

STATEMENT OF PHIL ROSENTRATOR

EXECUTIVE DIRECTOR

SALTON SEA AUTHORITY

LITTLE HOOVER COMMISSION

April 25, 2016

Thank you, Mr. Chairman, for inviting me to testify today about the Salton Sea Authority's role in the Salton Sea revitalization process.

I commend you and the Commission for taking an interest in this issue which is of paramount importance to the residents of the Imperial and Coachella Valleys, as well as the people of California, the Colorado River Basin states and the Baja Mexico, whose water security is contingent upon a healthy Salton Sea.

The Salton Sea can be either an ecological, health, and economic disaster or a vital environmental resource.

Below, I have briefly addressed the issues presented by the Commission's staff. I would be happy to elaborate on any issue during the hearing.

A. *The governance structure of the Salton Sea Authority.*

The Salton Sea Authority is a Joint Powers Authority responsible for overseeing the comprehensive restoration of the Salton Sea in partnership with the state and federal governments. Its members include: Imperial County, Riverside County, Imperial Irrigation District, Coachella Valley Water District, and Torres Martinez Desert Cahuilla Indians.

Created by the state legislature in 1993, The Salton Sea Authority was formed "for the purpose of directing and coordinating activities relating to improvement of water quality and stabilization of water elevations and to enhance recreational and economic development potential of the Salton Sea and other beneficial uses..."

Each of the five member agencies of the SSA appoints two members from its elected governing board to represent that agency on the board of directors for the Salton Sea Authority. The board meetings are generally convened at 10 am on the fourth Thursday of the month, with meeting locations rotating between Coachella and Imperial Counties.

An Executive Committee comprised of the Chair, Vice Chair, Secretary and Treasurer serve one year terms, and generally the Chair rotates from one term to the next between Coachella and Imperial County representation. There have been numerous times, in fact more often than not, when the Authority Board has reappointed officers to continue serving extended terms on the Executive Committee.

In support of the SSA board, ad hoc committees meet as needed when decision support for a relevant issue requires these committees to convene. Ad hoc Committees include: Finance, Projects, Personnel.

Although the Salton Sea Authority and its partner agencies recognize the state and federal roles and responsibilities at the Salton Sea, the Salton Sea Authority is directed by board-adopted policy to assert a leadership role to ensure local priorities are recognized.

Accordingly, the Authority has successfully fought to assert a local leadership role in the revitalization efforts for the Sea.

Alarmed at the lack of early action by the state and other entities to mitigate and restore potential impacts from the QSA water transfer, the SSA and its partner agencies appealed to the state legislature in 2012 to establish a stronger governance role for the Authority in matters pertaining to Sea revitalization. Specifically, the Authority requested the legislature to empower the Authority to develop an updated vision for a revitalized Sea, and to also develop a strategy to pay for the revitalization in cooperation with the state, as prescribed by law.

Assemblyman Manuel Perez provided a vehicle to address this governance issue with AB 71, a bill designed to ensure that the local member agencies of the Salton Sea Authority have a voice in full consultation and coordination as partners with the state, working to restore the Salton Sea,.

By establishing a partnership between the California Natural Resources Agency and the Salton Sea Authority, AB 71 addressed the void created by the elimination

of the Salton Sea Restoration Council, a state appointed body that never held a single meeting.

In addition, AB 71 authorized funding from the Salton Sea Restoration Fund for the Salton Sea Authority to lead a feasibility action plan. This is now referred to as the Financial Feasibility Action Plan (FFAP).

B. Description of how the Salton Sea Authority has been included in near, medium, and long term projects, as well as how local considerations have come into play in regards to the strategic management plan for the Salton Sea.

Fundamental changes at the local level, coordinated through the Salton Sea Authority, have contributed to a stronger unified voice for local priorities.

Until about four years ago, this was seldom the case. Policy makers at the state and federal levels complained that a lack of unity among locals made it difficult, if not impossible, to commit resources to any particular course of action. The Salton Sea Authority and its partner agencies were told that until a consistent, unified set of priorities emerged from the locals, the state and federal decision makers would be unable to help chart a path forward with any confidence that it would remain on course.

While there may be occasional issues among the local agencies comprising the Salton Sea Authority, there is absolutely no disagreement on the point that revitalization of the Sea with a significant state investment is long overdue. Damages from a “Do Nothing” approach, as estimated recently by the Pacific Institute, could range from \$29 billion to \$70 billion over the next 30 years.

The Authority and its partner agencies also agree that local consensus on priorities for the Sea is vital to securing state and federal investment in the immediate, interim and long term solutions.

The Authority board adopted a set of guiding principles for the Salton Sea Authority, along with a common platform that focuses on the issues and opportunities that unite the SSA partners in shared purpose. Leaders of Imperial County and Imperial Irrigation District in particular, have modeled the approach needed to make progress when they set aside lawsuits that continued to divide

neighbors, and instead embraced locally driven objectives for revitalization of the Sea.

Today and moving forward, the Salton Sea Authority recognizes that revitalizing the environment and economy of the Sea requires a strategy that delivers multiple benefits resulting from thoughtful integration of economic opportunity and environmental stability

The state partnership with the Authority authorized by AB 71 has been instrumental in creating significant momentum behind this strategy of integration.

The Authority is living up to its obligations under the provisions of AB 71 that drove state funding into the Authority to develop and Financial Feasibility Action Plan. The completion of the Authority's work – on time and under budget -- offers hope that this partnership can seize opportunities to transform the economically and environmentally distressed Salton Sea region into a healthy environment and prosperous community.

The broad goal of the Salton Sea Funding and Feasibility Action Plan project is to develop an updated vision for the Salton Sea and surrounding region that matches funding realities with needs. The project has three specific goals for the Salton Sea and its surrounding area:

- Provide a healthy environment for residents around the Sea
- Work toward a Salton Sea and bordering habitat that sustains enough aquatic life to provide habitat for wildlife on the Pacific flyway
- Help revitalize the economy around the Salton Sea and in Imperial and Riverside Counties

Goals and objectives for the project are divided into the following categories: planning and engineering, environmental, and financing and feasibility which includes evaluating land development options and alternative energy sources. The basic project goals along with the specific objectives for implementing the goals will continue to be re-assessed and re-evaluated as each phase of the project is implemented.

The Salton Sea Funding and Feasibility Action Plan project is funded by a \$2 million grant between the State of California Natural Resources Agency and the Salton Sea Authority (the Authority), Agreement No. 0540 – SSA 1.

Concurrent with the state's contract with the Authority, Imperial Irrigation District and Imperial County developed the Salton Sea Restoration and Renewable Energy Initiative (Initiative). The Initiative proposes to integrate renewable energy resources (primarily geothermal energy) with water resources (chiefly flows from the Alamo River) to achieve habitat rehabilitation and air quality benefits on areas of playa that are expected to become emissive in the absence of this kind of work after the QSA transfers accelerate. The Salton Sea Authority and its member agencies endorsed this proposal in concept, and the IID/Imperial County partnership has been working to refine the proposal since its unveiling last Spring.

Meanwhile, the Authority and its partner agencies have continued to work closely together in establishing a unified approach to the state Water Bond (Proposition 1). Prop 1 was approved by the voters, providing \$475 million for the state to begin meeting its contractual obligations for regions of California where the state brokered a regional water rights settlement.

The Authority and its partner agencies further discussed priorities for that funding at the local level and submitted a list of Actionable projects to the state Resources Agency last summer.

In conjunction with this action, the state legislature approved, and the governor signed, AB 1095 (Garcia) which calls for the Ca Natural Resources Agency to submit a list of shovel ready Salton Sea projects to the Legislature by March 31. AB 1095 further defines "shovel ready" projects to be those that are in the final stages of permit and design.

These early restoration projects can serve as the initial building blocks of a comprehensive restoration plan, preserving the environment at the sea while a comprehensive plan is developed. These early projects also have provided further confirmation that a comprehensive restoration plan is feasible, and at a reasonable cost.

Further, the Governor has invested serious resources in the Sea with creation of a Salton Sea Task Force, creation of a powerful new position (Assistant Secretary of Resources for Salton Sea Policy), followed by budget allocation of \$80.5 million for shovel ready projects at the Sea as defined in AB 1095.

The SSA is now engaged with the state in supporting the march of progress toward the immediate, interim and long term planning horizons. The Authority

participates in, and helps staff various stakeholder committees convened by the new Asst Secretary of Resources for the Salton Sea.

At the federal level, the authority is achieving noteworthy progress. In March 2014, the Salton Sea Authority signed a memorandum of understanding with Assistant Secretary of the U.S. Department of the Interior, Anne Castle, along with representatives from the Bureau of Reclamation, Bureau of Land Management, U.S. Fish and Wildlife Service, U.S. Geological Survey and the Bureau of Indian Affairs.

Among other provisions in the MOU is agreement to pursue land transfers where feasible. One of the challenges in designing restoration projects – whether it be wetlands benefiting wildlife or renewable energy development that can deliver power to the grid – involves navigating the checkerboard of property ownership around the sea. Almost 40 percent of the land around and under the sea is federally owned, so the ability to move some of the checkerboard to create contiguous pieces of land could remove some of the chaos and delay for future environmental restoration and economic development at the sea.

As to the question regarding local concerns, the Salton Sea Authority prides itself in involving the local agencies and the public in the strategic planning for the Sea. The Authority serves on the Long Range Planning Committee which was created for the very purpose of involving stakeholders at the sea in developing long term solutions for a smaller sustainable Sea. This committee is currently going through the process of hearing, analyzing, and grading long range options from many public/private proposals made.

C. An overview of how the Salton Sea Authority is raising and is considering raising money for Salton Sea management. Please include information in regards to grants and the potential infrastructure financing district, as well as other fundraising efforts.

The leadership of the Salton Sea Authority in its revitalization efforts is starting to bear fruit at the federal and local levels and on the ground at the sea, though its efforts have been hampered by a lack of sufficient funding from the state and federal partners.

A priority of the Salton Sea Authority board has been to work in partnership with the state and federal governments to seek consensus on projects and identify sustainable funding streams to support a comprehensive and reasonable Salton Sea

restoration plan. To this end, the Authority chairs the Funding Committee convened by the state Natural Resources Agency and comprised of major stakeholders at the Sea.

In addition to the traditional approach of seeking state and federal grant funding, the Authority is exploring options available in public-private partnerships related to renewable energy and real estate improvement.

The Salton Sea offers one of the largest and most diverse resources for renewable energy anywhere in the world. Intense and reliable sunshine offers enormous solar energy production potential in areas near the Sea. North America's most commercially viable geothermal lies under the Sea, offering a bonus of lithium brine and rare metals found in the geothermal brines that may also generate a significant yield. The abundant algae at the sea may prove to be an ideal feedstock for carbon neutral biofuels. All of these enormous potentials could be wielded to the benefit of the regional economy and environment, if properly developed.

Another potentially significant revenue stream may be generated from property tax derived from private lands around the Sea that will benefit from a stable shoreline offering protection from dust and possibly the restoration of recreational uses of the Sea. Under the state contract for the Financial Feasibility Action Plan, the Authority developed a concept called the Perimeter Lake. One of the primary functions of this Lake is to impound water close to the shoreline to mitigate dust, preserve wildlife and also provide recreational improvements that can in turn improve values of properties along the shoreline of the Sea.

The Authority and a consultant team are diligently exploring the feasibility of forming an enhanced infrastructure finance district that could capture the tax revenue of those improved properties and direct it to pay for infrastructure associated with the Perimeter Lake.

If feasible, the infrastructure finance district would prepare for the issuance of bonds to pay for construction. If infrastructure can be configured in a manner that will enhance property values around the Sea, restored property values would conceivably generate a portion of revenues to help pay for construction at the local level. The Authority and its partner agencies would expect the state to fulfill its obligation by taking responsibility to mitigate the portion of the Sea that may become exposed as the transfers continue

If properly planned and developed in partnership with private enterprise, these economic opportunities could contribute mightily to the sea's salvation.

Ultimately, these revenue streams are to be contracted under terms of public-private partnerships delivering royalties and revenue sharing toward Salton Sea restoration projects. The state will still need to meet its obligations for mitigation and restoration under the QSA, but at last the local partners would be able to generate part of the solution.

It is the hope and expectation of the Authority that cooperation among state, federal and local governments will enable a partnership to seize opportunities to transform the economically and environmentally distressed Salton Sea region into a new economic powerhouse.

Our vision of a stabilized Salton Sea involves some costly infrastructure projects. Primarily, the surface area will need to be physically reconfigured to enable water inflow to exceed evaporation. A berm and wide channels to convey fresher water into a smaller sea, along with a strategy for managing salinity at a level safe for fish and birds will also be needed.

Altogether, this series of public works could include a backbone water capture and distribution system for the Ag flows draining to the Sea, as well as in-sea embankment, terraced habitat cells to cover playa, water quality treatment works and habitat improvement projects.

The cost has always been the biggest hurdle to solving the problem. Neither the state, nor the federal government, has provided a feasible solution for the Sea despite spending approximately \$50 million on studies during the last 18 years.

As a reminder, the state and the federal government insisted and indeed were successful in leading the process to transfer water from IID to San Diego. This water transfer set the course and timeline for the countdown to D-Day for the Sea (2017). In the documents of the quantification settlement agreement there was an acknowledgment of detriment to the Sea.

The state accepted responsibility for this detriment and three years later used \$25 million from prop 84 money (money that was dedicated to the restoration of Sea) for a two- year study, which produced a “ do nothing” alternative that cost over \$1 billion dollars. The other alternatives ranged up to almost ten billion dollars. .

In reality, a more thorough study of the results of the “do nothing” alternative by the Pacific Institute reveals this is by far the most costly alternative of all. The damage to human health, environment, property values and the economy over thirty years is conservatively estimated to exceed \$70 Billion dollars.

We are out of time. We need to start constructing a project that will save a portion of the Sea for recreation, a portion for specific habitats, and a portion to manage a significant draw down of water.

The good news is the Authority is on its way, with state cooperation, to identifying a set of engineering solutions that will accomplish these tasks. Between the state’s SCH, and the locally conceived concepts for the Initiative and Perimeter Lake, the state is in position to forge a reasonable, achievable revitalization plan for the immediate, interim and long term horizons at the Sea.

With enormous opportunities to finance restoration, it is not too late for the State of California to realize the great promise of an environmentally and economically transformed Salton Sea instead of the mounting costs and liabilities from a looming environmental crisis.

D. Other ways that the state could support the Salton Sea Authority in its mission.

The Salton Sea Authority is pursuing any funding private, state, and federal that may be or may become available. Currently the Authority is requesting an additional allocation of \$20 million from Proposition 1 to help meet the State's obligation to plan, fund and implement a Salton Sea Restoration Plan.

The Authority is also pursuing traditional grant funding. Recently the Authority applied and obtained a grant through the Department of Agriculture, the Natural Resources Conservation Service, and was awarded \$7.5 million to which will begin in the current fiscal year to establish treatment wetlands projects on the river sources for the Sea. The Authority will work with its partners to achieve the best, highest use of that money.

The best and highest use of funding, from the Authority’s view, requires full consultation and cooperation between the state and local agencies. Much time and money may be saved, for instance, if the state agrees to engage the local expertise

derived from generations of experience working in the unique water, air and soil conditions at the Sea.

The state could also bolster the revitalization of the Sea by acknowledging its pivotal importance to healthy ecosystems on a broader, intercontinental scale. This means keeping an open mind and being willing to reach across borders to engender support for mutually beneficial solutions for other states and nations. The Salton Sea is an inter-continentially important stop over on the Pacific Flyway. Failure to adequately restore the Sea will irreparably impair that ecological treasure.