



Salton Sea Authority
General Manager's Report
To the Board of the Directors
January 28, 2021

Executive Summary

Returning from the holiday season the Salton Sea Authority (Authority) hit the ground running in the new year. Working on a vast array of current and future challenges and opportunities, we are well positioned to secure funding sources and launch several new projects in the very near term. However, the delays, both COVID and design related, associated with getting previously planned projects up and running is causing a serious constraint to Authority cash flows. Assuming the North Lake Expansion Project promptly closes and reimbursements due the Authority are timely funded, we expect to end the year at or near our minimum reserve levels. However, any negative impacts to those anticipated receipts may require the Authority to take more drastic measures to curb costs and/or increase revenues. This situation, discussed previously with the Authority finance committee and detailed more fully herein, is being monitored very closely and will receive the closest attention and the highest level of care over the coming weeks and months.

Strategic Plan / Budget

Beginning in late fall of 2019, and with the assistance of Debra Williams of Higher Ground International, the Board undertook a strategic planning process which continued through July 2020. As a follow-up thereto several meetings were held between the consultant and our prior GM in the late fall of last year, and along with our advocates, I attended a final meeting in December. After reviewing with the team what was to be the final work product, I grew concerned that some of the information was dated, and that the vast array of objectives advocated under the plan far exceeded that which is practically achievable with current Authority resources. The 65-page work product is under final review and a summary of findings and recommendations to be presented to the Board at our March meeting. That document and schedule of values and priorities, once approved by the Board, will form the basis of our 2021 / 2022 budget cycle, which will begin immediately thereafter. A first draft of that budget will be presented to the Board for review and input in April (but no action), with final Board approval expected in May.

Priorities and Resources

In conjunction with the Strategic Plan review discussed earlier, and as I have become more familiar with the projects, expectations, and resources of the Authority, it has become increasingly clear that the vast demands placed on the Authority was not reflective of the current resources available to meet those demands. Furthermore, it is unclear how, when and to what extent the Authority does or should engage in regional matters of or relating to the Sea and its decline. The Authority is a highly regarded, well recognized regional body who has historically been generally looked to for guidance on matters in this area, but there is no clear framework for how the resources of the Authority are to be engaged and consumed. A partial list of work the Authority is actively engaged in to varying degrees includes:

SCH – At long last this important project broke ground earlier this month. The Authority was actively and extensively involved throughout the project planning cycle, including advocating for project funding, both in Sacramento, in local communities, and at the federal level. For example, working with partners, the Authority secured \$7.5 million in USDA funds for farmers to improve water quality flowing into SCH, and later secured new USDA authority to expand the geographic scope work in both through the 2018 Farm Bill and by securing CNRA a \$650,000 USDA planning Watershed Act that would make projects like SCH anywhere at the Sea eligible for 65% federal USDA project funding. (CNRA has not yet taken the required steps to implement the grant -- undermining the ability to tap a roughly \$500 million/year USDA funding source). In addition, throughout the Funding and Feasibility Action Plan (paid for by the State), we worked closely to integrate the SCH with the future Perimeter Lake. Although the SCH groundbreaking ceremony originally planned and budgeted for the project was cancelled due to COVID, the Authority offered to assist in a press release and/or other public outreach concerning this project milestone. Ultimately, CNRA acted independent of the Authority in the issuance of a press release, in which the Authority was not mentioned. (However, because of our standing in the community the local paper did reach out to the Authority for comment).

Red Hill Bay – this project has long been discussed at Authority board meetings regarding project plans, status, public outreach, etc. At the request of representatives from Imperial County and its Air Pollution Control District, I visited the site recently and observed the current project state. Working at Authority Board direction we will continue to advocate regional cooperation in pursuit of sustainable solutions.

North Lake Demonstration Project – After much planning deliberation, and advocacy in Sacramento supported by the Authority, this project has finally reached a point where documents to secure funding are near final, and construction design work is expected to begin very shortly. The Authority has invested countless hours in pursuit of the project and funding to make this community-based improvement a reality. In December, the Authority helped to secure a federal Water Resources Development Act provision that would facilitate securing U.S. Army Corps of Engineers funding for a future Perimeter Lake following on from this demonstration project.

Desert Shores – For years, residents of this community have expressed their frustration to the Authority concerning the lack of action being taken to address their concerns. The Authority was recently contacted by an Imperial County representative regarding the project and we have been extensively engaged ever since, working with the County and its Air Pollution Control District, the State, and possible other project participants to begin the process of delivering a sustainable project for this long-impacted community.

It will take both time and money to make any project in this community or any community successful, but the Authority has long demonstrated its ability to work with Authority members and other project proponents to advance concepts and secure both state and federal funding sources that may be used to improve health and life around the Sea. Authority advocacy efforts has helped to secure State funding for the North Lake and New River; created new federal funding tools (WRDA, Farm Bill); solidified Congressional champions and State support for a robust federal funding role; and helped to raise the visibility of the Salton Sea by securing a federal Salton Sea Congressional hearing and Sea-focused legislation. However, there is neither a formal process to engage the Authority nor a rubric as to how to allocate extremely limited Authority resources in these efforts.

Other North Lake Wetlands – we are exploring, as an extension of currently planned work in the region and in conjunction with the State and others, the development of additional wetlands at the northern end of the Sea. A variety of concepts must be evaluated for feasibility, specific project locations must be identified, and costs and available funding opportunities must be evaluated, identified and secured. Depending on the program and available resources, these additional habitat developments could include shallow or deep-water habitat on Tribal, Public or Private lands – as funding sources, restrictions, project costs, and interest and cooperation of landowners allow.

Community Outreach – In addition to the projects mentioned and others being explored around the Sea and throughout the region, we have been asked by members in both counties that the Authority become more actively engaged in community outreach and engagement. We have also been specifically requested to engage with the local air quality agencies and the community meetings in relationship thereto. At present, these meetings are all being held virtually and while they are generally held late into the evening attendance is far more achievable than it will be when we once again meet in person and will increasingly tax the limited resources of the Authority.

The Authority's efforts are being expended above, and others not mentioned are at present being funded entirely out of the general operating resources of the Authority. We expect that once the North Lake project funds are available, there will be recoverable monies in arrears for work completed on that project, and going forward, contributions of staff time will be reimbursable. The dredging project associated with the North Shore Beach and Yacht Club has been temporarily placed on hold to allow for integration efforts into the North Lake Demonstration Project to optimize funding, avoid project conflicts and leverage synergies.

Budget Impact

The 2020/20201 budget has a single revenue line item which anticipates that the Authority will receive \$750,000 for work on the Proposition (“Prop”) 68, a \$29,250,000 grant of funds to the Authority. The total grant includes \$19.25 million now designated for the North Lake Demonstration Project, with the balance of \$10,000,000 for the New River Improvement Project. For 20/21 budget purposes, it was estimated that the Authority would receive 5% of those proceeds for administrative burden, and that half of those proceeds would be received in the current fiscal year. As it turns out, only the Demonstration Project is likely to fund in the current fiscal year, and since bond reimbursements occur based on quarterly billing cycles, we expect the Authority will received little more than \$150 thousand this year versus the \$750 thousand originally budgeted. Offsetting this deficit is approximately \$40 thousand in program related expenses which will not be incurred. We also believe that certain general and administrative costs can be minimized (most notably travel), but advocacy costs for FY 20/21 will far exceed the budget.

Going forward, once the Demonstration Project and future projects are online, this situation should stabilize, but member contributions alone will never fully fund all the necessary work of the Authority based on current, indeed reasonable, board expectations. To address this, we have taken and are taking several steps to identify additional revenue streams to support the work of the Authority, including:

State Support – Much of the work of the Authority provides significant direct benefit to the State in pursuit of its obligations under the QSA and otherwise, yet other than reimbursements for direct, hard project costs, the State has provided no support (at least not in recent times) for the administrative burden of the Authority. Even project-related work which predates funding is routinely not recoverable under these issues. As a result, the members have historically and routinely funded the burden not only of Authority core operations but also considerable up-front project-related costs.

As highlighted earlier in brief, it was recently identified that there is a substantial need within the Authority for support in the area of communications and outreach. To properly engage with the communities around the Sea, the public agencies, the NGO stakeholders, and our State and Federal partners, a strategic, intentional, properly resourced communications effort is essential. CNRA recently advertised for a position within their organization for such a person for work at the Sea. An inquiry was made whether it would be more effective and efficient for that position to be hired by the Authority, funded by CNRA. In this scenario, the position could handle all regional projects and challenges the State is engaged in, not only SSMP related efforts. Ultimately that request was declined, though the State did offer that they would explore how the candidate selected might coordinate with the Authority to address the communication needs more broadly of the region. Time will tell how effective a position controlled by Sacramento will be integrate and communicate with local stakeholders, contrasted to what could have been - one controlled by the Authority (working in coordination with the State), itself is directed by elected public officials from around the region. Meanwhile, other funding opportunities are being explored.

One such opportunity was discussed last month – the use of sponsorships to allow members of the community, including municipalities, nonprofits, and public and private corporations, to contribute to the important work of the Authority through website and other sponsorships (events, publications, etc.) When we acquired the domain name SaltonSea.com, we did it with the support of the Salton Sea Action Committee, who pledged to fully backstop the purchase of the domain, and ultimately contribute \$6,000 to defray the cost. From there, we pursued a second sponsor for the website, and I am pleased to report that Berkshire Hathaway Energy has agreed to be the second Charter Sponsor of SaltonSea.com, for which they and SSAC will in consideration of their generous donation of \$6,000 each to the Authority will be recognized for one year on the home page of the Authority’s website. We are working on a redesign of the website and are hopeful we can secure the funding of a communications specialist to fully accomplish and maintain that work, expanding our opportunities for sponsorships.

I welcome your questions and feedback. It is a privilege to serve.