

ESHMC CAMP Update

August 19, 2008

Water Management Goal

- 600,000 acre foot change in water budget
- 20 year implementation
- Package of management options including quantity objectives
- Emphasis on demand reduction
- Broadly shared financial responsibility

Recommended Package

- Soft Conversions, 100,000 Ac/ft avg. annual, supply from exchange of Salmon flow augmentation.
- Recharge, 150,000 Ac/ft supply from IWRB natural flow water right and possibly storage water when available.
- Demand Reduction, 350,000 Ac/ft, market based including permanent and partial buy-outs, fallowing, crop changes and others.

Medium Package – Demand Reduction Emphasis

Option	Estimated Average Supply (best information)	Estimated Cost (best information)	Timeline for implementation
Soft Conversions	100,000 AF/yr – from salmon flow exchange	\$23M for delivery systems \$185M up-front cost (need to acquire 205KAF+20%, assume \$750/AF)	10 years to full implementation
Aquifer Recharge – using excess natural flow, requires resolution of Milner hydro permit	150,000 AF/yr	\$23M Annual wheeling costs of \$8/AF (\$1.2M/yr)	10 years for full implementation
Demand Reduction	40 KAF (this has already been accomplished through CREP) 310 KAF of additional demand reduction.	Excluding CREP \$1,250/AF \$388M	20 years to full implementation
TOTAL	600 KAF/yr	\$619M \$1.2M/yr wheeling costs \$6.2M/yr O&M and administration	20 years for full implementation

Costs are preliminary estimates for budget purposes only

Weather Modification

Committee proposes immediate implementation of a 5 year operational weather modification pilot project. Program to partner with existing efforts in Upper Snake, and include an effectiveness evaluation.

Funding Goals

- Broad based
- Equitable (equal benefits derived)
- Universal to all (hydrologically connected) water uses and users
- Provide minimum interest expense
- Efficient revenue collection
- Transparent governance
- Flexible Revenues

Funding Alternatives (Continued)

- IWRB Contract – Potentially Taxable
(Uses Existing Board Bonding Authority)
 - **REVENUE BONDS:** Principal and interest are payable entirely from the revenue received – that is, ultimately by the people and businesses that use the facility. Used to finance facilities expected to pay for themselves through user fees.

Funding Alternatives (Continued)

- Water Management Improvement District – Tax Exempt

(Requires Local Improvement District authority obtained from Legislature)

- **SPECIAL ASSESSMENT:** A compulsory levy made by a local government against certain properties to defray part or all of the cost of a specific improvement or service which is presumed to be of general benefit to the public and of special benefit to such properties. The term should not be used without a modifier (for example, "special assessments for street pavings," or "special assessments for street sprinkling") unless the intention is to have it cover both from improvements and services or unless the particular use is apparent from the context.
- **ASSESSMENT BONDS:** Bonds issued by municipalities on a specialized basis having as their security a pledge of revenues generated by assessments against certain properties and for the payment of bonds issued to finance specific improvements benefiting those properties.

Funding Alternatives (Continued)

- Water Management District – Tax Exempt

(Uses General Obligation Bonds with authority from a new form of PUBLIC Water District)

- **AUTHORITY:** A governmental unit or public agency created to perform a single function or a restricted group of related activities. Usually such units are financed from service charges, fees, and tolls, but in some instances, they also have taxing powers. An authority may be completely independent of other governmental units, or in some cases it may be partially dependent upon other governments for its creation, its financing, or the exercise of certain powers.
- **GENERAL OBLIGATION BONDS:** Securities backed by the full faith and credit of the issuing unit of government. Secured by an unconditional pledge of the issuing government to levy unlimited ad valorem taxes to pay principal and interest. Used to finance capital projects.

Funding Alternatives (Continued)

- **State Water Management Project - Tax-Exempt**
(General Fund Appropriations from kwh Franchise Fee, a States Sales or Property Tax, Special Product or Service Tax, etc.)
 - **TAX EXEMPT BOND:** Bonds exempt from federal income, state income, or state and local personal property taxes. "MUNICIPALS" are exempt from federal income taxation at present and may or may not be exempt from state income or personal property taxation in the state where originally issued or held.
 - **REVENUE BONDS:** Principal and interest are payable entirely from the revenue received. In this case revenue would be received from the Idaho State Legislature from one or more sources as determined by the Legislature.

Funding Alternative Costs
(Based on \$100 million of Project Costs)

	Base - Taxable	WMID – Tax Exempt	WMD (GO) – Tax Exempt	SWP – Tax Exempt
Maturity	20 year	20 year	20 year	20 year
Principal	\$100 m	\$100 m	\$100 m	\$100 m
Interest	\$80.9 m	\$58.4 m	\$49.6 m	\$49.6 m
Av. Annual Debt Service	\$9.0 m	\$7.9 m	\$7.4 m	\$7.4 m
Av. Interest Rate	6.49%	4.89%	4.22%	4.22%

Schedule and Tasks

- Finalize Advisory Committee recommendations to Water Board.
- Complete draft plan by October.
- Public review and comment on draft plan.
- Board adopt final plan and submit to Legislature. January