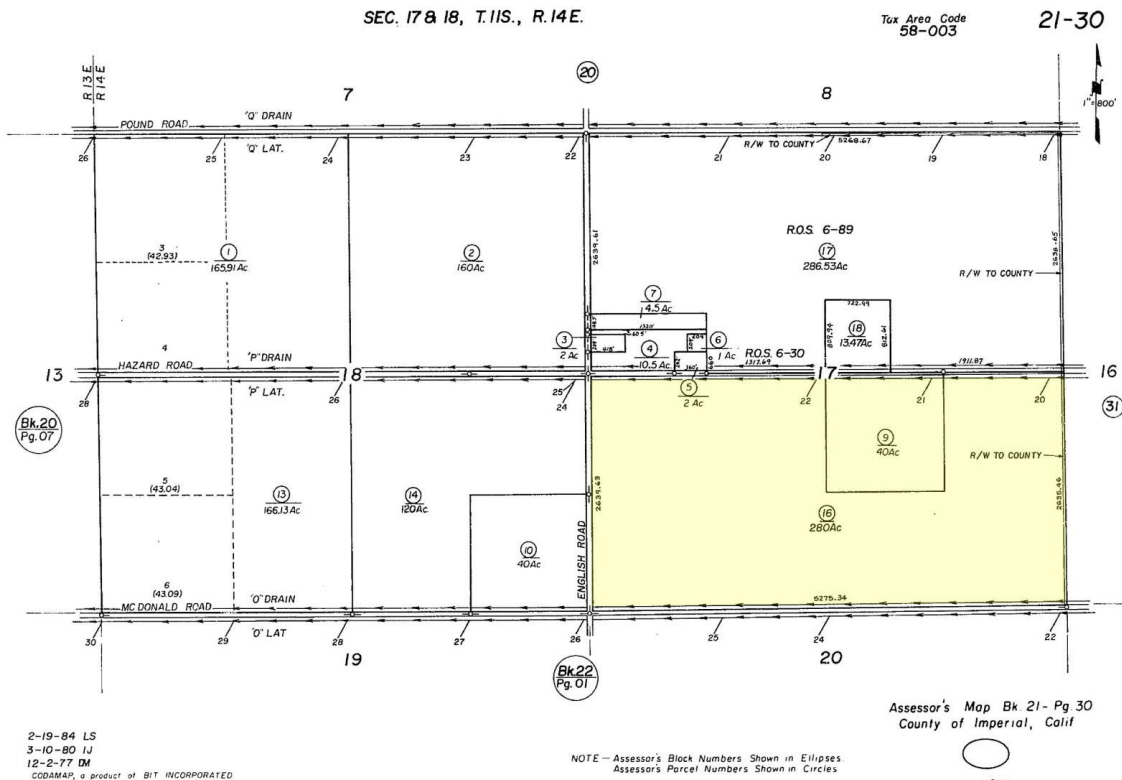
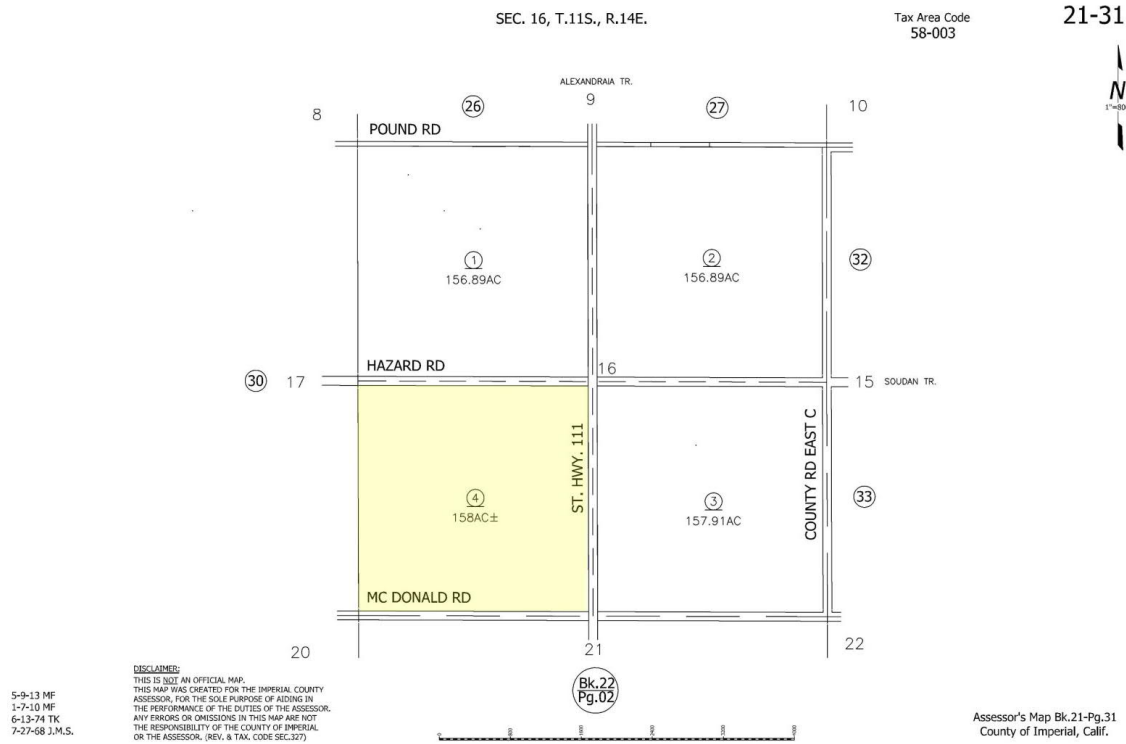
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Parcel Map

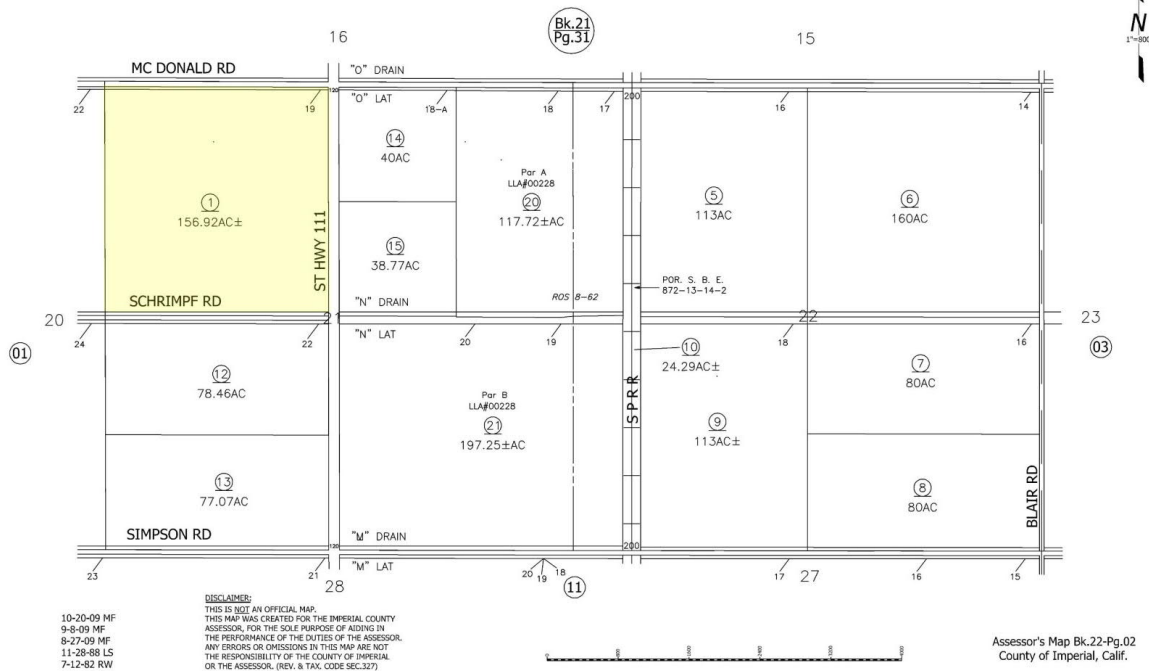


Parcel Map

SEC. 21 & 22, T.11S., R.14E

Tax Area Code
58-003

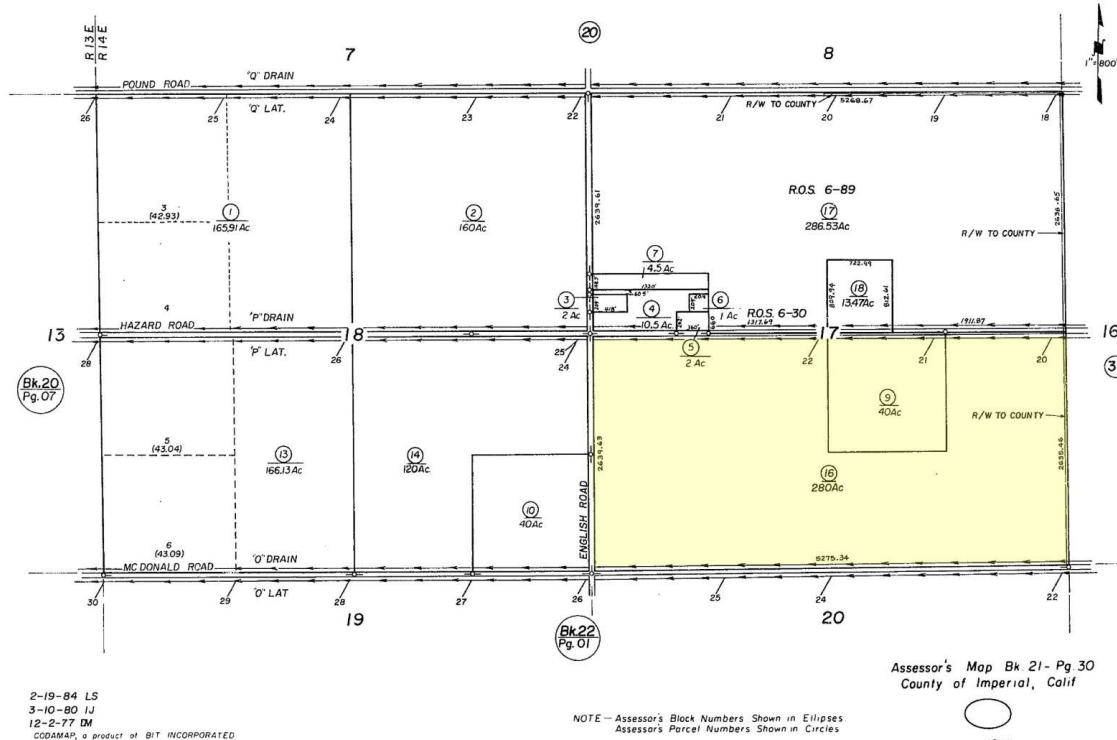
22-02



SEC. 17 & 18, T.11S., R.14E.

Tax Area Code
58-003

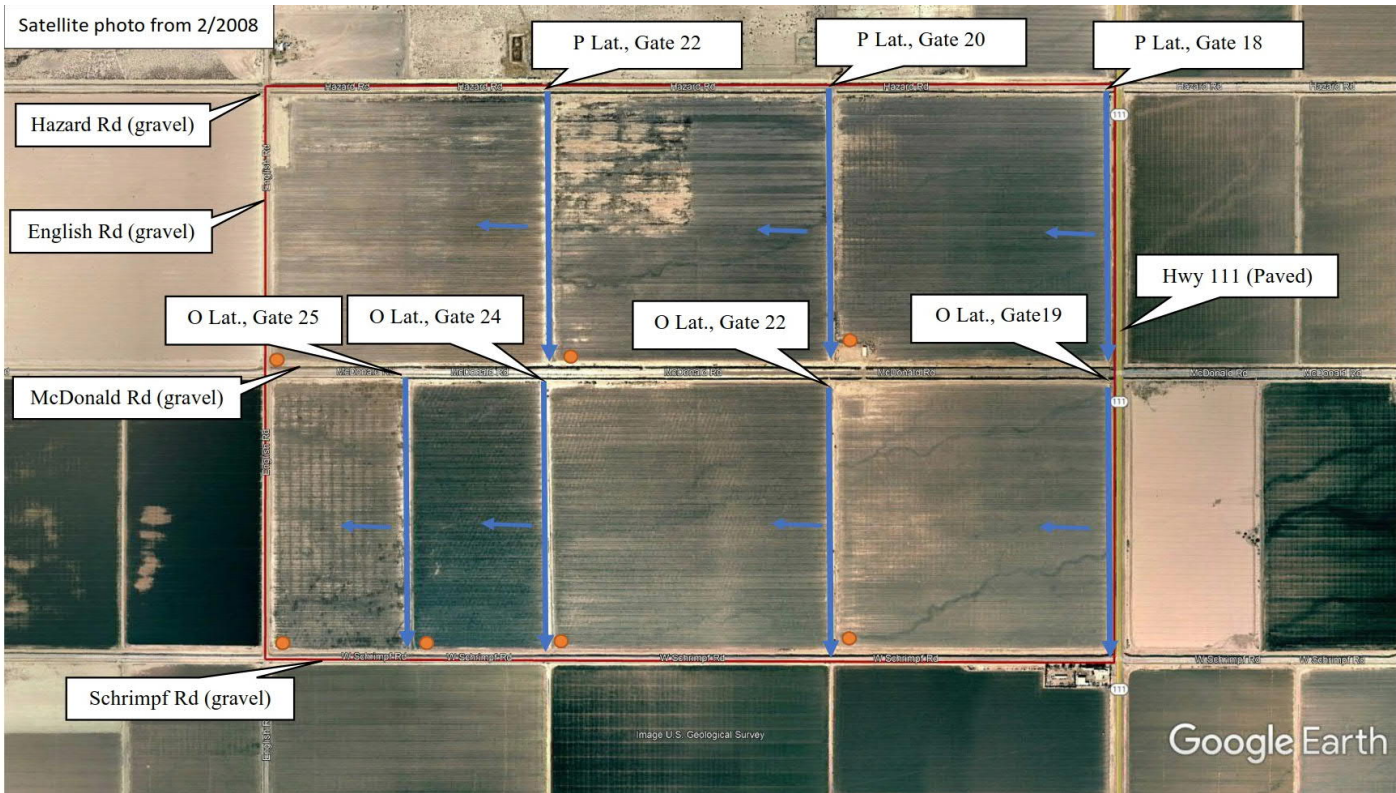
21-30



Assessor's Map Bk. 21- Pg. 30
County of Imperial, Calif

NOTE — Assessor's Block Numbers Shown in Ellipses
Assessor's Parcel Numbers Shown in Circles

Plat Map



Photos



Northeast corner of subject looking south along it's eastern boundary. Hwy 111 to the left subject to the right.



Northeast corner of subject looking west along it's northern boundary. Subject is on the left.



P Lateral, Gate 18



P Lateral, Gate 20



P Lateral, Gate 22



Northwest corner of subject looking north along it's western boundary. Graveled English road on right subject on left.

Photos



O Lateral, Gate 19



O Lateral, Gate 22



O Lateral, Gate 24



O Lateral, Gate 25



Western Boundary of the subject looking east down McDonald Rd. Subject is left and right of the graveled road.



Southeast corner of the subject looking north along it's eastern boundary. Hwy 111 is to the right subject to the left.

HIGHEST & BEST USE**Taxes**

Assessment Year: N/A Deeded Acres: 954.92

Total**\$/Acre**

Assessed Value: N/A

Current Tax: N/A

Stabilized Tax: N/A

Zoning

Current Use: Agricultural

Zoning: A-2G, A-2RG - Imperial County

Land in Transition: Unlikely

40 acres minimum with the purpose to designate areas suitable and intended primarily for agricultural use.

Highest & Best Use As Vacant or As if Vacant: Irrigated Cropland**Current Use:** Managed Marsh - At the clients request a hypothetical condition is used that the subject is an irrigated farm with typical improvements.

Legally Permissible: The subject is zoned A-2G & A-2RG by Imperial County. The districts is intended to conserve and preserve farms and agricultural related resources. Rural home (one per parcel), farm related buildings, and geothermal are allowed within these zones just to name a few legally permissible uses. The use as irrigated farmland follows the zoning designations. **Physically Possible:** The subject is in a rural area surrounded by agricultural uses. The subject has the needed irrigation improvements, leveling, water supply and legal access for its current use as irrigated farmland. The soils are considered average, able to support mainly forage crops. The subject's soils are also able to support structures permitted in these zoning designations. **Financially Feasible:** Presently, there is little demand for immediate or near-term non-agricultural development. Similarly located sales noted later in the report support the conclusion that irrigated crop production is the most profitable uses of the property. **Maximally Productive:** Of the legally permissible, physically possible, and financially feasible uses for the subject parcel, there is one primary demand source for land in this area and that is continued use as Irrigated Cropland.

Highest & Best Use As Improved: Irrigated Cropland

There are no structures on the subject, the Highest and Best Use as improved is the same as if vacant.

Highest & Best Use Conclusion: Irrigated Cropland

APPROACHES TO VALUE

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File #

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Income Approach

Gross Income Estimate	Basis of Income Estimate: Cash <input checked="" type="checkbox"/> Share <input type="checkbox"/> Owner/Operator <input type="checkbox"/> FAMC <input type="checkbox"/> See Attached								
	Income Source	Units	Unit Measure	Stabilized Yield	Total Production		Cash/Share/Owner's Income		
					Stabilized \$/Unit	Gross Income	Share %	Income	
	Cash Rent	866.39	acre		\$ 235.00	\$ 203,602		\$ 203,602	
					\$	\$		\$	
					\$	\$		\$	
					\$	\$		\$	
					\$	\$		\$	
					\$	\$		\$	
					\$	\$		\$	
<input type="checkbox"/> Improvements Included in Land Rent Rent: \$ _____ /mo., \$ _____ /yr.				Stabilized Gross Income = \$ 203,602					
Comments: <i>(Typical area rental terms and conditions)</i> Rental rates vary greatly depending on location, quality, and condition of the ground and length of the lease. Vegetable ground rents range from \$400 to \$500 per acre and alfalfa & sugar beet ground rents range from \$175 to \$400 per net acre. Organic ground rents are in the \$450 to \$550 per net acre range depending on the adaptability of the ground. Typical lease terms are four years for most alfalfa/beet leases. Vegetable ground rents can be negotiated year to year depending on the strength of the lessee/lessor. The subject is an average quality farm and is able to support mostly forage crops. Utilizing the hypothetical condition that the property is farmed and rented, I estimate the market rent would be \$235 per acre. Taxes shown were adjusted to reflect 1.1% of the appraised value based on the sales comparison approach and the water availability charge is \$3.80 per gross acre.									
Expenses	Expense Items:		Additional Expenses:		Additional Expenses:		Additional Expenses:		
	Real Estate Tax \$	71,500	IID	\$ 3,629		\$		\$	
	Insurance	\$		\$		\$		\$	
	Maintenance	\$		\$		\$		\$	
	Management	\$		\$		\$		\$	
		\$		\$		\$		\$	
					Total Expenses = \$ 75,129 (36.90 %)				
Cap Rate Info	Sale	Date	Size	Impvt %	Gross Income	Exp. Ratio	Net Income	CEV Price	Cap Rate
	1	07/21	230		36,680	36.88 %	23,154	1,150,000	2.01 %
	2	10/19	77		14,041	35.38 %	9,073	425,000	2.13 %
	3	03/20	78		26,783	23.71 %	20,433	550,000	3.72 %
	4	10/21	186		36,923	46.46 %	19,770	1,495,000	1.32 %
	5	02/22	205		48,450	35.08 %	31,454	1,475,000	2.13 %
						%			%
Analysis/Comments: The expense ratios from the above comparable sales range from 23.71% to 46.46% with 36.90% being the estimated expense ratio for subject property. Expenses include estimated real estate taxes and water availability charges for both the subject and comparable sales. Either actual or estimated cash rents were allocated to the comparable sales and subject. Capitalization rates of the comparable sales range from 1.32% to 3.72% indicating a value range by the Income Approach of \$3,453,575 to \$9,732,803. Focusing on sales 1 which has the most similar expense ratios to the subject, I have chosen to use a capitalization rate of 2.01% to calculate the fee simple market value of the subject as of May 31, 2022, of \$6,391,692.									
Total Deeded Acres: 954.92					Net Income / Cap Rate = Indicated Value \$ 128,473 / 2.0100 % = \$ 6,391,692				
Gross Income: \$ 203,602 = \$ 213.21 / Acre									
Expenses: (\$ 75,129) = \$ 78.68 / Acre									
Net Income: \$ 128,473 = \$ 134.54 / Acre					Income Approach Indication = \$ 6,391,692				

Sales Comparison Approach (1-5)

Sale Data	Sale Data	Subject	Sale #1 d006	Sale #2 d005	Sale #3 d020	Sale #4 d018	Sale #5 d023
	Grantor (Seller)		Singh Family Trust	Strandlund Trust	Esquer, Ramona	IID	Callens Et al
	Grantee (Buyer)		Genus LP	Genus LP	GM Gabrych Family LP	Wiest Family Trust	P R Propertu Holdings
	Source		Public Record.	Public Rec. / Realtor	Public Rec.	Buyer / Public Record	Seller / Public Rec.
	Date	Eff 05/22	07/21	10/19	03/20	10/21	02/22
	Eff Unit Size/Unit	866.39 / NAC	210	74	68	164	190
	Sale Price		1,150,000	425,000	550,000	1,495,000	1,475,000
	Finance Adjusted						
	CEV Price		1,150,000	425,000	550,000	1,495,000	1,475,000
	Multiplier						
	Expense Ratio		36.88	35.38	23.71	46.46	35.08

The Appraiser has cited sales of similar property to the subject and considered these in the market analysis. The description below includes a dollar adjustment reflecting market reaction to those items of significant variation between the subject and the sales documented. When significant items are superior to the property appraised, a negative adjustment is applied. If the item is inferior, a positive adjustment is applied. Thus, each sale is adjusted for the measurable dissimilarities and each sale producing a separate value indication. The indications from each sale are then reconciled into one indication of value for this approach.

CEV Price/ NAC		5,486.64	5,751.01	8,064.52	9,110.30	7,763.16
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LAND AND IMPROVEMENT ADJUSTMENTS

Land Adjustment		0.00	0.00	0.00	0.00	0.00
Impvt. Adjustment		0.00	0.00	0.00	0.00	0.00
Adjusted Price		5,486.64	5,751.01	8,064.52	9,110.30	7,763.16

TIME ADJUSTMENTS

<input type="checkbox"/> Yr	<input checked="" type="checkbox"/> Mo	Periods	10	31	26	7	3
<input type="checkbox"/> Smpl	<input checked="" type="checkbox"/> Cmp	Rate					
<input checked="" type="checkbox"/> Auto	<input type="checkbox"/> Man	Time Adjustment	0.00	0.00	0.00	0.00	0.00
		Time Adj. Price	5,486.64	5,751.01	8,064.52	9,110.30	7,763.16

OTHER ADJUSTMENTS

Soil Class / Quality	92% 114 / 8% 115	83% 114 / 17% 115	75% 114 / 25% 115	87% 114 / 13% 115	91% 114 / 9% 115	60% 114/15%115/25% 122
	Adjustment	Inf. (+, +) Weak W 1/2	Similar	Similar	Similar	Superior (-)
Access / Location	Paved / Niland	Paved / Calip.	Paved / Niland	Paved / Niland	Paved / Niland	Paved / Brawley
	Adjustment	Similar	Similar	Similar	Similar	Similar / Sup. (-)
Size	866.39 Acres	210 Acres	74 Acres	68 Acres	164 Acres	190 Acres
	Adjustment	Superior (-)	Superior (-)	Superior (-)	Superior (-)	Superior (-)
Underground Tile	Yes	Yes	No	Yes	Yes	Yes
	Adjustment	Similar	Inferior (+)	Similar	Similar	Similar
Service Ditch/Structures	Paved / No	Concrete / No	Concrete Shared / No	Concrete / Yes	Concrete / No	Concrete & Dirt / No
	Adjustment	Similar / Similar	Inf. (+) / Similar	Similar / Sup. (-)	Similar / Similar	Inf. (+) / Similar
Net Adjustments		0	0	0	0	0
ADJUSTED PRICE		5,487 (+)	5,751 (+)	8,065 (-)	9,110 (-)	7,763 (-)

Analysis/Comments: (Discuss positive and negative aspects of each sale as they affect value)

For this analysis five sales and one listing were chosen. The sales were chosen from slightly larger pool and given precedence due to age, location, and amenities. A qualitative analysis was used for all adjustments. Adjustments were made for soil class / quality, access, location, size, underground tile, service ditches and structures. All other characteristics were taken into consideration but are considered similar with no adjustments needed. The value range of the comparable sales is \$5,487 to \$9,110 per n/acre. Sales 3, 4, 5 the listing sale 6 adjusts to be superior to the subject suggesting a market value of less than \$7,763 to \$9,110 per n/acre. Sales 1 & 2 adjust to be inferior to the subject suggesting a market value of more than \$5,487 and \$5,751 per net acre. Focusing on sales 3 & 5, I estimate the market value of the subject as-of May 31, 2022, is \$6,497,925.

Sales Comparison Approach Summary:

Property Basis (Value Range): \$ 5,487.00 to \$ 9,110.00
Unit Basis: \$ 7,500.00 / X 866.39 NAC = \$ 6,497,925.00
Multiplier Basis: \$ X (multiple) = \$

Sales Comparison Indication:

\$ 6,497,925

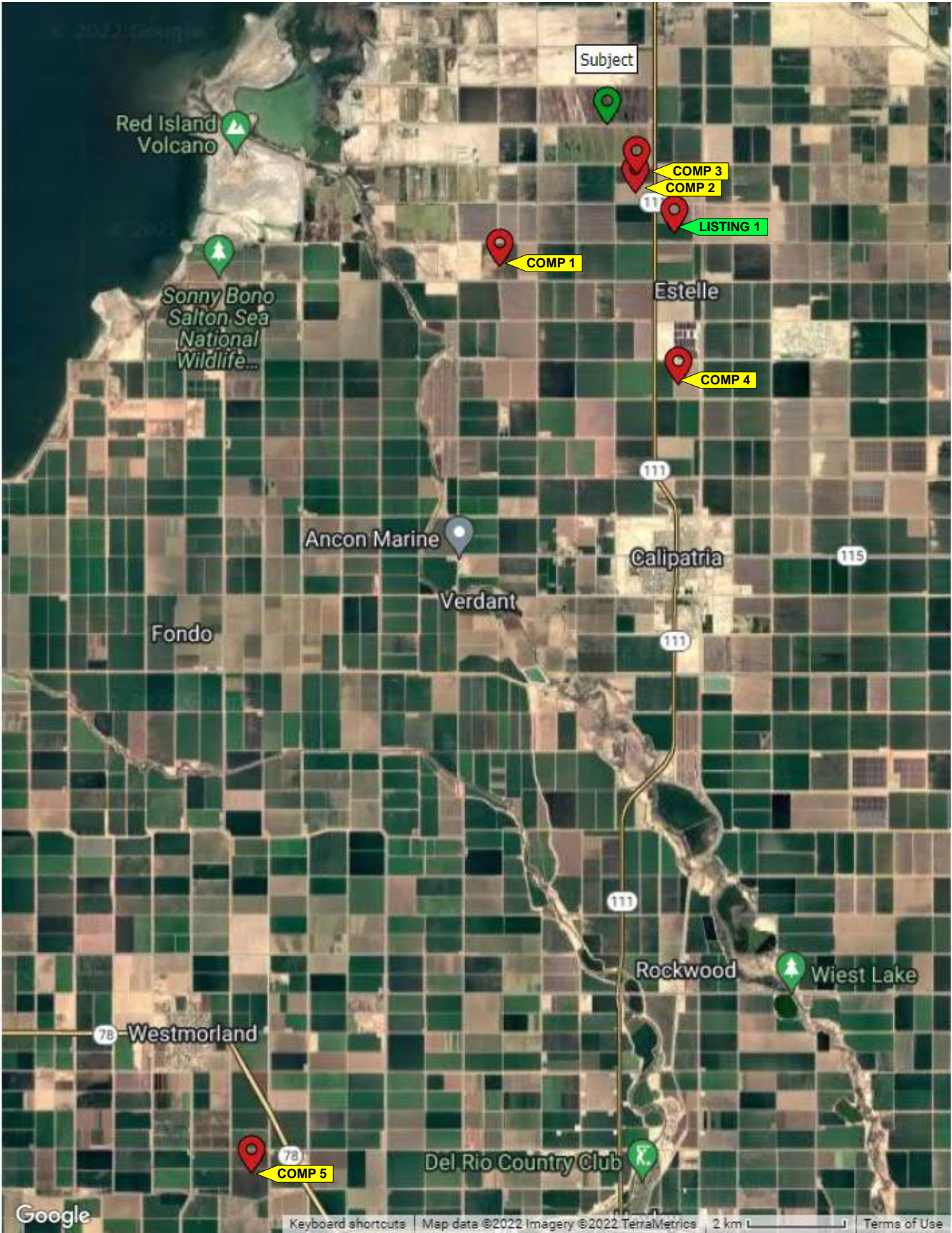
Sales Comparison Approach (6-10)

Sale Data	Sale Data	Subject	Sale #6 d024	Sale #7	Sale #8	Sale #9	Sale #10
	Grantor (Seller)		Nemlowill, Annanell				
	Grantee (Buyer)		Listing				
	Source		Realtor				
	Date	Eff. 05/22					
	Eff. Unit Size/Units	866.39 / NAC	73				
	Sale Price		575,000				
	Finance Adjusted						
	CEV Price		575,000				
	Multiplier						
Expense Ratio		94.22					
<p>The Appraiser has cited sales of similar property to the subject and considered these in the market analysis. The description below includes a dollar adjustment reflecting market reaction to those items of significant variation between the subject and the sales documented. When significant items are superior to the property appraised, a negative adjustment is applied. If the item is inferior, a positive adjustment is applied. Thus, each sale is adjusted for the measurable dissimilarities and each sale producing a separate value indication. The indications from each sale are then reconciled into one indication of value for this approach.</p>							
CEV Price/ NAC			7,920.11				
LAND AND IMPROVEMENT ADJUSTMENTS							
Land Adjustment							
Impvt. Adjustment							
Adjusted Price			7,920.11				
TIME ADJUSTMENTS							
<input type="checkbox"/>	Yr.	<input checked="" type="checkbox"/>	Mo.	Periods	Listing (-)		
<input type="checkbox"/>	Smpl	<input checked="" type="checkbox"/>	Cmp.	Rate			
<input checked="" type="checkbox"/>	Auto.	<input type="checkbox"/>	Man.	Time Adjustment	0.00		
				Time Adj. Price	7,920.11		
OTHER ADJUSTMENTS							
Soil Class / Quality		92% 114 / 8% 115	60% 114 / 40% 115				
		Adjustment	Superior (-)				
Access / Location		Paved / Niland	Paved / Niland				
		Adjustment	Similar				
Size		866.39 Acres	73 Acres				
		Adjustment	Superior (-)				
Underground Tile		Yes	Yes				
		Adjustment	Similar				
Service Ditch/Structures		Paved / No	Dirt / Yes (No Value)				
		Adjustment	Inferior (+) / Similar				
Net Adjustments			0	0	0	0	0
ADJUSTED PRICE			7,920 (-)	0	0	0	0

Analysis/Comments: (Discuss positive and negative aspects of each sale as they affect value)

See previous page for comments.

Comparable Sales Location Map



Reconciliation and Opinion of Value

Summary

Cost Approach _____	\$	N/A
Income Approach _____	\$	6,391,692
Sales Comparison Approach _____	\$	6,497,925

Discussion & Correlation of Values

Analysis of Each Approach and Opinion of Value: The cost approach was not completed for reasons previously stated. The sales comparison and income approaches to values were both completed. After considering both approaches all weight was given to the sales comparison approach with support from the Income Approach. The sales comparison approach is typically emphasized by market participants when considering the property they are purchasing. Therefore, it is my opinion utilizing the Hypothetical Condition that subject is actively farmed that the fee simple market value of the subject as-of May 31, 2022, is \$6,500,000.

Allocation of Value

Opinion Of Value -	(Estimated Marketing Time	3-6	months, see attached)	\$	6,500,000
Cost of Repairs	\$	_____			
Cost of Additions	\$	_____			
Allocation:	(Total Deeded Units: 954.92)	Land:	\$ 6,500,000	\$ 6,807	/ (100 %)
		Land Improvements:	\$ _____	\$ 0	/ (0 %)
		Structural Improvement Contribution:	\$ _____	\$ 0	/ (0 %)
Value Estimate of Non-Realty Items:					
	Value of Personal Property (local market basis)	\$	_____		
	Value of Other Non-Realty Interests:	\$	_____		
	Non-Realty Items:	\$	_____	\$ 0	/ (0 %)
Leased Fee Value (Remaining Term of Encumbrance)	\$	_____	\$ 0	/ (0 %)
Leasehold Value	_____	\$	_____	\$ 0	/ (0 %)
Overall Value	_____	\$	6,500,000	\$ 6,807	/ (100 %)

Sales Data

Farm Credit West

UAAR®

File #

27963

Index #	11001	Database #	6	Sale #	1
Grantor	Singh Family Trust	Sales Price	1,150,000	Property Type	Cropland
Grantee	Genus LP	Other Contrib.		Primary Land Use	Irrigated Cropland
Deeded Acres	230.41	Net Sale Price	1,150,000	APN	See Below
Sale Date/DOM	07/30/21 /	\$/Deeded Acre	4,991.10	Recording Date	07/30/2021
Prior Sale Date		Financing		Interest Transferred	Fee Simple
Prior CEV Price		% Fin. Adj.		Marketing Time	Not Marketed
Analysis Code	menviet	CEV Price	1,150,000	Zoning	A2-RG
Source	Public Record.	SCA Unit Type	Acre	Flood Zone	Zone X
Motivation	Typical	Eff. Unit Size	209.60	Irrig. Dist. or Wells	Imperial ID
Highest & Best Use	Agricultural	SCA \$/Unit	5,486.64	Irrigation Method	Flood
Address		Multiplier Unit		Adaptability	Limited
City		Multiplier No.			
County	Imperial	Legal Access	County		
State/Zip	CA /	Physical Access	Paved		
Region/Area/Zone	/ /	View		Tax ID/Recording	21-019201 / 21-019202
Location	Calipatria	Utilities	None	Sec/Twp/Rge	/ /
Legal Description: APN: 022-100-012, 013					
Location: North of Sinclair Rd, 1/4 mile west of English Rd.					
Legal Description: PAR 2 PM 2056 OF S2 SEC 30 11-14 151.48AC; PAR 3 PM 2056 OF S2 SEC 30 11-14 78.93AC					

Land-Mix Analysis

Land Use	Ratios	Acres	\$/Acre	Unit Size	Unit Type	\$/Unit	Total Unit Value
Class II	100 %	Ac.	5,486.64		X \$	= \$	
Class III	100 %	209.60 Ac.	5,486.64		X \$	= \$	1,150,000
Class IV	100 %	Ac.	5,486.64		X \$	= \$	
Site	100 %	Ac.	5,486.64		X \$	= \$	
Ancillary Land	0 %	20.81 Ac.			X \$	= \$	
	%	Ac.			X \$	= \$	
	%	Ac.			X \$	= \$	
	%	Ac.			X \$	= \$	
	%	Ac.			X \$	= \$	
	%	Ac.			X \$	= \$	
Totals		230.41 Ac.	4,991.10		X \$	= \$	1,150,000
CEV Price \$	1,150,000	- Land Contribution \$	1,150,000	= Improvement Contribution \$			

Cost and Depreciation Summary

Physical Depreciation	%	Functional Obsolescence	%	External Obsolescence	%	Total Depreciation	%
Total RCN \$		Total Improvement Contribution: \$		Improvement As % of Price			%

Income Summary

Summary	Total Expenses	13,526	/ Stabilized G.I.	36,680	= Expense Ratio	36.88 %	Total Expenses = \$	13,526
	Net Income	23,154	/ CEV Price	1,150,000	= Cap Rate	2.01 %	Net Income = \$	23,154

Comments	A two-assessor parcel leveled into two regular shaped fields containing 230.41 gross acres and 209.6 net farmable acres. Subject lies north of Sinclair Rd, 1/4 mile west of English Rd. Access is average via both county-maintained paved and graveled roads. Water is delivered from the L Lateral, Gates 31 & 32. From the head gates irrigation water flows south into average quality service ditch irrigating the fields in a westerly direction. The subject has underground tile line. There issue and issue preventing the west half of L 32 to support a crop. Power line run north and south through the middle of L 32. Buyer is and an out-of-town investor who owns other property in the area.	
	Soils are 100% class III soils and are considered limited, capable of supporting a limited variety of crops. West half of the west field is weak with a large portion unable to support a consistent stand.	
	83% 114 / 17% 115	

Farm Credit West

UAAR®

File #

27963

Index #	9505	Database #	5	Sale #	2
Grantor	Strandlund Trust	Sales Price	425,000	Property Type	Cropland
Grantee	Genus LP	Other Contrib.		Primary Land Use	Irrigated Cropland
Deeded Acres	77.07	Net Sale Price	425,000	APN	See Below
Sale Date/DOM	10/10/19 /	\$/Deeded Acre	5,514.47	Recording Date	10/10/2019
Prior Sale Date		Financing		Interest Transferred	Fee Simple
Prior CEV Price		% Fin. Adj.		Marketing Time	4 Months
Analysis Code	menviet	CEV Price	425,000	Zoning	A-2G
Source	Public Rec. / Realtor	SCA Unit Type	Acre	Flood Zone	Zone X
Motivation	Typical	Eff. Unit Size	73.90	Irrig. Dist. or Wells	Imperial ID
Highest & Best Use	Agricultural	SCA \$/Unit	5,751.01	Irrigation Method	Flood
Address		Multiplier Unit			
City		Multiplier No.			
County	Imperial	Legal Access	Public		
State/Zip	CA /	Physical Access	Paved	Adaptability	Limited
Region/Area/Zone	/ /	View	none	Tax ID/Recording	19-020577
Location	Niland	Utilities	None	Sec/Twp/Rge	/ /
Legal Description: APN: 022-020-013					
Location: Northwest corner of Hwy 111 and Simpson Rd.					
Legal: S2 of SW4 SEC 21 11-14 77.07 Ac EXC POR in Hwy 111					

Land-Mix Analysis

Land Use	Ratios	Acres	\$/Acre	Unit Size	Unit Type	\$/Unit	Total Unit Value
Class II	100 %	Ac.	5,751.01		X \$	= \$	
Class III	100 %	73.90	Ac. 5,751.01		X \$	= \$	425,000
Class IV	100 %		Ac. 5,751.01		X \$	= \$	
Site	100 %		Ac. 5,751.01		X \$	= \$	
Ancillary Land	0 %	3.17	Ac.		X \$	= \$	
	%		Ac.		X \$	= \$	
	%		Ac.		X \$	= \$	
	%		Ac.		X \$	= \$	
	%		Ac.		X \$	= \$	
	%		Ac.		X \$	= \$	
Totals		77.07	Ac. 5,514.46		X \$	= \$	425,000
CEV Price \$	425,000	- Land Contribution \$	425,000	= Improvement Contribution \$			

Cost and Depreciation Summary

Physical Depreciation	%	Functional Obsolescence	%	External Obsolescence	%	Total Depreciation	%
Total RCN \$		Total Improvement Contribution: \$		Improvement As % of Price			%

Income Summary

Summary Total Expenses	4,968	/ Stabilized G.I.	14,041	= Expense Ratio	35.38 %	Total Expenses = \$	4,968
Net Income	9,073	/ CEV Price	425,000	= Cap Rate	2.13 %	Net Income = \$	9,073

A single County Assessor parcel leveled into one rectangular shaped field. The property is 77.07 gross acres of which 73.90 acres are farmable. The subject is located at the northwest corner of Simpson Rd and Highway 111 approximately 3 miles south of Niland. Access to the subject is from Highway 111 which is a State maintained paved road. The property receives irrigation water from the N Lateral, Gates 22 which is an off-site head gate located 1/4 mile north of the northeast corner of the subject. An easement is in place granting access to irrigation water. An easement is in place allowing tail water from the field north of the subject to cross the subject's western boundary to an IID drainage ditch. From the headgate water flows south into a concrete service ditch 1/4 mile before reaching the subject and irrigating the subject in a westerly direction on half mile runs. The subject's service ditch is in average condition and a community service ditch also used by the property north of the subject. The subject's drain box is located at the southwest corner of the field. This drain is also used by the field north of the subject. The field north of the subject utilizes an open drain running along the western boundary of the subject. The subject does not have underground tile lines, but no drainage issues or salt build-up were noted. The lack of underground tile may limit production of crops due to salt buildup.

Farm Credit West

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File #

27963

Index #	Database #	20	Sale #	3	
Grantor	Esquer, Ramona	Sales Price	550,000	Property Type	Cropland
Grantee	GM Gabrych Family LP	Other Contrib.		Primary Land Use	Irrigated Cropland
Deeded Acres	78.46	Net Sale Price	550,000	APN	See Below
Sale Date/DOM	03/10/20 /	\$/Deeded Acre	7,009.94	Recording Date	03/10/2020
Prior Sale Date		Financing		Interest Transferred	Fee Simple
Prior CEV Price		% Fin. Adj.		Marketing Time	Not Marketed
Analysis Code	menviet	CEV Price	550,000	Zoning	Agriculture
Source	Public Rec.	SCA Unit Type	Acre	Flood Zone	No
Motivation	Typical	Eff. Unit Size	68.20	Irrig. Dist. or Wells	Imperial ID
Highest & Best Use	Agricultural	SCA \$/Unit	8,064.52	Irrigation Method	Flood
Address		Multiplier Unit		Adaptability	Average
City		Multiplier No.			
County		Legal Access	Public		
State/Zip	CA /	Physical Access	Paved		
Region/Area/Zone	/ /	View		Tax ID/Recording	20-004582
Location	Niland	Utilities	Electric	Sec/Twp/Rge	/ /
Legal Description: APN: 022-020-012					
Location: Southwest Corner of Schrimpf Rd and Hwy 111					
Legal: N2 OF SW4 SEC 21 11-14 78.46 AC EXC POR IN HWY 111					

Land-Mix Analysis

Land Use	Ratios	Acres	\$/Acre	Unit Size	Unit Type	\$/Unit	Total Unit Value
Class II	100 %	Ac.	8,064.52		X \$	= \$	
Class III	100 %	65.70 Ac.	8,064.52		X \$	= \$	529,839
Class IV	100 %	Ac.	8,064.52		X \$	= \$	
Site	100 %	2.50 Ac.	8,064.52		X \$	= \$	20,161
Ancillary Land	0 %	10.26 Ac.			X \$	= \$	
	%	Ac.			X \$	= \$	
	%	Ac.			X \$	= \$	
	%	Ac.			X \$	= \$	
	%	Ac.			X \$	= \$	
	%	Ac.			X \$	= \$	
Totals		78.46 Ac.	7,009.94		X \$	= \$	550,000
CEV Price \$	550,000	- Land Contribution \$	550,000	= Improvement Contribution \$			

Cost and Depreciation Summary

Physical Depreciation	%	Functional Obsolescence	%	External Obsolescence	%	Total Depreciation	%
Total RCN \$		Total Improvement Contribution: \$		Improvement As % of Price			%

Income Summary

Summary	Total Expenses	6,350	/ Stabilized G.I.	26,783	= Expense Ratio	23.71 %	Total Expenses = \$	6,350
	Net Income	20,433	/ CEV Price	550,000	= Cap Rate	3.72 %	Net Income = \$	20,433

Comments	The subject is a rectangular shaped, one assessor parcel consisting of 78.46 gross acres with 68.20 effective acres. This ranch lies south of Niland, at the southwest corner of Hwy 111 and Schrimpf Rd. This ranch consists of 100% Class III soils and is considered average quality, capable of growing staple crops, mainly bermuda, wheat, alfalfa on beds and sudan. The field is irrigated from the N Lateral, Gates 22 which is located at the northeast corner of the subject. From the head gate water flows south into a concrete service ditch irrigating the subject in a westerly direction on 1/2 mile runs. The service ditch has been maintained and is in average condition. The subject contain a normal grid of underground drainage tile lines running in a north to south direction spaced 50' apart. The field drains to its southwest corner. Access is average via Hwy 111 and Schrimpf Rd. Located at the northeast corner of the subject is a residence, shop, and yard. Surrounding properties are mostly irrigated farms with a few rural residences.	
	Main House - This is a 2,028 square foot 2 bedroom, 1 bath house. The original house, 1,398 square feet, was constructed in the late 1960s and in 1991 a 630 square foot recreational room was constructed. The structure is a wood frame, wood siding dwelling on a concrete foundation with an asphalt singled roof. The structure is average quality, in average to fair condition. The interior was not inspected.	

Comments Continued

Detached Garage - 700 square foot garage with a storage room. The garage is wood framed with wood siding on a concrete foundation with an asphalt singled roof.

Studio Apartment - This is an 800 square foot studio apartment with 1 bath. The structure is a wood frame, wood siding dwelling on a concrete foundation with an asphalt singled roof. The structure is average quality, in average to good condition and has been well maintained, kitchen and bath are original to the structure.

Open Shop - This shop was originally built in 1991. The shop is a 1,450 square foot steel framed structure on a concrete foundation with steel gable siding on the south, west, and north sides, the east side of the shop is open. There is one roll up door on the west side of the shop. In the center of the shop there is a 10 x 15 enclosed storage area. Attached to the shop is 3,400 square feet of shades built in the late 1960s which is constructed of steel poles and a steel gable roof. On the south side of the shop is a 600 square foot wood framed storage shed with a concrete floor.

Equipment Shades - One 2,300 square foot equipment shade and one 1,700 square foot equipment shed constructed of steel poles and steel gable roofs.

The house and shop acreage was included in the effective unit size (net acres).

Farm Credit West

UAAR®

File #

27963

Index #	11259	Database #	18	Sale #	4
Grantor	IID	Sales Price	1,495,000	Property Type	Cropland
Grantee	Wiest Family Trust	Other Contrib.		Primary Land Use	Irrigated Cropland
Deeded Acres	186.24	Net Sale Price	1,495,000	APN	See Below
Sale Date/DOM	10/12/21 /	\$/Deeded Acre	8,027.28	Recording Date	10/12/2021
Prior Sale Date		Financing		Interest Transferred	Fee Simple
Prior CEV Price		% Fin. Adj.		Marketing Time	Not Marketed
Analysis Code	menviet	CEV Price	1,495,000	Zoning	Agriculture
Source	Buyer / Public Record	SCA Unit Type	Acre	Flood Zone	No
Motivation	Typical	Eff. Unit Size	164.10	Irrig. Dist. or Wells	Imperial ID
Highest & Best Use	Agricultural	SCA \$/Unit	9,110.30	Irrigation Method	Flood
Address		Multiplier Unit		Adaptability	Average
City		Multiplier No.			
County	Imperial	Legal Access	State		
State/Zip	CA /	Physical Access	Paved		
Region/Area/Zone	/ /	View		Tax ID/Recording	21-026119
Location	Calipatria	Utilities	None	Sec/Twp/Rge	/ /
Legal Description: APN: 022-170-002					
Location: Northeast corner of Montgomery Rd and Hwy 111					
Legal: LOTS 3 4 & S2 OF NE4 SEC 4 & POR LOT 6 & NW4 SEC 3 12-14					

Land-Mix Analysis

Land Use	Ratios	Acres	\$/Acre	Unit Size	Unit Type	\$/Unit	Total Unit Value
Class II	100 %	Ac.	9,110.30		X \$	= \$	
Class III	100 %	164.10 Ac.	9,110.30		X \$	= \$	1,495,000
Class IV	100 %	Ac.	9,110.30		X \$	= \$	
Site	100 %	Ac.	9,110.30		X \$	= \$	
Ancillary Land	0 %	22.14 Ac.			X \$	= \$	
	%	Ac.			X \$	= \$	
	%	Ac.			X \$	= \$	
	%	Ac.			X \$	= \$	
	%	Ac.			X \$	= \$	
	%	Ac.			X \$	= \$	
Totals		186.24 Ac.	8,027.28		X \$	= \$	1,495,000
CEV Price \$	1,495,000	- Land Contribution \$	1,495,000	= Improvement Contribution \$			

Cost and Depreciation Summary

Physical Depreciation	%	Functional Obsolescence	%	External Obsolescence	%	Total Depreciation	%
Total RCN \$		Total Improvement Contribution: \$		Improvement As % of Price			%

Income Summary

Summary	Total Expenses	17,153	/ Stabilized G.I.	36,923	= Expense Ratio	46.46 %	Total Expenses = \$	17,153
	Net Income	19,770	/ CEV Price	1,495,000	= Cap Rate	1.32 %	Net Income = \$	19,770

Comments	<p>The subject is a single assessor parcel consisting of 186.24 gross acres of which 164.1 acres are farmable. The subject is leveled and divided into two fields. Irrigation water is delivered to the property by gravity flow from the I Lateral, Gate 26. The head gate is located at the northeast corner of the subject. The concrete service ditch is in average quality concrete services ditch and irrigates the fields in a westerly direction. The field drains are located at the southwest corner of each field. Access to the subject is average from Hwy 111. The subject is adequately tiled, and no drainage issues were noted at the time of inspection. The property was planted to Bermuda Grass at the time of sale. There are no structures on the property.</p>
	<p>The subject is an average quality farm with 100% class III soils. The farm can grow mainly forage crops, wheat, and sugar beets.</p>
	<p>The buyer made an unsolicited offer to purchase the property from the IID and owns other farmland in the area. The property is lease to buyer family member at \$200 per acre. Estimated market rent is \$225.</p>
	<p>Mineral Rights did not transfer.</p>

Farm Credit West

UAAR®

File #

27963

Index #	11577	Database #	23	Sale #	5
Grantor	Callens Et al	Sales Price	1,475,000	Property Type	Cropland
Grantee	P R Propertu Holdings	Other Contrib.		Primary Land Use	Irrigated Cropland
Deeded Acres	204.77	Net Sale Price	1,475,000	APN	See Below
Sale Date/DOM	02/11/22 /	\$/Deeded Acre	7,203.20	Recording Date	02/11/2022
Prior Sale Date		Financing		Interest Transferred	Fee Simple
Prior CEV Price		% Fin. Adj.		Marketing Time	9 Months
Analysis Code	menviet	CEV Price	1,475,000	Zoning	Agriculture
Source	Seller / Public Rec.	SCA Unit Type	Acre	Flood Zone	No
Motivation	Typical	Eff. Unit Size	190.00	Irrig. Dist. or Wells	Imperial ID
Highest & Best Use	Agricultural	SCA \$/Unit	7,763.16	Irrigation Method	Flood
Address		Multiplier Unit		Adaptability	Average
City		Multiplier No.			
County	Imperial	Legal Access	Public		
State/Zip	CA /	Physical Access	Paved		
Region/Area/Zone	/ /	View		Tax ID/Recording	22-003038
Location	Westmorland	Utilities	None	Sec/Twp/Rge	/ /
Legal Description: APN: 036-170-008, 036-200-010, 023, 036-210-015					
Location: Southwest corner of Andre Rd and Loveland Rd					
Legal: TR 91 T13S R13E 80 AC; TR 90 T13S R13E 80 AC; POR LOT 7 SEC 23 13-13 W OF W LI TR 68 E; POR LOTS 18 21 SEC 22 13-13 33.50AC N OF					

Land-Mix Analysis

Land Use	Ratios	Acres	\$/Acre	Unit Size	Unit Type	\$/Unit	Total Unit Value
Class II	100 %	Ac.	9,826.78		X \$	= \$	
Class III	100 %	190.00 Ac.	7,763.16		X \$	= \$	1,475,000
Class IV	100 %	Ac.	4,913.39		X \$	= \$	
Site	100 %	Ac.	9,826.78		X \$	= \$	
Ancillary Land	0 %	14.77 Ac.			X \$	= \$	
	%	Ac.			X \$	= \$	
	%	Ac.			X \$	= \$	
	%	Ac.			X \$	= \$	
	%	Ac.			X \$	= \$	
	%	Ac.			X \$	= \$	
Totals		204.77 Ac.	7,203.21		X \$	= \$	1,475,000
CEV Price \$	1,475,000	- Land Contribution \$	1,475,000	= Improvement Contribution \$			

Cost and Depreciation Summary

Physical Depreciation	%	Functional Obsolescence	%	External Obsolescence	%	Total Depreciation	%
Total RCN \$		Total Improvement Contribution: \$		Improvement As % of Price			%

Income Summary

Summary	Total Expenses	16,996	/ Stabilized G.I.	48,450	= Expense Ratio	35.08 %	Total Expenses = \$	16,996
	Net Income	31,454	/ CEV Price	1,475,000	= Cap Rate	2.13 %	Net Income = \$	31,454

Trif 3, 42 - Concrete
WSM 72 & 72 - Dirt Service Ditches (56% Concrete / 44% Concrete)
Buyer wanted to lease the \$285, seller offered \$225. Seller's offer was not accepted, and he doesn't know who is farming it. The fields are adequality tiled but soils are very heavy and are suitable for bermuda and sugar beet. Access is average via Andre Rd. and Loveland Rd which are both county-maintained paved roads.
60% 114 / 15% 115 / 25% 122

Farm Credit West

UAAR®

File #

27963

Property Facts	Index #	Database #	24	Sale #	6	
	Grantor	Nemlowill, Annanell	Sales Price	575,000	Property Type	Cropland
	Grantee	Listing	Other Contrib.		Primary Land Use	Irrigated Cropland
	Deeded Acres	78.80	Net Sale Price	575,000	APN	See Below
	Sale Date/DOM	/ 365	\$/Deeded Acre	7,296.95	Recording Date	Listing
	Prior Sale Date		Financing		Interest Transferred	Fee Simple
	Prior CEV Price		% Fin. Adj.		Marketing Time	365+ days
	Analysis Code	menviet	CEV Price	575,000	Zoning	Agriculture
	Source	Realtor	SCA Unit Type	Acre	Flood Zone	No
	Motivation	Typical	Eff. Unit Size	72.60	Irrig. Dist. or Wells	Imperial ID
	Highest & Best Use	Agricultural	SCA \$/Unit	7,920.11	Irrigation Method	Flood
	Address		Multiplier Unit		Adaptability	Average
	City		Multiplier No.			
	County	Imperial	Legal Access	Public		
	State/Zip	CA /	Physical Access	Paved		
	Region/Area/Zone	/ /	View		Tax ID/Recording	Listing
	Location	Niland	Utilities	Electric	Sec/Twp/Rge	/ /
	Legal Description: APN: 022-110-003					
	Location: Northwest corner of Merkley & Hwy 111					
	Legal: S2 OF NE4 SEC 28 11-14 78.80 AC EXC POR IN HWY 111					

Land-Mix Analysis

Land Use	Ratios	Acres	\$/Acre	Unit Size	Unit Type	\$/Unit	Total Unit Value
Class II	100 %	Ac.	7,920.11		X \$	= \$	
Class III	100 %	70.30 Ac.	7,920.11		X \$	= \$	556,784
Class IV	100 %	Ac.	7,920.11		X \$	= \$	
Site	100 %	2.30 Ac.	7,920.11		X \$	= \$	18,216
Ancillary Land	0 %	6.20 Ac.			X \$	= \$	
	%	Ac.			X \$	= \$	
	%	Ac.			X \$	= \$	
	%	Ac.			X \$	= \$	
	%	Ac.			X \$	= \$	
	%	Ac.			X \$	= \$	
Totals		78.80 Ac.	7,296.95		X \$	= \$	575,000
CEV Price \$	575,000	- Land Contribution \$	575,000	= Improvement Contribution \$			

Cost and Depreciation Summary

Physical Depreciation	%	Functional Obsolescence	%	External Obsolescence	%	Total Depreciation	%
Total RCN \$		Total Improvement Contribution: \$		Improvement As % of Price			%

Income Summary

Summary	Total Expenses	6,624	/ Stabilized G.I.	7,030	= Expense Ratio	94.22 %	Total Expenses = \$	6,624
	Net Income	406	/ CEV Price	575,000	= Cap Rate	0.07 %	Net Income = \$	406

Comments	Dirt service ditch, small house at the southwest corner of subject. No value to the house, at the time of this property being marketed the house and other outbuilding were being used for storage. Current lease ends in 2024. The subject is tiled with 100 foot spacing.
	60% 114 / 40% 115
	Subject was reported to be in escrow and fell out, escrow purchase price was not disclosed. There have been several offers on the property with all offers being lower than asking price.

ADDENDA

DEFINITIONS

Client: "The party or parties (i.e., individual, group, or entity) who engage an appraiser by employment or contract in a specific assignment whether directly or through an agent." ¹

Exposure Time: "An opinion, based on supporting market data, of the length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal." ²

Extraordinary Assumption: "An assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions." ³

Fee Simple Interest: "Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat." ⁴

Highest and Best Use: "The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity." ⁵

Hypothetical Condition: "A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis." ⁶

Intended Use: "The use(s) of an appraiser's reported appraisal or appraisal review assignment results, as identified by the appraiser based on communication with the client at the time of the assignment." ⁷

Intended User: "The client and any other party as identified, by name or type, as users of the appraisal or appraisal review report by the appraiser, based on communication with the client at the time of the assignment." ⁸

Leased Fee Interest: "The ownership interest held by the lessor, which includes the right to receive the contract rent specified in lease plus the reversionary right when the lease expires." ⁹

Leasehold Interest: "The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease." ¹⁰

Market Value: "The most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently, knowledgeably, and assuming neither is under duress. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- buyer and seller are typically motivated;
- both parties are well informed or well advised, and acting in what they consider their best interests;
- a reasonable time is allowed for exposure in the open market;
- payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
- the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale." ¹¹

Marketing Time: "An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of The Appraisal Foundation and Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions" address the determination of reasonable exposure and marketing time.)" ¹²

Scope of Work: "The type and extent of research and analyses in an appraisal or appraisal review assignment." ¹³

¹ The Appraisal Foundation, *Uniform Standards of Professional Appraisal Practice*, 2020-2021 Edition, page 4.

² Ibid., page 4.

³ Ibid., page 4.

⁴ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, Sixth Edition, (Chicago: Appraisal Institute 2015) page 90.

⁵ Ibid., page 109.

⁶ *Uniform Standards of Professional Appraisal Practice*, page 4.

⁷ Ibid., page 4.

⁸ Ibid., page 4.

⁹ *The Dictionary of Real Estate Appraisal*, page 128.

¹⁰ Ibid., page 128.

¹¹ FCA Regulation, Part 614 - Loan Policies and Operations, Subpart F - Collateral Evaluation Requirements, 614.4240 (I).

¹² *The Dictionary of Real Estate Appraisal*, page 140.

¹³ *Uniform Standards of Professional Appraisal Practice*, page 5.

Legal Description

BOOK 2295 PART 379

**EXHIBIT A-17
BRITZ RANCH****Parcel 1: 021-300-016**

The South half of Section 17, Township 11 South, Range 14 East, S.B.M., County of Imperial, State of California, according to the Official Plat thereof.

Excepting therefrom the Northwest quarter of the Southeast quarter, of Section 17, Township 11 South, Range 14 East, S.B.M., County of Imperial, State of California, according to the Official Plat thereof.

Excepting therefrom 80% of all minerals, oil, gas, other hydrocarbon substances, geothermal rights and other minerals on or under the land; subject to that certain mineral interest Agreement dated April 8, 1994 as further described in that certain Memorandum of Mineral Interest Agreement, as reserved by Britz Inc., a California corporation by deed recorded October 7, 1994 as Instrument No. 94023770 in Book 1785, Page 669 of Official Records.

Parcel 2: 021-310-004, 022-020-001

The Southwest Quarter of Section 16, and the Northwest Quarter of Section 21, Township 11 South, Range 14 East, S.B.M., County of Imperial, State of California, according to the Official Plat thereof.

Excepting therefrom 80% of all minerals, oil, gas, other hydrocarbon substances, geothermal rights and other minerals on or under the land; subject to that certain mineral interest Agreement dated April 8, 1994 as further described in that certain Memorandum of Mineral Interest Agreement, as reserved by Britz Inc., a California corporation by deed recorded October 7, 1994 as Instrument No. 94023770 in Book 1785, Page 669 of Official Records.

Parcel 3:

That portion of the West half of Section 22, Township 11 South, Range 14 East, S.B.M., County of Imperial, State of California, according to the Official Plat thereof.

Lying West of the Southern Pacific Railroad right of way.

Excepting therefrom 80% of all minerals, oil, gas, other hydrocarbon substances, geothermal rights and other minerals on or under the land; subject to that certain Mineral Interest Agreement dated April 8, 1994 as further described in that certain Memorandum of Mineral Interest Agreement, as reserved by Britz Inc., a California corporation by deed recorded October 7, 1994 as Instrument No. 94023770 in Book 1785, Page 669 of Official Records.

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Legal Description

BOOK 2235 PAGE 380

Parcel 4: 022-010-004

The Northeast Quarter, and the East half of the Northwest Quarter of Section 20, Township 11 South, Range 14 East, S.B.M., County of Imperial, State of California, according to the Official Plat thereof.

Excepting therefrom 80% of all minerals, oil, gas, other hydrocarbon substances, geothermal rights and other minerals on or under the land; subject to that certain Mineral Interest Agreement dated April 8, 1994 as further described in that certain Memorandum of Mineral Interest Agreement, as reserved by Britz Inc., a California corporation by deed recorded October 7, 1994 as Instrument No. 94023770 in Book 1785, Page 669 of Official Records.

~~Parcel 5:~~

~~The East half of the Northeast quarter, and the Southeast Quarter of Section 21, Township 11 South, Range 14 East, S.B.M., County of Imperial, State of California, according to the Official Plat thereof.~~

~~Excepting therefrom 80% of all minerals, oil, gas, other hydrocarbon substances, geothermal rights and other minerals on or under the land; subject to that certain Mineral Interest Agreement dated April 8, 1994 as further described in that certain Memorandum of Mineral Interest Agreement, as reserved by Britz Inc., a California corporation by deed recorded October 7, 1994 as Instrument No. 94023770 in Book 1785, Page 669 of Official Records.~~

Parcel 6: 021-300-009

the Northwest quarter of the Southeast Quarter of Section 17, Township 11 South, Range 14 East, S.B.M., County of Imperial, State of California, according to the Official Plat thereof.

Excepting therefrom Parcel 6, 12-1/2% interest of an undivided one-half interest, in and to all of the subsurface below 200 feet, but without any right title, or interest in or to the surface or the subsurface above 200 feet, excepting from said surface that portion thereof of said land as contained in Deed and conveyed to Donald Cannon, Trustee, for the "1964 Cannon Trust," by deed recorded September 29, 1964 in Book 1192, Page 535 of Official Records.

Excepting therefrom 80% of all minerals, oil, gas, other hydrocarbon substances, geothermal rights and other minerals on or under the land; subject to that certain Mineral Interest Agreement dated April 8, 1994 as further described in that certain Memorandum of Mineral Interest Agreement, as reserved by Britz Inc., a California corporation by deed recorded October 7, 1994 as Instrument No. 94023770 in Book 1785, Page 669 of Official Records.

Legal Description

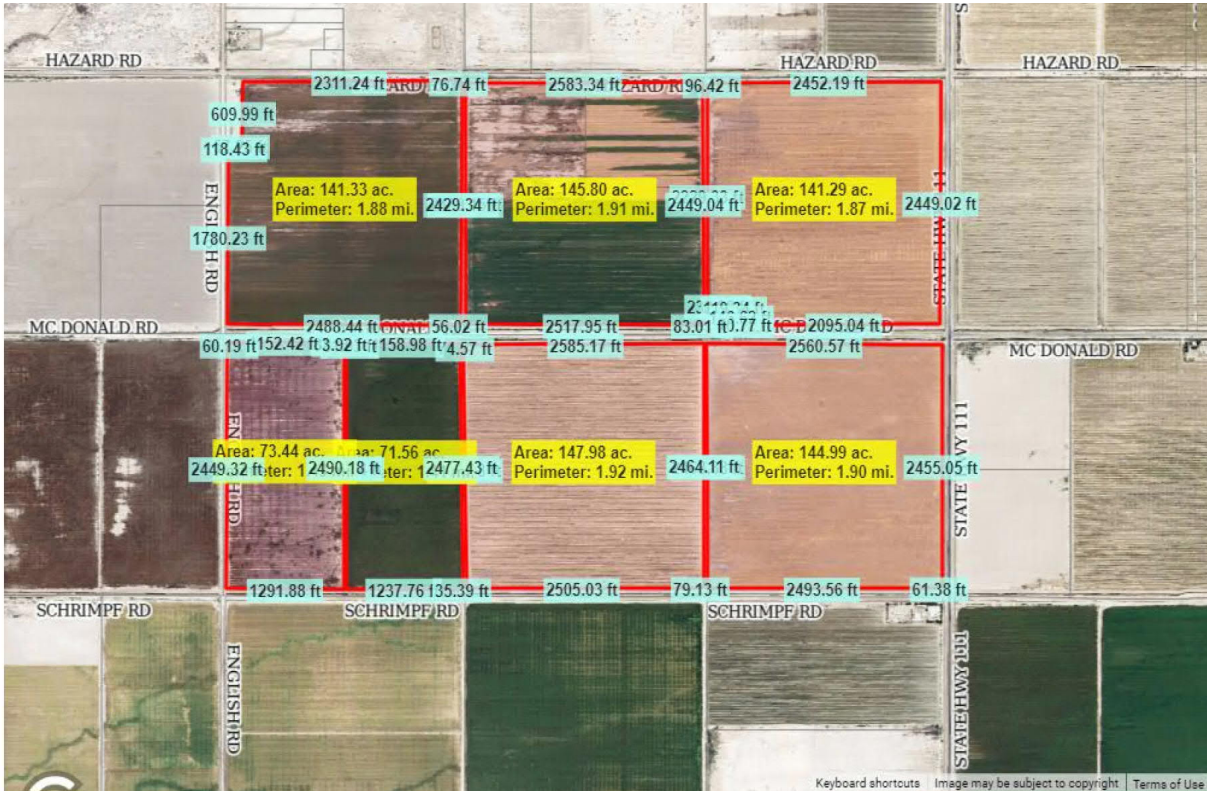
BOOK 2295 PAGE 427

022-010-003
EXHIBIT A-41
KAPPELER RANCH

The West half of the Northwest quarter of Section 20, Township 11 South, Range 14 East, S.B.M., County of Imperial, State of California, according to the Official Plat thereof.

97

Tillable Acres



Soil Map



Irrigated Capability Class—Imperial County, California, Imperial Valley Area

Irrigated Capability Class

Map unit symbol	Map unit name	Rating	Acres in AOI	Percent of AOI
114	Imperial silty clay, wet	3	849.6	92.1%
115	Imperial-Glenbar silty clay loams, wet, 0 to 2 percent slopes	3	57.6	6.2%
122	Meloland very fine sandy loam, wet	3	15.6	1.7%
Totals for Area of Interest			922.8	100.0%

Appraiser Qualifications

Todd MenvielleAppraiser Qualifications

Licenses:

CA Certified General Real Estate Appraiser's License 3001276 - Exp. August 23, 2023,
Obtained August 23, 2013

AZ Certified General Real Estate Appraiser's License 32033 - Exp. June 30, 2022,
Obtained June 26, 2014

Related Business Experience:

November, 2015 to Present - Sr. Appraiser - Farm Credit Service Southwest

August, 2013 to November, 2015 - Appraiser - Farm Credit Services Southwest

August, 2010 to August, 2013 - Associate Appraiser - Farm Credit Service Southwest

April, 2008 to August, 2010 - Associate Loan Officer and Loan Officer - Farm Credit
Services Southwest

Education:

California State Polytechnic University, Pomona – Bachelor of Arts, Liberal Studies

Professional training and education to meet the state requirements for appraisal licensing was obtained through the American Society of Farm Managers and Rural Appraisers and the Appraisal Institute. Required annual continuing education hours are met through these organizations.

Type of Assignments:

Appraisal assignments have involved preparing market value estimates of irrigated farmland, orchards, feedlots, cooling facilities, rural homes, farm shops and related structures.

Clients:

Appraisal work is primarily done for the Farm Credit System with secondary work being done for legal and accounting firms.

Professional Memberships:

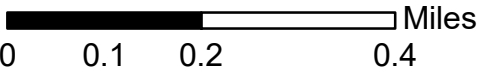
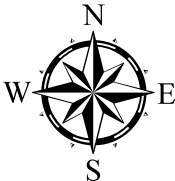
The American Society of Farm Managers and Rural Appraisers (A.S.F.M.R.A.).

Enclosure 2

Legend

-  Phase 1
-  Phase 2
-  Phase 3
-  74 Acres
[Other Mitigation]

APN	Acres
021-300-003	2.00
021-300-005	2.00
022-020-001	156.92
021-310-004	158.00
021-310-001	156.89
021-300-017	277.63
021-300-018	13.47
021-300-007	4.50
021-300-004	10.50
021-300-006	1.00
021-300-016	280.00
021-300-009	40.00
022-010-004	240.00
022-010-003	80.00
Total	1422.91



Managed Marsh Complex
Imperial County, CA

October 26, 2022



FY 2023



QSA JPA Fiscal Year 2023 Budget & Work Plan *Proposed Amendment November 21, 2022*



Quantification Settlement Agreement Joint Powers Authority

4677 Overland Avenue, San Diego, CA 92123



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QSA JPA FISCAL YEAR 2023 BUDGET

SECTION 1: BACKGROUND

The Quantification Settlement Agreement Joint Powers Authority (QSA JPA) administers funding of environmental mitigation requirements related to the QSA water transfers. The QSA JPA collects, holds, invests, and disburses funds needed for the mitigation projects. The QSA JPA is comprised of designated representatives from the California Department of Fish and Wildlife (CDFW), Coachella Valley Water District (CVWD), Imperial Irrigation District (IID), and San Diego County Water Authority (Water Authority) that serve as Commissioners and staff.

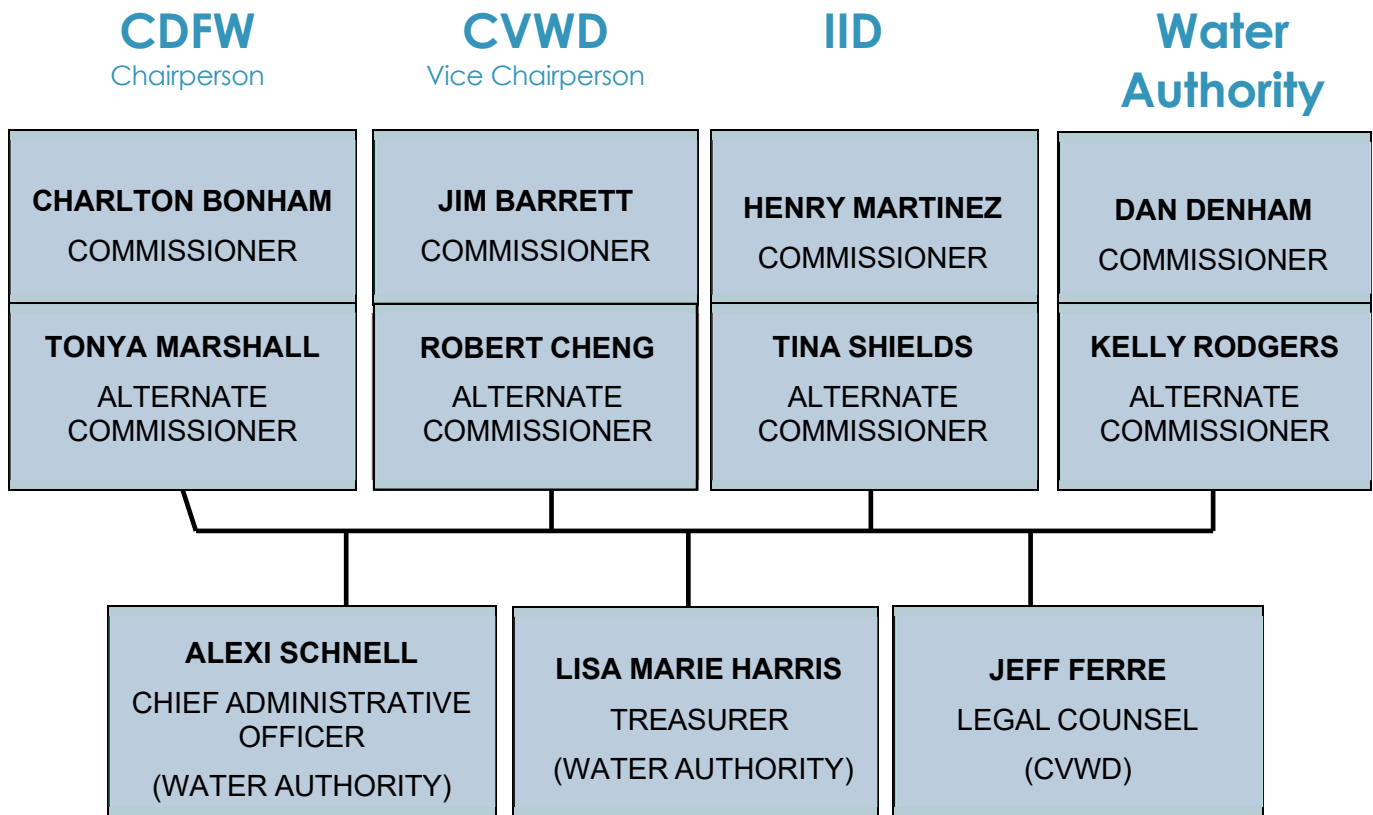


Figure 1. QSA JPA Organization Chart

CVWD, IID, and the Water Authority are required to provide up to \$133 million (in 2003 dollars) to pay for the QSA JPA mitigation program. Under the terms of the *Quantification Settlement Agreement Joint Powers Authority Creation and Funding Agreement* (JPA Agreement), the collective financial obligation of the water agencies is capped at \$133 million, and the State of California is responsible to pay for any QSA water transfer environmental mitigation costs that exceed \$133 million.

SECTION 2: BUDGET OVERVIEW

The QSA JPA Commission adopts an annual budget for the payment of environmental costs for QSA conserved water transfer mitigation projects in the Imperial Valley. The budget is developed by IID in coordination with the QSA Implementation Team (IT), which consists of CDFW, IID, and the U.S. Fish and Wildlife Service (USFWS). The annual budget provides revenues generated from agency contributions and interest earnings to meet anticipated fiscal year (FY) mitigation expenditures. Mitigation projects are implemented by IID under direction from the IT. Specific mitigation measures are implemented per environmental permitting requirements and involve various timeframes for completion. Detailed QSA JPA annual spending through FY 2021 by mitigation task is provided in Appendix 1.

The JPA Agreement provides a schedule of annual agency contributions that are due on December 31 of each calendar year. As a means of managing cash flow requirements for future mitigation activities, the JPA Agreement permits agencies to adjust their payment schedules by rescheduling future payments from outer years to the near term. Under the *Modification of Payment Schedules Pursuant to the QSA JPA Agreement* (Advanced Funding Agreement), advanced payments by the agencies are due on July 1 and are discounted at six percent from the date of the scheduled payment to the date of the advance. The QSA JPA has advanced payments from the original JPA Agreement payment schedules to cover expected environmental mitigation expenses. In 2007, the water agencies modified their payment schedules to advance \$13.2 million in FYs 2007 and 2008 to cover mitigation requirements through 2013. In 2015, the Board of Directors (BOD) of the individual water agencies authorized advanced payments to the QSA JPA totaling \$40.5 million, consisting of \$10 million from the Water Authority, \$5 million from CVWD, and \$25.5 million from IID, scheduled over six years beginning in FY 2016. In 2022, IID's BOD authorized a payoff of \$48,458,655.04 for its remaining payments to the QSA JPA, consistent with the QSA JPA Agreement. The remaining payments per the 2015 Advanced Funding Agreement are shown in Table 1.

Table 1. Water Agency Remaining Payment Schedule

Year	CVWD		IID ¹		WATER AUTHORITY		TOTAL PAYMENTS	
	Due 12/31	Due 7/1	Due 12/31	Due 7/1	Due 12/31	Due 7/1	Calendar Year	Fiscal Year
2022	\$2,706,745				\$1,517,597		\$4,224,342	\$10,884,302
2023	\$2,733,006				\$1,221,837		\$3,954,843	\$4,224,342
2024	\$151,876				\$1,345,439		\$1,497,315	\$3,954,843
2025	\$565,131				\$1,047,693		\$1,612,824	\$1,497,315
2026								\$1,612,824
Total	\$6,156,758	\$0	\$0	\$0	\$5,132,566	\$0	\$11,289,324	\$22,173,626

¹ On September 29, 2022, IID exercised its option to complete an early payoff (\$48.5 million) of its funding commitment to the QSA JPA, consistent with the QSA JPA Agreement. The schedule has been modified to reflect this change.

SECTION 3: REVIEW OF ACTIVITIES IN FY 2022 AND FY 2021

On June 10, 2021, the QSA JPA Commission adopted the FY 2022 budget in the amount of \$11,698,380. Table 2 shows the FY 2022 budgeted and projected spending by mitigation task, based on approved invoice totals to date and remaining fiscal year projections by IID. Major expenses in the FY 2022 budget include implementing the Salton Sea Air Quality Mitigation Program (Task 24), the QSA Implementation Team (IT) Biologists (Task 2), and the Managed Marsh Areas (Task 8).

Table 2. Detailed FY 2022 Expenditures

TASK	TASK DESCRIPTION	BUDGETED FY 2022	PROJECTED FY 2022	BUDGET SAVINGS
2	QSA Implementation Team Biologists	\$ 1,216,590	\$ 1,112,748	\$ (103,842)
3	Environmental Reporting and Monitoring	\$ 540	\$ -	\$ (540)
4	Salton Sea Salinity and Elevation Program	\$ 10,610	\$ 16,330	\$ 5,720
6	Tamarisk Scrub Habitat - Surveys and Mitigation	\$ 72,740	\$ 25,000	\$ (47,740)
8	Drain Habitat (Aquatic) - Create/Manage/Monitor "Managed Marsh" Areas	\$ 931,480	\$ 467,957	\$ (463,523)
10/10A	Worker Education Program Covered Species Training and Manual	\$ 640	\$ -	\$ (640)
15	Pre-Construction Activity Burrowing Owl Surveys and Relocation	\$ 8,950	\$ 5,139	\$ (3,811)
17	Farmer and Public Education Program	\$ 7,380	\$ 7,380	\$ -
18	Desert Pupfish Abundance and Distribution Study	\$ 6,530	\$ 8,000	\$ 1,470
19/19A	Pupfish Selenium Drain Studies	\$ 210,940	\$ 100,000	\$ (110,940)
20	Pupfish Construction and Maintenance Conservation Measures	\$ 500,000	\$ 100,000	\$ (400,000)
23	Covered Species Baseline & Monitoring Surveys	\$ 5,300	\$ -	\$ (5,300)
24	Salton Sea Air Quality	\$ 8,596,440	\$ 5,409,989	\$ (3,186,451)
36	JPA Audit Fees	\$ 10,770	\$ 10,770	\$ -
37	JPA Bank Fees	\$ 3,000	\$ 3,000	\$ -
38	Financial Advisor	\$ 16,000	\$ 16,000	\$ -
42	Brown Pelican - Sea	\$ 58,540	\$ 5,000	\$ (53,540)
44	Pupfish Refugium	\$ 31,930	\$ 1,000	\$ (30,930)
46	QSA JPA Website	\$ 10,000	\$ 9,340	\$ (660)
	Total	\$ 11,698,380	\$ 7,297,653	\$ (4,400,727)

The projected budget savings and delayed expenditures for FY 2022 of \$4,400,727 is mostly due to the deferral of items under the Salton Sea Air Quality Mitigation Program (Task 24), Managed Marsh Areas (Task 8) and postponement of pupfish conservation measures (Task 20). Table 3 summarizes the FY 2022 budget projections.

Table 3. FY 2022 Budget Summary

FY 2022 BUDGET	PROJECTED FY 2022 EXPENDITURES	PROJECTED FY 2022 SAVINGS/DELAYS
\$ 11,698,380	\$ 7,297,653	\$ 4,400,727

On January 6, 2022, the QSA JPA Commission accepted an audit of its basic financial statements by Davis Farr Certified Public Accountants for fiscal years ending June 30, 2021 and 2020. Audited FY 2021 environmental mitigation expenditures totaled \$9,389,916, as depicted in Appendix 1. Based upon the audited cash balance of \$30,164,122 at the end of FY 2021, FY 2022 projected agency contributions and interest earnings of \$10,034,416, and projected FY 2022 budget spending of \$7,297,653, the QSA JPA expects to have a positive cash balance of \$32,900,885 at the end of FY 2022 (Table 4).

Table 4. FY 2022 Projected Fund Balance

DESCRIPTION			CASH FLOW
FY 2021 Audited Fund Balance (6-30-21)			\$30,164,122
Sources	Mitigation Contributions	\$10,884,302	\$10,034,416
	Interest Income	\$(849,886)	
Uses	Environmental Mitigation		\$(7,297,653)
FY 2022 Projected Fund Balance (6-30-22)			\$32,900,885

SECTION 4: FY 2023 BUDGET

The FY 2022 budget provides projected revenues of \$10,034,416 to meet anticipated expenditures from July 1, 2021 through June 30, 2022 of \$7,297,653, resulting in a net gain of \$2,736,763 from the previous fiscal year. FY 2023 will begin with the projected year-end FY 2022 fund balance of \$32,900,885.

Information summarizing the FY 2023 budget is presented in Tables 5 and 6. Table 5 provides the agency contributions for FY 2023 per the 2015 Advanced Funding Agreement for CVWD and the Water Authority and reflects the September 2022 pay-off of contributions made by IID. Also provided in Table 5 are funding contributions by agency through FY 2022.

Table 5. Summary of Mitigation Contributions by Water Agency

AGENCY	CONTRIBUTIONS THROUGH FY 2022	FY 2023 CONTRIBUTIONS
CVWD	\$60,769,184	\$2,706,745
IID	\$55,599,923	\$48,458,655.04
Water Authority ²	\$85,905,294	\$1,517,597
Total Agency Contributions	\$202,274,401	\$52,682,997.04

Revenue sources for FY 2023 include agency contributions from CVWD and the Water Authority (\$4,224,342), IID's September 2022 pay-off of its contributions (\$48,458,655.04), and interest income estimated at \$245,000. Projected spending in FY 2023 is \$25,067,528.37 for environmental mitigation, shown by mitigation task in Table 7. Based on the projected cash balance of \$32,900,885 at the end of FY 2022, FY 2023 combined sources of \$52,927,997.04, and projected FY 2023 budget spending of \$25,067,528.37, the QSA JPA expects to have a positive cash balance of \$60,761,353.67 at the end of FY 2023 (Table 6). Projected uses do not exceed sources, indicating an increase of \$27,860,468.67 in cash reserves for FY 2023.

Table 6. FY 2023 Projected Fund Balance

DESCRIPTION			CASH FLOW
FY 2022 Projected Cash Balance (6-30-22)			\$32,900,885
Sources	Agency Contributions (Includes IID pay-off)	\$52,682,997.04	\$52,927,997.04
	Interest Income	\$245,000	
Uses	Environmental Mitigation		\$(25,067,528.37)
FY 2023 Projected Cash Balance (6-30-23)			\$60,761,353.67

² Water Authority contributions have been reduced by credits for payments made to the U.S. Bureau of Reclamation for implementation of Conservation and Mitigation Measures for the Colorado River.

Table 7. Detailed FY 2023 Expenditures

TASK	TASK DESCRIPTION	FY 2023 BUDGET
1	QSA Implementation Team	\$ -
2	QSA Implementation Team Biologists	\$ 1,197,060
3	Environmental Reporting and Monitoring	\$ 560
4	Salton Sea Salinity and Elevation Program	\$ 8,000
5	Salton Sea Mitigation Water to Salton Sea	\$ -
6	Tamarisk Scrub Habitat - Surveys and Mitigation	\$ 74,920
7	Drain Habitat - Initial Vegetation and Habitat Surveys	\$ -
8	Drain Habitat (Aquatic) - Create/Manage/Monitor "Managed Marsh" Areas	\$ 564,080
8A	Reimbursement to IID for Appraised Value of Managed Marsh Land	\$ 9,685,748.37
8B	Reimbursement to IID for Third-Party Appraiser	\$ 2,500
9	Drain Habitat Restrictions/Requirements for Construction and Maintenance	\$ -
10/10a	Worker Education Program Covered Species Training and Manual	\$ -
11	Desert Habitat Survey and Mapping of Right of Way	\$ -
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	\$ 3,390
16	Burrowing Owl Relative Abundance and Distribution Surveys	\$ -
17	Farmer and Public Education Program	\$ 7,600
18	Desert Pupfish Abundance and Distribution Study	\$ 6,750
19/19A	Pupfish Selenium Drain Studies	\$ 317,310
20	Pupfish Construction and Maintenance Conservation Measures	\$ 257,500
21	Salvage of Razorback Suckers when Dewatering Canals	\$ -
22	Maintain Habitat on Fallowed Parcels	\$ -
23	Covered Species Baseline and Monitoring Surveys	\$ -
24	Salton Sea Air Quality	\$ 12,822,120
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	\$ -
36	JPA Audit Fees	\$ 10,770
37	JPA Bank Fees	\$ 3,090
38	Financial Advisor	\$ 16,000
39	Bond Counsel Fees	\$ -
40	2001 Biological Opinion Measures	\$ -
41	Brown Pelican Coast	\$ -
42	Brown Pelican Sea	\$ 55,920
43	Salton Sea Shoreline Strand Study	\$ -
44	Pupfish Refugium	\$ 32,890
45	Recreation Facilities at Salton Sea	\$ -
46	QSA JPA Website Maintenance Services	\$ 1,320
Total		\$ 25,067,528.37

SECTION 5: FY 2023 WORK PLAN

The FY 2023 budget totaling \$25,067,528.37 includes environmental mitigation activities for compliance with environmental permits and regulatory requirements. A detailed breakdown of anticipated expenditures by task is provided in Table 7. Mitigation measures are implemented consistent with environmental permit requirements of the QSA conserved water transfers. Major expenditure categories for mitigation measures to be implemented in FY 2023 are shown in Table 8 and include: Salton Sea Air Quality Mitigation Program (Task 24), reimbursement to IID for appraised value of Managed Marsh land (Task 8A), and the biologist team (Task 2).

Table 8. Major Expenditures in FY 2023

TASK	TASK DESCRIPTION	FY 2023 BUDGET	PERCENT OF TOTAL BUDGET
24	Salton Sea Air Quality	\$ 12,822,120	51%
8A	Reimbursement to IID for Appraised Value of Managed Marsh Land	\$ 9,685,748.37	39%
2	QSA Implementation Team Biologists	\$ 1,197,060	5%
--	Other Tasks	\$ 1,362,600	5%
Total		\$ 25,067,528.37	100%

Implementation of the Salton Sea Air Quality Mitigation Program (Task 24) is the largest budgeted expenditure for FY 2023 totaling \$12,822,120 or 51 percent of the total FY 2023 budget. Air quality mitigation includes annual emissions inventory, air quality network operations and maintenance, proactive dust control planning, groundwater development, air quality mitigation planning, and restricting access.

The Managed Marsh land reimbursement (Task 8A) is the second largest budgeted expenditure totaling \$9,685,748.37 or 39 percent of the total FY 2023 budget. Expenditures for FY 2023 include reimbursement to IID for the appraised value of the Managed Marsh land.

The QSA IT Biologists (Task 2) is the third largest budgeted expenditure making up \$1,197,060 or 5 percent of the total budget. This item includes funding for nine full-time staff and expenses for their fleet of vehicles.

Other tasks make up the remaining 5 percent of the FY 2023 expenditures totaling \$1,362,600.

The budget also includes reimbursements to the Water Authority for designated financial costs such as bank fees, audit fees, website maintenance, and financial consultants (investment management). Audited historical spending by task is included as Appendix 1. Detailed summaries for individual mitigation measures by task, including a detailed breakdown of FY 2023 expenditures and planned and completed work, are included in Appendix 2.

Appendix 1 – Audited Historical QSA JPA Spending, FY 2004 - FY 2021

Task	Task Description	Total FY 2004-2021	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2004-2012
1	QSA Implementation Team	\$383,879										\$383,879
2	QSA Implementation Team Biologists	\$8,685,799	\$982,168	\$910,337	\$1,081,358	\$1,026,602	\$769,055	\$613,942	\$505,547	\$536,389	\$490,019	\$1,770,382
3	Environmental Reporting and Monitoring	\$82,458										\$82,458
4	Salton Sea Salinity and Elevation Program	\$30,060	\$8,447	\$4,129	\$4,895	\$7,100						\$5,489
5	Salton Sea Mitigation Water to Salton Sea	\$96,666,141		\$7,043,618	\$34,142	\$9,851,798	\$18,412,449	\$17,483,767	\$11,607,035	\$10,580,006	\$3,834,494	\$17,818,832
6	Tamarisk Scrub Habitat - Surveys and Mitigation	\$14,476		\$4,928								\$9,548
7	Drain Habitat - Initial Vegetation and Habitat Surveys	\$209,123										\$209,123
8	Drain Habitat (Aquatic) - Create/Manage/Monitor "Managed Marsh" Areas	\$16,598,293	\$2,615,125	\$2,206,448	\$1,911,610	\$439,409	\$297,032	\$389,963	\$2,787,567	\$390,935	\$205,940	\$5,354,264
9	Drain Habitat Restrictions/Requirements for Construction and Maintenance	\$8,473										\$8,473
10/ 10a	Worker Education Program Covered Species Training and Manual	\$35,302										\$35,302
11	Desert Habitat Survey and Mapping of Right of Way	\$379,191										\$379,191
12	Desert Habitat Create/Maintain Desert Habitat	\$17,300										\$17,300
13	Changes to Operations on IID Canals to Avoid Covered Species	\$0										\$0

Appendix 1 – Audited Historical QSA JPA Spending, FY 2004 - FY 2021

Task	Task Description	Total FY 2004-2021	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2004-2012
14	Burrowing Owl Worker Annual Education and Manual	\$10,411										\$10,411
15	Pre-Construction Activity Burrowing Owl Surveys and Relocation	\$923,622				\$7,164	\$1,540	\$6,765		\$4,020	\$756	\$903,377
16	Burrowing Owl Relative Abundance and Distribution Surveys	\$3,516,853	\$46,155	\$206,984	\$224,314		\$20,000	\$59,509	\$28,172	\$13,145	\$35,072	\$2,883,502
17	Farmer and Public Education Program	\$15,755	\$1,600	\$2,437	\$2,150	\$1,600	\$935	\$1,416	\$1,435	\$2,876	\$260	\$1,046
18	Desert Pupfish Abundance and Distribution Study	\$92,367	\$60,307	\$17,653	\$116	\$8		\$24		\$14		\$14,245
19	Pupfish Selenium Drain Studies	\$2,461,740	\$167,559	\$118,586	\$157,978	\$36,468	\$66,650		\$1,482			\$1,913,017
20	Pupfish Construction and Maintenance Conservation Measures	\$181,497	\$4,273	\$4,234	\$124,105	\$11,653	\$504					\$36,728
21	Salvage of Razorback Suckers when Dewatering Canals	\$9,534										\$9,534
22	Maintain Habitat on Fallowed Parcels	\$0										\$0
23	Covered Species Baseline and Monitoring Surveys ¹	\$5,395,188				\$800	\$947	\$17,000	\$62	\$151	\$53,333	\$5,322,895
24	Salton Sea Air Quality	\$28,402,952	\$5,478,183	\$4,553,484	\$4,024,938	\$3,483,968	\$3,809,309	\$2,797,387	\$601,399	\$348,604	\$286,877	\$3,018,803
25	Minimize Dust Emissions from Fallowed Lands	\$57,775										\$57,775

¹ Includes Avian Studies from FY 2006, 2007, and 2008.

Appendix 1 – Audited Historical QSA JPA Spending, FY 2004 - FY 2021

Task	Task Description	Total FY 2004-2021	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2004-2012
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	\$1,960										\$1,960
29	Prepare and Implement Management Plan for Abandoned Portions of AAC	\$0										\$0
30	Southwestern Willow Flycatcher Surveys and Habitat Monitoring ²	\$62,938										\$62,938
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	\$336,979				\$1,367	\$9,354	\$4,190	\$3,229	\$3,950	\$4,618	\$310,271
36	JPA Audit Fees	\$168,958	\$10,770	\$10,560	\$10,350	\$10,350	\$10,350	\$12,147	\$11,911	\$11,680	\$11,452	\$69,388
37	JPA Bank Fees	\$31,641	\$2,082	\$2,495	\$1,405	\$1,526	\$1,584	\$1,609	\$1,678	\$1,603	\$1,708	\$15,951

² Includes Task 46 from previous years.

Appendix 1 – Audited Historical QSA JPA Spending, FY 2004 - FY 2021

Task	Task Description	Total FY 2004-2021	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2004-2012
38	Financial Advisor	\$38,727	\$9,230									\$29,497
39	Bond Counsel Fees	\$25,000										\$25,000
40	2001 Biological Opinion Measures	\$3,349,126										\$3,349,126
41	Brown Pelican Coast	\$0										\$0
42	Brown Pelican Sea	\$5,188	\$4,017	\$1,171								\$0
43	Salton Sea Shoreline Strand Study	\$0										\$0
44	Pupfish Refugium	\$63,815			\$3,174			\$1,840	\$21,284			\$37,517
45	Recreation Facilities at Salton Sea	\$22,603			\$3,911	\$10,999	\$6,565		\$1,128			\$0
Total		\$168,285,124	\$9,389,916	\$15,087,064	\$7,584,446	\$14,890,812	\$23,406,274	\$21,389,559	\$15,571,929	\$11,893,373	\$4,924,529	\$44,147,222
Biological Opinion Measures Credited to Water Authority		\$3,349,126										\$3,349,126
Total JPA Expenditures		\$164,935,998	\$9,389,916	\$15,087,064	\$7,584,446	\$14,890,812	\$23,406,274	\$21,389,559	\$15,571,929	\$11,893,373	\$4,924,529	\$40,798,096

Work Task 1: QSA Implementation Team

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$ -	\$ -	\$ -	\$383,879

Description and Purpose: The QSA Implementation Team is to hold quarterly Implementation Team (IT) meetings consisting of representatives from IID, USFWS, and CDFW, to guide implementation of the HCP and In-Valley CESA Permit for the duration of the HCP and Permit.

Permit Reference: HCP; CESA Permit 4(a)(ii) and MMRP 8

Accomplishments Through FY 2021: Quarterly implementation team meetings and annual budget review.

FY 2022 Activities: Quarterly implementation team meetings.

Proposed FY 2023 Activities: Quarterly implementation team meetings.

Work Task 2: QSA Implementation Team Biologists

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$1,197,060	\$1,112,748	\$1,216,590	\$8,685,799

Description and Purpose: Salary and expenses for IT Biologists.

Permit Reference: HCP, General 1; CESA Permit 4(a)(i) and MMRP 7

Accomplishments Through FY 2021: Environmental Mitigation Staff.

FY 2022 Activities: Environmental Mitigation Staff & Vehicles.

Proposed FY 2023 Activities: Environmental Mitigation Staff & Vehicles.

Work Task 3: Environmental Reporting and Monitoring

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$560	\$ -	\$540	\$82,458

Description and Purpose: Report annually to USFWS and CDFW the amount of water conserved, transferred, and allowed to flow to the Salton Sea.

Make available to USFWS and CDFW valley-wide statistics regarding agricultural production and implementation of water conservation measures, including total acreage in agricultural production in the IID water service area, acres of each crop grown, acres of land fallowed, acres of participating farms, and total amount of water conserved and transferred.

Submit annual report to SWRCB on actions taken to comply with the mitigation measures and conservation strategies included in the Final EIR/EIS and HCP and all other state and federal permits and regulatory requirements.

Prepare Adaptive Management Plan for monitoring effectiveness of mitigation measures. Submit reports of the previous year's activities to USFWS, CDFW and SWRCB including details of fish and wildlife conservation actions implemented, monitoring/surveying activities, and water conservation activities.

Permit Reference: HCP Chp 4; In-Valley Biological Opinion, TC Reporting Requirements; CESA Permit Conditions of Approval, General Conditions (a) and (b) and MMRPs; SWRCB Section 4

Accomplishments Through FY 2021: Annual report sent by March 31 of each year for the previous calendar year.

FY 2022 Activities: Printing and shipping costs for annual reports.

Proposed FY 2023 Activities: Printing and shipping costs for annual reports.

Work Task 4: Salton Sea Salinity and Elevation Program

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$8,000	\$16,330	\$10,610	\$30,060

Description and Purpose: To demonstrate compliance with the Salton Sea Habitat Conservation Strategy, monitor salinity and elevation of the Salton Sea.

Permit Reference: SWRCB-6; CESA Permit MMRP 40

Accomplishments Through FY 2021: Annual selenium monitoring.

FY 2022 Activities: Selenium analysis at the Salton Sea.

Proposed FY 2023 Activities: Selenium analysis at the Salton Sea.

Work Task 5: Salton Sea Mitigation Water to Salton Sea

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$ -	\$ -	\$ -	\$96,666,141

Description and Purpose: To implement refined Salton Sea Habitat Conservation Strategy (SSHCS), which requires provision of mitigation water to the Salton Sea for the first 15 years of the project to mitigate reductions in inflow due to the transfer of water to the Water Authority.

Mitigation water will be delivered in accordance with the schedule in Table 1-3 of the 9/03 Addendum.

Permit Reference: SWRCB CESA Permit 4(c)(i) and MMRP13

Accomplishments Through FY 2021: Delivered mitigation water to the Salton Sea.

FY 2022 Activities: Delivered 46,546 AF of mitigation water to the Salton Sea to resolve 2010 pre-delivery payback in FY 2020.

Proposed FY 2023 Activities: N/A.

Work Task 6: Tamarisk Scrub Habitat - Surveys and Mitigation

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$74,920	\$25,000	\$72,740	\$14,476

Description and Purpose: To develop preconstruction survey checklists and protocols in consultation with the IT, to identify proposed construction and impacted vegetation and covered species. Specific survey protocol will be developed to monitor and quantify changes in the amount/quality of habitat in consultation with USFWS and CDFW.

Includes the evaluation of all potential cottonwood-willow and tamarisk stands for Southwestern Willow Flycatcher breeding habitat suitability, prior to IID water conservation activities that could impact tamarisk habitat.

Permit Reference: HCP-TREE 1-3; In-Valley Biological Opinion, Willow Flycatcher Measures 1 to 4; CESA Permit 4(f) and MMRP 21-27, 29-36, 41, 42

Accomplishments Through FY 2021: Managed Marsh Complex native tree habitat in buffer zones installed.

FY 2022 Activities: Operation and maintenance of native tree habitat.

Proposed FY 2023 Activities: Operation and maintenance of native tree habitat.

Work Task 7: Drain Habitat - Initial Vegetation and Habitat Surveys

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$ -	\$ -	\$ -	\$209,123

Description and Purpose: To complete drain vegetation database, conduct covered species baseline surveys as necessary, and participate in a comprehensive planning process to address selenium impacts. Includes the evaluation of all potential cottonwood-willow and tamarisk stands for southwestern willow flycatcher breeding habitat suitability, based on characterizations provided in the draft Southwestern Willow Flycatcher Recovery Plan.

Permit Reference: HCP, Drain Habitat 1; In-Valley Biological Opinion Willow Flycatcher Measures 1 to 4; CESA Permit, 4(g) and MMRPs

Accomplishments Through FY 2021: Baseline drain.

FY 2022 Activities: N/A.

Proposed FY 2023 Activities: N/A.

Work Task 8: Drain Habitat (Aquatic) - Create/Manage/Monitor "Managed Marsh" Areas

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$564,080	\$467,957	\$931,480	\$16,598,293

Description and Purpose: To create 959 acres of managed marsh habitat over a 15 year period, 1/3 of the total within the first five years. The specific amount will be determined by the IT, and approved by USFWS and CDFW, based upon the drain vegetation survey (an amount equal to the total amount of habitat in the drains), as well as the acreage required to compensate for selenium effects. Due diligence will be conducted on land chosen for Managed Marsh and land will be purchased for managed marsh.

Permit Reference: HCP Drain Habitat; In-Valley Biological Opinion-Rail CM 1-2; CESA 4(g)(i) and MMRP 45, 46, 47, 88, 101, 102, 103

Accomplishments Through FY 2021: Phase 1 built in 2009 - 365 acres. Phase 2 built in 2014 - 360 acres. Phase 3 design and construction. Buffer zones double as native tree habitat for construction projects.

FY 2022 Activities: Operation & Maintenance of Phase I and II of Managed Marsh Complex conducted. Phase III Design and Construction carried out.

Proposed FY 2023 Activities: O&M of Managed Marsh Complex Phases I, II, and III.

Work Task 8A: Reimbursement to IID for Appraised Value of Managed Marsh Land

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$ 9,685,748.37	\$ -	\$ -	\$ -

Description and Purpose: Reimburse IID for the appraised value of the land underlying the Managed Marsh areas (Task 8).

Permit Reference: N/A

Accomplishments Through FY 2021: N/A.

FY 2022 Activities: N/A.

Proposed FY 2023 Activities: Mitigation reimbursement to IID up to \$9,685,748.37.

Work Task 8B: Reimbursement to IID for Third-Party Appraiser

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$ 2,500	\$ -	\$ -	\$ -

Description and Purpose: Reimburse IID for direct costs incurred by hiring a third-party appraiser (independent consultant) to determine the value of the land underlying the Managed Marsh areas (Task 8).

Permit Reference: N/A

Accomplishments Through FY 2021: N/A.

FY 2022 Activities: N/A.

Proposed FY 2023 Activities: Reimburse IID \$2,500.

Work Task 9: Drain Habitat Restrictions/Requirements for Construction and Maintenance

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$ -	\$ -	\$ -	\$8,473

Description and Purpose: To implement the listed measures when conducting scheduled construction activities within rights-of-way along the AAC, East Highline, and portions of the Westside Main, Thistle, and Trifolium Extension Canals containing desert habitat (these measures may be modified during the permit term with the approval of USFWS and CDFW or based on survey results or adaptive management).

Permit Reference: HCP-Drain 3; CESA Permit 4(f)(i, ii, iii, and ix), 4(g), 4(i)(iv) and MMRP 36, 49, 50, 70, 71, 76, 77, 89

Accomplishments Through FY 2021: Pre-construction surveys for construction activities.

FY 2022 Activities: Costs of biological monitors included as Environmental Specialists in Task 2.

Proposed FY 2023 Activities: Costs of biological monitors included as Environmental Specialists in Task 2.

Work Task 10: Worker Education Program Covered Species Training and Manual

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$ -	\$ -	\$640	\$35,302

Description and Purpose: To implement an annual worker education program for workers conducting O&M and construction activities to ensure compliance with the Desert Habitat Conservation Strategy. A worker education manual is to be prepared with the concurrence of USFWS and CDFW; copies are to be distributed to each person conducting O&M activities along the AAC, East Highline, Westside Main, Thistle or Trifolium canals.

Includes review of worker education manual, updates as appropriate, and distribution to workers; copies are to be given to USFWS and CDFW. Workers' compliance is to be monitored with worker education manual procedures, and any infractions will be reported by the IT Biologist to the worker's supervisor.

Permit Reference: HCP-Desert 1; CESA Permit 4(i) MMRP 58, 59 and 60

Accomplishments Through FY 2021: Annual worker education trainings conducted at the beginning of each calendar year and then an additional training mid-year for new employees.

FY 2022 Activities: Annual worker education program.

Proposed FY 2023 Activities: Annual worker education program.

Work Task 11: Desert Habitat Survey and Mapping of Right of Way

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$ -	\$ -	\$ -	\$379,191

Description and Purpose: To conduct a desert habitat survey encompassing IID's rights-of-way along the AAC (from the intersection with the East Highline Canal to the desilting basins at Imperial Dam) and the Westside Main, East Highline, Thistle and Trifolium Extension Canals where the rights-of-way contain or are adjacent to desert habitat. Includes Identifying and mapping habitat and habitat features. A report of the results of the desert habitat survey is tube reported to USFWS and CDFW. The worker education manual will be updated to include a habitat map and map(s) of known locations of each of the covered species within the canal rights-of-way.

Permit Reference: HCP DH 4; CESA Permit 4(i)(v) MMRP 64

Accomplishments Through FY 2021: Habitat survey conducted as part of initial habitat mapping at the beginning of the QSA.

FY 2022 Activities: N/A

Proposed FY 2023 Activities: N/A

Work Task 12: Desert Habitat Create/Maintain Desert Habitat

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$ -	\$ -	\$ -	\$17,300

Description and Purpose: To determine the amount of habitat lost, and work with the IT to identify a replacement property (in a 1:1 ratio to the lost acreage) to be acquired or covered with a conservation easement if desert habitat used by covered species would be permanently lost due to O&M or construction activities. IID may not permanently remove more than 100 acres of desert habitat and/or tamarisk scrub habitat over the permit term.

Permit Reference: HCP-DH 5; CESA Permit 4(i)(vi) and MMRP 66, 67, 68

Accomplishments Through FY 2021: N/A.

FY 2022 Activities: N/A.

Proposed FY 2023 Activities: N/A.

Work Task 13: Changes to Operations on IID Canals to Avoid Covered Species

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$ -	\$ -	\$ -	\$ -

Description and Purpose: To implement the listed "interim" practices in connection with O&M activities. These measures may be modified during the permit term based upon survey results or adaptive management.

Permit Reference: HCP, Desert 2; CESA Permit, Conditions 4(i)(iii), 4(i)(vii) to (xiv) and MMRP 50, 60, 62, 63, 70, 71, 76 and 77

Accomplishments Through FY 2021: No major modifications to operations & maintenance activities to date.

FY 2022 Activities: N/A.

Proposed FY 2023 Activities: N/A.

Work Task 14: Burrowing Owl Worker Annual Education and Manual

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$ -	\$ -	\$ -	\$10,411

Description and Purpose: To develop and implement an annual worker education program to ensure workers are familiar with Burrowing Owl mitigation measures. Also to ensure new workers are informed of and understand the HCP requirements. A worker education manual is to be prepared and distributed to each person conducting drain cleaning or canal maintenance procedures and refresher instruction is to be conducted. Copies of the manual are to be provided to USFWS and CDFW and approval of the workers' manual from USFWS and CDFW must be obtained. The IT Biologist will conduct random checks of workers to ensure compliance with the HCP.

Permit Reference: HCP, Owl 1

Accomplishments Through FY 2021: The Burrowing Owl Worker Education and Manual have been combined with Task 10/10A: Worker Education Program to conduct one annual worker education program. All Water Department O&M and construction workers are trained in January of each year. Zanjeros and water patrolmen are trained in February/March of each year. A mid-year make up training is conducted for anyone who missed trainings at the beginning of the year or who have been hired since trainings occurred.

FY 2022 Activities: Annual education program rolled into Task 10/10A.

Proposed FY 2023 Activities: Annual education program rolled into Task 10/10A.

Work Task 15: Pre-Construction Activity Burrowing Owl Surveys and Relocation

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$3,390	\$5,139	\$8,950	\$923,622

Description and Purpose: To implement the following in connection with construction and O&M activities:

- Conduct visual inspection of banks and indicate location of burrows; avoid collapsing or filling burrows, exercise care in removing sediment, and avoid moving the excavator bucket directly over a burrow.
- Develop standard operating procedures through teamwork of IT biologist and maintenance workers for drain/canal cleaning.

Permit Reference: HCP-Owl 2-8

Accomplishments Through FY 2021: Annual inspections of canals and drains prior to all operations and maintenance activities.

FY 2022 Activities: Pre-inspection activities are conducted by HCP Team members as soon as an operation/maintenance or construction activity is identified. HCP Team member and vehicles are covered under Task 2. Costs to Task 15 include materials and equipment. Assume no more than two burrows needing artificial relocation each year.

Proposed FY 2023 Activities: Pre-inspection activities are conducted by HCP Team members as soon as an operation/maintenance or construction activity is identified. HCP Team member and vehicles are covered under Task 2. Costs to Task 15 include materials and equipment. Assume no more than two burrows needing artificial relocation each year.

Work Task 16: Burrowing Owl Relative Abundance and Distribution Surveys

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$ -	\$ -	\$ -	\$3,516,853

Description and Purpose: To prepare and conduct a study design for a relative abundance and distribution survey of Burrowing Owls (BUOW) in the HCP area; prepare in consultation with a statistician; obtain IT approval of the study design.

Permit Reference: HCP, Owl 7

Accomplishments Through FY 2021: Population Studies conducted in 2007/2008. Sub-Sampling conducted in 2011/2012.

"Efficacy study" on burrowing owl marking protocol in 2015/2016. Beginning of a 2-year subsampling effort in 2019 and 2020.

FY 2022 Activities: Burrowing Owl population subsampling event began in 2019 and ongoing through 2021.

Proposed FY 2023 Activities: N/A.

Work Task 17: Farmer and Public Education Program

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$7,600	\$7,380	\$7,380	\$15,755

Description and Purpose: To implement a farmer and public education program on Burrowing Owls; periodically include information on Burrowing Owls in water bills to farmers.

Permit Reference: HCP, Owl 9

Accomplishments Through FY 2021: Design an ad and public outreach presentations to various groups.

FY 2022 Activities: Public outreach presentations, design an ad, etc.

Proposed FY 2023 Activities: Public outreach presentations, design an ad, etc.

Work Task 18: Desert Pupfish Abundance and Distribution Study

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$6,750	\$8,000	\$6,530	\$92,367

Description and Purpose: To develop in coordination with the IT a protocol for monitoring pupfish presence in drains currently maintained, and in drain channels constructed, to increase the amount of potential pupfish drain habitat under Pupfish 3.

Permit Reference: HCP, Pupfish 4; In-Valley Biological Opinion, Pupfish CM 3; CESA Permit

Accomplishments Through FY 2021: Desert pupfish distribution monitoring protocol, purchasing of equipment, and implementation to date. IID environmental mitigation staff trained to survey for pupfish within drains around the Salton Sea.

FY 2022 Activities: Pupfish distribution surveys and equipment costs.

Proposed FY 2023 Activities: Monitoring of pupfish within IID drains at the Salton Sea by IID staff.

Work Task 19: Pupfish Selenium Drain Studies

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$317,310	\$100,000	\$210,940	\$2,461,740

Description and Purpose: To operate and maintain drains in a manner that minimizes the effects of water conservation on water quality. To implement the selenium drain monitoring study. To work together with the IT to determine the best means for managing the drain channels to minimize potential selenium effects on pupfish, based upon the findings of studies conducted by USFWS or others and continue funding of the Selenium Toxicity Study.

Permit Reference: HCP-Pupfish 4; CESA Permit Conditions 4(j)(ii), 4(j)(vi), 4(j)(vii), 4(j)(x); MMRP 80, 81, 87, 94; In-Valley Biological Opinion; SWRCB Order

Accomplishments Through FY 2021: USGS Selenium Study completed in 2009. Recommendations from USGS study used to create Selenium Work Plan for the RWQCB Ag Waiver completed. 1st year of 3 year study began in late 2018.

FY 2022 Activities: Selenium analysis within IID drains, equipment costs, and data analysis.

Proposed FY 2023 Activities: Ongoing Selenium Work Plan activities.

Work Task 20: Pupfish Construction and Maintenance Conservation Measures

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$257,500	\$100,000	\$500,000	\$181,497

Description and Purpose: To implement the listed measures in connection with construction activities (i.e., in-channel modifications) that directly affect pupfish drains and require dewatering or removal of drain sections.

Permit Reference: HCP-Pupfish 6; CESA Permit MMRP 80, 86, 89, 90, 94, 95, 96, 97; In-Valley Biological Opinion

Accomplishments Through FY 2021: Any required drain maintenance activities have been consulted with CDFW. Pupfish trapping occurred five consecutive days with no pupfish caught before work has started.

FY 2022 Activities: Kicked off consultant to develop pupfish habitat connectivity plan.

Proposed FY 2023 Activities: Develop a Pupfish Habitat Connectivity Plan with consultant, USFWS, CDFW and CVWD for IID and CVWD drains.

Work Task 21: Salvage of Razorback Suckers when Dewatering Canals

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$ -	\$ -	\$ -	\$9,534

Description and Purpose: The IT will develop a procedure for salvaging and returning fish to the Colorado River and ensure that a person qualified to capture and handle Razorback Suckers, and approved by USFWS and CDFW, will be present during dewatering of main canals or reservoirs.

Permit Reference: HCP-Razorback Sucker 1; CESA Permit 4(k)(i) and MMRP 99

Accomplishments Through FY 2021: No relocation efforts have been conducted to date.

FY 2022 Activities: No Razorback Suckers were found.

Proposed FY 2023 Activities: Relocation of Razorback Suckers if needed.

Work Task 22: Maintain Habitat on Fallowed Parcels

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$ -	\$ -	\$ -	\$ -

Description and Purpose: N/A

Permit Reference: N/A

Accomplishments Through FY 2021: Task has no value. Fallowed parcels are privately owned with residual cover from previous crops. Fallowed parcels are scattered around the valley, so no one area has had a significant percentage of fallowed lands.

FY 2022 Activities: N/A. Fallowing is no longer conducted as a conservation measure post 2017.

Proposed FY 2023 Activities: N/A.

Work Task 23: Covered Species Baseline and Monitoring Surveys

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$ -	\$ -	\$5,300	\$5,395,188

Description and Purpose: To work with the IT to define specific surveys and studies to be conducted as part of a study program for the "Other Species" listed in Table 3.9-1 of the HCP within the HCP area. The use of created or acquired native tree habitat is to be monitored. A baseline desert survey will be conducted.

Permit Reference: HCP-OTHER Species 1 and 2; CESA Permit 4(i)(v) and MMRP 35, 48, 64, 65; HCP; CESA Permit 4(i)(v) and MMRP 64; HCP DH 2, DH3, DH4

Accomplishments Through FY 2021: Baseline survey of covered species completed in 2009. Imagery purchased for Imperial Valley Agricultural area. Annual marsh bird protocol surveys and Southwest Willow Flycatcher surveys conducted.

FY 2022 Activities: Covered species surveys.

Proposed FY 2023 Activities: Covered species surveys.

Work Task 24: Salton Sea Air Quality

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$12,822,120	\$5,409,989	\$8,596,440	\$28,402,952

Description and Purpose: To continue implementation of the 4-step air quality plan: (1) Restrict Access, (2) Research and Monitoring, (3) Emission Reduction Credits, (4) Direct Emissions Reductions.

Permit Reference: SWRCB-8; EIR/EIS STEP 2, AQPLAN-AQ 7

Accomplishments Through FY 2021: Annual emissions inventory, air quality network operations & maintenance, proactive dust control planning, groundwater development, air quality emissions inventory.

FY 2022 Activities: Annual emissions inventory, air quality network operations & maintenance, proactive dust control planning, groundwater development, air quality mitigation planning, restricting access, shallow tile install.

Proposed FY 2023 Activities: Annual emissions inventory, air quality network operations & maintenance, proactive dust control planning, groundwater development, air quality mitigation planning, restricting access.

Work Task 25: Minimize Dust Emissions from Fallowed Lands

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$ -	\$ -	\$ -	\$57,775

Description and Purpose: To implement at least one of the Best Management Practices ("BMPs") to minimize PM10 emissions prior to and after fallowing.

Permit Reference: SWRCB-8; EIR/EIS-AQ 3

Accomplishments Through FY 2021: Fallowed fields are required to have a crop left in place for dust mitigation at the owners expense. No cost to the JPA.

FY 2022 Activities: N/A.

Proposed FY 2023 Activities: N/A.

Work Task 26: Drain Connectivity to Salton Sea Elevation Decrease

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$ -	\$ -	\$ -	\$ -

Description and Purpose: To ensure an appropriate level of connectivity between pupfish populations within individual drains that connect to the Sea and are below the first check (at the north and south ends of the Sea) if Salton Sea conditions become unsuitable for pupfish. To maintain created pupfish habitats for the duration of the term of the take permits.

Permit Reference: HCP-SS 2; In-Valley Biological Opinion; CESA Permit MMRP 79, 80

Accomplishments Through FY 2021: Drain connectivity for pupfish due to salinity levels is included in Task 20.

FY 2022 Activities: Included in Task 20.

Proposed FY 2023 Activities: Included in Task 20.

Work Task 27: Grade Spoil/Roads from Drain Maintenance

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$ -	\$ -	\$ -	\$ -

Description and Purpose: When grading spoils from drain or canal cleaning, the soil to be graded will first be rolled away from the channel and broken up into small clods and slowly rolled back towards the channel. Care will be taken to not roll the soil back down the slope.

Permit Reference: Owl-3, HCP

Accomplishments Through FY 2021: IID protocols for drain and canal cleaning include spoil to be graded away from the channel. Costs for burrowing owl marking included in Task 15.

FY 2022 Activities: Included in Task 15.

Proposed FY 2023 Activities: Included in Task 15.

Work Task 28: Power Line Markers for Pumpback and Seepage Recovery Systems

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$ -	\$ -	\$ -	\$1,960

Description and Purpose: To install markers in accordance with industry standards in order to reduce bird strikes and to alert birds to the presence of the lines if IID builds additional power lines to provide power to pumps for tailwater return systems. If additional lines are erected, submit a report to USFWS and CDFW.

Permit Reference: HCP-AG 1; CESA Permit MMRP 55, 57

Accomplishments Through FY 2021: N/A

FY 2022 Activities: N/A

Proposed FY 2023 Activities: N/A

Work Task 29: Prepare and Implement Management Plan for Abandoned Portions of AAC

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$ -	\$ -	\$ -	\$ -

Description and Purpose: To prepare and implement a Management Plan for abandoned portions of AAC.

Permit Reference: CESA Permit MMRP 78

Accomplishments Through FY 2021: N/A.

FY 2022 Activities: N/A.

Proposed FY 2023 Activities: N/A.

Work Task 30: Southwestern Willow Flycatcher Surveys and Habitat Monitoring

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$ -	\$ -	\$ -	\$62,938

Description and Purpose: To carry out Southwestern Willow Flycatcher Surveys.

Permit Reference: CESA Permit 4(f) and MMRP 41, 42; HCP; In-Valley Biological Opinion, Willow Flycatcher Measures

Accomplishments Through FY 2021: Included in Task 23.

FY 2022 Activities: Included in Task 23.

Proposed FY 2023 Activities: Included in Task 23.

Work Task 31: Elf Owl Surveys

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$ -	\$ -	\$ -	\$ -

Description and Purpose: To carry out pre-construction surveys of potential habitat with a 0.25 mile radius for nesting owls.

Permit Reference: CESA Permit 4(f)(ix) and MMRP 44

Accomplishments Through FY 2021: Included in Task 23.

FY 2022 Activities: Included in Task 23.

Proposed FY 2023 Activities: Included in Task 23.

Work Task 32: Desert Tortoise Survey and Avoidance

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$ -	\$ -	\$ -	\$ -

Description and Purpose: To carry out pre-construction surveys and avoidance or minimization.

Permit Reference: CESA Permit 4(i) and MMRP 71 to 75; HCP DH 2 and DH 3

Accomplishments Through FY 2021: Included in Task 23.

FY 2022 Activities: Included in Task 23.

Proposed FY 2023 Activities: Included in Task 23.

Work Task 33: Least Tern Surveys

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$ -	\$ -	\$ -	\$ -

Description and Purpose: Permittee is to use fencing or other techniques to protect nesting terns if least terns begin nesting at the Salton Sea.

Permit Reference: CESA Permit 4(e) and MMRP 20

Accomplishments Through FY 2021: Included in Task 23.

FY 2022 Activities: Included in Task 23.

Proposed FY 2023 Activities: Included in Task 23.

Work Task 34: Rail and Bittern Surveys

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$ -	\$ -	\$ -	\$ -

Description and Purpose: To carry out Managed Marsh monitoring and initial baseline monitoring of suitable agricultural drain habitat.

Permit Reference: CESA Permit 4(g) and MMRPs 51, 52, 54; In-Valley Biological Opinion, Rail Measures; HCP

Accomplishments Through FY 2021: Included in Task 23.

FY 2022 Activities: Included in Task 23.

Proposed FY 2023 Activities: Included in Task 23.

Work Task 35: Management and Planning

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$ -	\$ -	\$12,730	\$336,979

Description and Purpose: Management and Planning.

Permit Reference: N/A

Accomplishments Through FY 2021: Costs for monthly accounting, invoicing, and budget development.

FY 2022 Activities: Costs for monthly accounting, invoicing, and budget development.

Proposed FY 2023 Activities: Costs for monthly accounting, invoicing, and budget development.

Work Task 36: JPA Audit Fees

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$10,770	\$10,770	\$10,770	\$168,958

Description and Purpose: To pay for JPA audit fees.

Permit Reference: N/A

Accomplishments Through FY 2021: Costs for JPA Auditor.

FY 2022 Activities: Costs for JPA Auditor.

Proposed FY 2023 Activities: Costs for JPA Auditor.

Work Task 37: JPA Bank Fees

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$3,090	\$3,000	\$3,000	\$31,641

Description and Purpose: To pay for JPA bank fees.

Permit Reference: N/A

Accomplishments Through FY 2021: Costs for JPA Bank Fees.

FY 2022 Activities: Costs for JPA Bank Fees.

Proposed FY 2023 Activities: Costs for JPA Bank Fees.

Work Task 38: Financial Advisor

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$16,000	\$16,000	\$16,000	\$38,727

Description and Purpose: To pay for financial advisor services.

Permit Reference: N/A

Accomplishments Through FY 2021: In FY07, the QSA JPA hired First Southwest Company as a financial advisor tasked with analyzing projected expenditures and existing payment schedules to develop options for an upcoming deficit. This led to the 2007 Advanced Payment Agreement. In FY20, the QSA JPA hired Chandler Asset Management as an investment advisor.

FY 2022 Activities: Costs for investment management (Chandler Asset Management).

Proposed FY 2023 Activities: Costs for investment management (Chandler Asset Management).

Work Task 39: Bond Counsel Fees

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$ -	\$ -	\$ -	\$25,000

Description and Purpose: To pay for bond counsel fees.

Permit Reference: N/A

Accomplishments Through FY 2021: In FY07, the QSA JPA hired Orrick, Herrington and Sutcliffe to advise on the potential issuance of bonds.

FY 2022 Activities: N/A.

Proposed FY 2023 Activities: N/A.

Work Task 40: 2001 Biological Opinion Measures

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$ -	\$ -	\$ -	\$3,349,126

Description and Purpose: Bureau of Reclamation implementation of “on-river” measures including backwater marsh creation, razorback sucker stocking, willow flycatcher habitat, and bonytail chub rearing. Costs for this Task have been credited to the Water Authority.

Permit Reference: 2001 LCR BO; CESA

Accomplishments Through FY 2021: Section 9.5 of the JPA Agreement provides for a \$3.118 million credit to the Water Authority for certain on-river mitigation activities that are implemented by the Bureau of Reclamation (BOR). Specifically, the language states “SDCWA shall receive credit toward its payment obligations under this Agreement, not to exceed a present value of \$3,118,000, for payments made to BOR for satisfaction of Environmental Mitigation Requirements pursuant to that agreement among BOR, MWD, and SDCWA, dated October 10, 2003, regarding responsibility for implementation of Conservation and Mitigation Measures for the Colorado River described in a US Fish and Wildlife Service Biological Opinion dated January 12, 2001.”

FY 2022 Activities: N/A.

Proposed FY 2023 Activities: N/A.

Work Task 41: Brown Pelican Coast

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$ -	\$ -	\$ -	\$ -

Description and Purpose: To construct, maintain, and monitor major coastal roost sites in San Diego Bay and Santa Barbara Harbor.

Permit Reference: CESA 4(d); 2002 In-Valley BO BP CM-1

Accomplishments Through FY 2021: N/A.

FY 2022 Activities: N/A.

Proposed FY 2023 Activities: N/A.

Work Task 42: Brown Pelican Sea

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$55,920	\$5,000	\$58,540	\$5,188

Description and Purpose: To deliver mitigation water to Salton Sea until 2017 (2030 per HCP) to stabilize elevation and moderate salinity.

Permit Reference: CESA 3(c); 2002 In-Valley BO BP CM-1; HCP SS-1

Accomplishments Through FY 2021: N/A.

FY 2022 Activities: Identified engineer of Brown Pelican Roost for Salton Sea.

Proposed FY 2023 Activities: Design of Brown Pelican Roost.

Work Task 43: Salton Sea Shoreline Strand Study

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$ -	\$ -	\$ -	\$ -

Description and Purpose: To survey for and mitigate, if required, impacts to tamarisk scrub upon completion of Salton Sea mitigation deliveries.

Permit Reference: HCP SS-3; HCP 4(f)

Accomplishments Through FY 2021: N/A.

FY 2022 Activities: Shoreline strand picked up in annual shoreline lidar imagery.

Proposed FY 2023 Activities: Shoreline strand picked up in annual shoreline lidar imagery.

Work Task 44: Pupfish Refugium

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$32,890	\$1,000	\$31,930	\$63,815

Description and Purpose: To construct and maintain one refugium pond.

Permit Reference: HCP SS-2; 2002 In-Valley BO DP CM-1; CESA 4(j)

Accomplishments Through FY 2021: Pupfish refugium built in 2010 and stocked in 2016.

FY 2022 Activities: Pupfish refugium operations and maintenance.

Proposed FY 2023 Activities: Pupfish refugium operations and maintenance.

Work Task 45: Recreation Facilities at Salton Sea

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$ -	\$ -	\$ -	\$22,603

Description and Purpose: To relocate boat launch site and/or maintain boat launch connection to Salton Sea.

Permit Reference: SWRCB Order Measure R-7; 2002 EIS/EIR Measure R-7

Accomplishments Through FY 2021: Inventory of recreational facilities around the Salton Sea.

FY 2022 Activities: N/A.

Proposed FY 2023 Activities: N/A.

Work Task 46: QSA JPA Website Maintenance Services

PROPOSED FY 2023	PROJECTED FY 2022	Budgeted FY 2022	SPENT THROUGH FY 2021
\$1,320	\$9,340	\$10,000	\$ -

Description and Purpose: Maintain the QSA JPA website.

Permit Reference: N/A

Accomplishments Through FY 2021: N/A.

FY 2022 Activities: Develop QSA JPA website.

Proposed FY 2023 Activities: Operation and maintenance of QSA JPA website.

Enclosure 4

Quantification Settlement Agreement Joint Powers Authority

Procedure for JPA Commission Budget Approval and Payment of Environmental Mitigation Costs

Approved by JPA Commission January 24, 2007

Roles of IT and JPA

1. The Draft Habitat Conservation Plan (HCP) and the CESA Section 2081 Permit (CESA Permit) for the Transfer Project specify the basic conservation/mitigation measures which are required under the incidental take permits; however, numerous program details remain to be determined during the course of implementation. The HCP and the CESA Permit require the establishment of an HCP Implementation Team (IT), consisting of representatives from IID, the U.S. Fish and Wildlife Service (USFWS) and the California Department of Fish and Game (CDFG). As described in the HCP [Section 3.2, page A3-3; Section 5.2.1, page A5-2], the IT is responsible for:
 - Guiding implementation of the HCP measures, including: identifying the location and characteristics for managed marsh habitat to be created under the Drain Habitat Conservation Strategy; working with IID to develop habitat creation and management plans; identifying properties appropriate for acquisition; and overseeing management of created and acquired habitat.
 - Developing specific methodologies for survey programs and studies.
 - Reviewing and interpreting monitoring results.
 - Adjusting the HCP measures under the Adaptive Management Program, including: modifying habitat management practices; and refining avoidance and minimization measures.

Specific responsibilities of the IT are identified in the discussion of the various conservation/mitigation measures. The HCP states: "Although the responsibility for implementing the HCP will ultimately rest with IID, the HCP IT will play an important role in guiding the implementation of specific aspects of the HCP over the term of the permit. The CDFG and USFWS (outside of the HCP IT) also will continue to be involved in the HCP over the term of the permit as various aspects of the HCP require approvals from these agencies." [HCP Section 5.2, page A5-2]. The HCP anticipates that "substantial coordination between the HCP IT and IID will be necessary during the initial stages of implementing the HCP with less intensive involvement needed over time"[page A5-2].

In addition to its role in implementation, the IT is responsible for monitoring compliance with permit requirements, monitoring the effectiveness of conservation measures, and specifying adaptive management measures [HCP Section 4.2.3, page A4-10].

Limitations on the IT's authority are described in the HCP: "While the HCP IT will have the authority to recommend adjustments in the implementation of the HCP, the HCP IT will not

have the power to authorize IID to implement the revised measures and remain in compliance with the HCP. Only the USFWS and CDFG can determine whether future adjustments are in compliance with the HCP requirements. In general, actions that would change the HCP measures or what constitutes fulfillment of a commitment of the HCP measures require approval from the USFWS and CDFG." [HCP Section 5.2.2, page A5-3]

Thus, actions by the IT, as authorized under the HCP or the CESA Permit, may affect implementation of Environmental Mitigation Requirements [as defined in the Environmental Cost Sharing Agreement (ECSA)], the schedule for implementation, and the Environmental Mitigation Costs (as defined in the ECSA) related thereto.

2. The Joint Powers Authority (JPA) was established to implement and allocate environmental mitigation cost responsibility, and to pay those costs [JPA Agreement, Recitals G, J and Section 2.2]. The JPA is not authorized to determine, approve, supervise or oversee implementation of Environmental Mitigation Requirements. To the extent that the IT approves an acceleration of the timing of implementation of specific conservation/mitigation measures (e.g., to achieve economies of scale, cost savings or other environmental benefits), and such acceleration would affect the JPA's approved budget or cash flow plans, the JPA should have the right to approve such acceleration through approval of the budget or an amendment thereto.

Annual Budget

1. A summary of Expected Environmental Mitigation Costs (prepared by Greystone, SDCWA's environmental consultant) was attached to the ECSA as Exhibit A. The ECSA, in turn, was attached to the JPA Agreement as Exhibit B. This summary was used for cost allocation purposes under the ECSA, but it was not intended to serve as a definitive budget for JPA purposes. Rather, the JPA Agreement provides for the preparation of an annual budget.
2. The annual budget is the primary means for identifying the Environmental Mitigation Costs which are anticipated to be incurred during each fiscal year and for authorizing payment of those Costs by the JPA.
3. A budget for each fiscal year (July 1-June 30) shall be prepared in several steps. IID shall prepare a partial budget covering those In-Valley conservation/mitigation measures which the IT determines must be implemented during the fiscal year. SDCWA shall prepare a partial budget covering those LCR conservation/ mitigation measures which BOR determines must be implemented during the fiscal year. Commission staff will utilize these partial budgets to prepare a consolidated budget for review and approval by the Commissioners. As provided in Section 10.1 (Annual Budget) of the JPA Agreement, the budget "shall be prepared in sufficient detail to constitute an operating outline for contributions to be made by the Parties and expenditures to be made during the ensuing year to pay for the Environmental Mitigation Costs".
4. The budget shall be submitted to the Commission for approval prior to commencement of the applicable fiscal year. As provided in Section 10.1 of the JPA Agreement, the Commission's approval of the budget shall not be unreasonably withheld.

5. Approval of the budget is a representation by the Commission that the costs identified in the approved budget are qualified Environmental Mitigation Costs, which may be eligible for reimbursement as described in Section 10.3 of the JPA Agreement, and as a credit pursuant to Section 9.5 of the JPA Agreement in the case of payments made by SDCWA to USBR for Colorado River mitigation.

Budget Revisions

1. The approved budget for any fiscal year shall be amended by the Commission during the year, as needed to reflect changes to the Environmental Mitigation Requirements and/or the anticipated Environmental Mitigation Costs identified in the budget, in accordance with the following procedure.
2. The implementing agency for Environmental Mitigation Requirements shall inform JPA staff within a reasonable time if it determines that the approved budget should be revised due to changes to the Environmental Mitigation Requirements and/or the anticipated Environmental Mitigation Costs.
3. JPA staff will review the proposed revisions to the budget and provide recommendations to the Commission at the next regularly scheduled Commission meeting regarding whether the proposed budget revisions are needed. At each regularly scheduled Commission meeting, JPA staff shall provide a quarterly budget review to facilitate the Commission's review of proposed revisions to the budget.
4. The provisions of Section 10.1 of the JPA Agreement shall apply to approval of budget revisions; e.g., the affirmative vote of three Commissioners, including the Commissioner representing the State, is required and approval shall not be unreasonably withheld.

Reimbursement of Direct Costs - Invoice Approval

1. Implementing agencies shall submit a cost report to JPA staff, which will electronically forward copies to other agency staff for review.
2. As provided in Section 10.3 of the JPA Agreement, the JPA shall determine whether a cost report conforms to the requirements of Section 10.3.
 - a. To the extent a cost report requests payment for items and costs reflected in the budget (including back-up documentation supporting the approved budget), the cost report shall be deemed to be in conformance, and the implementing agency shall be paid within 30 days after submittal of the cost report.
 - b. If JPA staff determines that the cost report is not in conformance, JPA staff shall notify the implementing agency in writing within 30 days after submittal of the cost report, indicating the reasons for the nonconformance determination in reasonable detail. JPA staff and the implementing agency shall promptly consult in good faith in an effort to resolve the issue.
 - i. If JPA staff fails to deliver notice of nonconformance within such 30-day period, the cost report shall be deemed to be in conformance, and the implementing agency shall be paid within 10 days after expiration of such 30-day period.

- ii. If JPA and implementing agency staff are unable to resolve the issue, the matter will be brought to the JPA Commission for a determination at the next regularly scheduled Commission meeting. However, if the next regularly scheduled Commission meeting is more than 30 days after the date of the JPA staff's determination of nonconformance, a special meeting of the Commission shall be held, at the request of the implementing agency, to resolve the issue. The implementing agency shall be paid within 30 days after the cost report is determined to be in conformance with the requirements of Section 10.3.
- 3. As provided in Section 10.3, the implementing agency shall have the right to be paid interest on all amounts not paid when due.
- 4. All cost reports and reimbursements are subject to the reimbursement process described in Section 10.3 of the JPA Agreement.

Credits Pursuant to Section 9.5

- 1. The determination of credits pursuant to Section 9.5 of the JPA Agreement for payments made by SDCWA to USBR for Colorado River mitigation shall be made in accordance with Section 9.5. The sections herein entitled Roles of the IT and JPA and Reimbursement of Direct Costs-Invoice Approval do not apply to the determination of those credits.