



Salton Sea Authority
Executive Director's Report
To the Board of the Directors
March 25, 2021

Executive Summary

The Authority continues its pursuit of important projects at and around the Sea, though the thrust of this month's effort was targeted towards crafting an operating budget for the Authority for Board preliminary review. The Draft Review Budget and accompanying memo contained in your Board packet explains what each revenue and expense item is and how it was developed. This report will focus more on the policies that inform that budget, and provide a general sense of how the budget will be operationalized. At closing I also provide some brief comments regarding project implementation and some of the complexities being faced and addressed by the Authority in cooperation with our partners.

Budget Notes:

Revenues

As the budget reflects, member dues were returned to the pre-Covid rates being paid by Authority members since 2013. Had the rates been adjusted simply to reflect inflation over that period, Member dues would be roughly \$20,000 higher, and a modest 3% year over year increase would have resulted in \$40,000 higher dues. The budget also assumes there will be one full dues paying "Ex Officio" member.

For some months the Authority has been in conversations with the State of California regarding shouldering an equitable portion of the administrative burden necessary for the Authority to fully achieve its goals. In particular, we have diligently sought resources to fund a robust public relations effort, including outreach to the local communities and the production of collateral materials for presentation to the general public and both State and Federal audiences. While initial efforts in this regard were rebuffed, a continuing dialogue has demonstrated at least a general understanding on the part of the State that finding the proper resource to fund the Authority's efforts, which ultimately accrue principally to the benefit of the State, was a worthwhile pursuit. The Draft Budget reflects a State contribution as an Ex Officio member with a full dues-paying contribution. However, the ongoing negotiations may produce a solution with the State that may result in receiving the support we seek but which may manifest in and ultimately be characterized as something completely different than Ex Officio member dues. Whatever you call it, this additional support from the State is both appropriate and necessary.

Although not reflected in the budget but along these same lines, we are also exploring other possible dues-paying Ex Officio members of the Authority, as allowed broadly in our governing documents, and which would ultimately require Board approval.

The budget also reflects grant reimbursables from projects in which the Authority is or is anticipated to be engaged in and is facilitating in some capacity. In particular, the long-awaited North Lake Demonstration Project is budgeted to begin in fiscal 21/22 and contribute \$250,000 to expense reimbursements, based off an internal analysis of the actual, though yet unsigned agreement between the State and the Authority. There's an additional \$80,000 in grant reimbursable budgeted from other projects known to the Authority, any or all of which (including New River) may materialize in the current plan year.

Finally, the budget anticipates a modest provision for "Sponsorship" revenue. As previously discussed, the Authority has invited and will invite various stakeholder groups to participate through sponsorships in the important work taking place at and around the Sea. We expect those sponsorships may come from cities, special districts, businesses, and other non-governmental organizations, as well as philanthropically minded individuals and institutions. Those sponsorship resources will in turn be used to specifically fund public relations, community outreach, advocacy, and educational efforts, including internships from local colleges and universities. This will better equip the Authority to inform and, through listening, be informed by the local communities, the region, and beyond as to the needs and opportunities to create a brighter future for the Sea and the region.

Participating sponsors will be appropriately acknowledged by the Authority on its website at saltonseas.com and other social media platforms, through its various other communications media including emails and mailers (if any), and at Authority sponsored events throughout the year. All donations to the Authority are for public purposes and, as such are tax deductible (consult your tax advisor). The Authority can now receive donations from its homepage at <http://www.saltonseas.com> - just click on the "DONATE" button to support this incredibly worthwhile cause (and thank you!).

Personnel

The budget reflects staffing levels management believes are necessary to perform the work outlined in the plan. Two additional team members are budgeted to be added, effective day one of the plan year, including a Communications Director to oversee the outreach and other public relations activities of the Authority, and an intern to provide general assistance to the team while training future generations for careers in water and public policy. These positions are both contingent on receiving sufficient firm commitment of resources, from the State, from Sponsorships or otherwise, to ensure that the Authority's financial underpinnings are not adversely affected by these commitments.

Over the course of the past four months we have been realigning resources within the Authority to best utilize the strengths of each team member and avoid duplication and redundancy. Through that process we eliminated one full time equivalent position, hired through a temporary service, which was deemed unnecessary. This ongoing process will seek to optimize the human capital to provide maximum opportunity for and yield peak efficiency from each team member. Our goal is to challenge and reward our team, and to provide opportunities for personal growth and professional development. The team is keenly aware that providing excellent, value added service to our members and partners is essential to earn and achieve our projected revenue targets critical to maintaining a stable, quality workforce.

Other Expenses

General operating expenses are based off historical experience. Two exceptions to note are travel and public relations. Concerning travel, the amount budgeted is a 50% reduction to recent historical highs budgeted for this category. Nonetheless, depending on how long the Covid restrictions linger, this may end up being much more than needed. Under any circumstance it is not likely that all these funds will be expended which will provide a modest cushion to potential impaired receipts – either from timing or otherwise, or unanticipated expenditures.

In addition, the budget includes \$36,000 for Public Relations expense. This would cover collateral material and other goods and services necessary to engage with the communities and seek their input into the important work of the Authority. As with the salaried Public Relations Director position, if we are unable to secure those funds – either from the State, from Sponsorships or otherwise, this effort will be significantly curtailed.

Project Complexities:

As we dig deeper into existing and planned projects, we continue to find complexities and loose ends, and are working with the State and other project Partners to programmatically tie them down. One issue which has been long discussed is Operations and Maintenance (O&M) post construction. While each project has or likely will have a principal advocate, there has been considerable deliberation as to who will be responsible for O&M project-by-project, in perpetuity. To date this issue remains unresolved. The State is keenly aware of this issue, and recognizes that it will be a constant impedance to progress as projects are conceptualized and ultimately developed around the Sea. Implementing a programmatic strategy for dealing with this important issue will be essential to underwriting virtually all future projects in the region.

Land use issues are another hurdle. While there are but a handful of large land holders around the Sea, land ownership is quite diverse. In addition, while some lands may be owned in fee by one party, encumbrances from third parties, including restrictions of use, further complicate project development. A number of projects have moved forward by the State with considerable lessons learned (or lessons currently being learned) in this area, and a strategic plan of action for long term land use with major landowners as well as strategies for inclusion or exclusion of small parcels must be developed in order to ensure that future projects can move forward in a timely manner.

Water quality and water availability also continue to affect nearly every project discussion. For example: how to deal with selenium and other constituents in source water, what waters can and cannot be used, and for how long would all feed into the plans for developing a successful project.

As it should, the State has recently amassed a sizeable team of professionals to assist it in developing current and future projects to satisfy their long-delayed commitments and obligations to the region. Nonetheless, only the Salton Sea Authority, with the resources drawn from its member agencies and their decades (indeed over a century) of local knowledge and experience in land use, water conservation, and community service, can best inform the creation, development, implementation, and operation of these planned projects - as mandated in State law under AB71. For the Authority to be effective on an ongoing progressive basis, it must be so recognized by the State and other project partners, stakeholders and the community at large, as the Authority on the Salton Sea and the region. The Authority - It is in our name.