

# Memorandum



To: IWRB Water Supply Bank and Mitigation Bank Committee  
From: Water Supply Bank Coordinator  
Date: October 9, 2014  
Re: Administrative Policies and Options

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**Action Items: Committee members are called upon to deliberate and discuss the policy matters brought before their attention at this time**

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The Water Supply Bank Coordinator will provide members of the Water Supply Bank and Mitigation Bank with information pertaining to current administrative activities of the Board's water supply bank. Presentation materials will be provided at the meeting.

The following agenda items will be discussed:

- 1) Management of leased water rights subject to curtailment orders,
- 2) Rental rates and administrative fees associated with rentals from the Bank,
- 3) Increased demand for rental water in the Wood River Valley,
- 4) Management of water rights that are indefinitely leased to the Bank,
- 5) Timelines for receiving applications to rent water from the Bank,
- 6) Project managing the development of Computer Infrastructure for the Water Supply Bank

## **1) Management of leased water rights subject to curtailment orders**

Leasing a water right into the Water Supply Bank has the same result as curtailing a water right: the use of water at a specific location is suspended. As a matter of administration, if IDWR approves a transfer of a water right's point of diversion from within a curtailment zone to an area outside the curtailment zone, the curtailment order is no longer in effect for that water right and the use of water under the right can resume.

Because "the approval of a rental of water from the Water Supply Bank may be a substitute for the transfer proceeding requirements of 42-222 Idaho Code" (IC 42-1764), IDWR water resource agents can consider the rental of a curtailed water right that is leased into the Bank, provided that the rental occurs outside the curtailment zone. Stated differently, though a water right leased to the Bank may be curtailed, the curtailment can be lifted through a rental if the point of diversion for the rental request is hydraulically connected to the leased right, but is outside the curtailment zone.

This information is provided for the consideration by the Water Supply Bank Committee; unless directed otherwise, the Bank can continue to evaluate a renter's proposed point of diversion to determine their eligibility for renting a water right subject to curtailment.

## **2) Rental rates and administrative fees associated with rentals from the Bank**

The enabling statute of the Water Supply Bank vests in the Idaho Water Resource Board "the duty of operating a water supply bank [to]...provide a source of funding for improving water user facilities and efficiencies" (IC 42-1761). Far from providing a source of funding to improve water user facilities and efficiencies, the Water Supply Bank is currently operating at a deficit with operational costs outstripping program revenue.

The Water Supply Bank charges a fixed fee of \$250 for lease proposals and collects a variable fee for rental requests (calculated as 10% of the total rental amount). Because no two rental requests result in the same revenue being generated for the Bank, there is significant variability in the amount of revenue collected through rental fees. Despite variable rental fees and fixed lease fees however, operational expenses and revenue generation patterns have been fairly stable over the past five years. An analysis of the data indicates that, absent exploration of policy options, the Bank can reasonably expect to continue operating at a deficit now and into the future.

The Water Supply Bank Committee will be provided with information on the financial operation of the Bank and may provide procedural guidance to the Water Supply Bank Coordinator.

### **3) Increased demand for rental water in the Wood River Valley**

The Water Supply Bank cannot approve a rental request if it is reasonably foreseeable that current water users in the rental area will be injured by a diversion of water authorized under a rental. The Water Supply Bank is experiencing increased demand for rental water in the Wood River Valley and the increased demand is necessitating a more in depth review to avoid injury.

All rental proposals in the Wood River Valley need to be evaluated and conditioned to ensure no rental results in an injury against current water users. The Bank cannot approve a proposed rental under which a diversion of water would reduce the surface water or groundwater in the valley sufficient to directly injure the Board's minimum stream flow water rights, or water users junior to the priority of the Board's rights. The Bank has requested that IDWR hydrologists provide the Bank with a reasonable method to ascertain whether injury might occur under a rental request. We are currently holding all Wood River Valley rental requests for 2015 until this information is determined. The Bank will request any additional information from applicants once the Department identifies acceptable parameters that will allow us to consider rental requests in the valley.

This information is provided so that committee members may remain informed about the administration of the Bank within basin 37. The committee may provide procedural guidance to the Bank.

### **4) Management of water rights that are indefinitely leased to the Bank**

There are many water rights that are leased into the Bank on contracts of indefinite duration. Indefinite leases can be problematic for administration of the Bank because they are difficult to manage when water rights are split, transferred or sold to new owners, none of which is reflected or updated on the original lease contract. The Bank has addressed these administrative concerns by ensuring all new lease contracts be at no greater than five years in duration.

It will improve administration of the Bank to migrate all lease contracts of indefinite duration to new lease terms of no more than five years in duration. Water Supply Bank rule 25.08 authorizes the Board to remove a water right from the Bank by resolution. It is proposed for the committee's consideration that the Bank migrate all indefinite leases to five year terms, beginning January 1, 2015. The Bank will notify all lessors with indefinite leases that their lease contracts will expire on December 31, 2019. The migration to five year terms for all current indefinite leases will bring all active leases into uniform alignment.

The Committee is called upon to provide guidance on this matter. The committee may recommend that the Board resolve to release all indefinite leases via a resolution at the November Board meeting.

## **5) Timelines for receiving applications to rent water from the Bank**

Administration of the water supply bank is a year round activity. Lease proposals are received year round and rental requests are date stamped received as of November first in the year preceding the use of water. The Bank prioritizes the processing of rentals November through the end of summer. The Bank currently accepts rental requests up until the end of the irrigation season, which can result in rentals being received as late as November 15. As such, it is possible that the Bank can be delayed in approving rentals for future years because the Bank is unable to conclude processing rentals from the current year. In light of the above, it will be beneficial for the Bank to implement an earlier deadline for receiving rental requests.

Water Supply Bank rule 30.1 authorizes the Bank to “establish a time and date for receiving applications” to rent water. In order to prepare for prioritizing rental requests for the upcoming year on November first, it will be beneficial to conclude all administrative activities from the previous year in October, which requires concluding all rental requests for the current year in September. As such, the Bank is proposing to establish August 31<sup>st</sup> as the deadline for receiving rental requests for a given year. Rental requests submitted after August 31<sup>st</sup> may be considered by the Bank if the Bank determines that the applicant has sufficiently demonstrated a legitimate and urgent need to rent water in the given year.

The Water Supply Bank Committee is asked to consider this proposal and provide procedural guidance on the matter. The committee may recommend that the Board take up the matter through issuance of a resolution during the November Board meeting.

## **6) Project managing the development of Computer Infrastructure for the Water Supply Bank**

The committee will be informed about recent developments related to project management of the design and development of a Water Supply Bank database application. The committee may discuss recent developments with the Water Supply Bank Coordinator. The committee may also recommend the Board prepare to authorize an expenditure of funds associated with initial development work orders for the project.



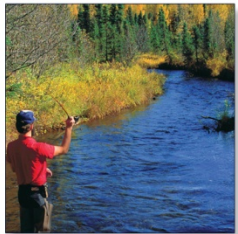
## Water Supply Bank Committee

Committee Meeting 2-14

October 9, 2014







## Agenda

1. Management of leased water rights subject to curtailment orders
2. Rental rates & administrative fees of the Water Supply Bank
3. Increased demand for rental water in the Wood River Valley
4. Management of water rights that are indefinitely leased to the Bank
5. Timelines for receiving applications to rent water from the Water Supply Bank
6. Project managing development of Computer Infrastructure for the Water Supply Bank
7. Adjourn

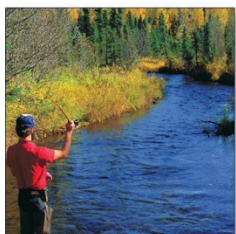
## Management of leased water rights subject to curtailment orders

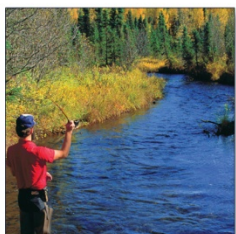
Best available modeling and data are utilized to establish the area in which water rights are subject to a curtailment order

If a water right is not within a curtailment area, the curtailment call may not be in effect

Transfer applications can move a water right's POD and POU from within a curtailment area to an area outside not subject to curtailment

The rental of water from the Bank may substitute for a transfer (IC 42-1764)





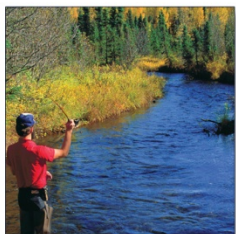
## WSB rental rates & administrative fees

The Bank has a statutory mandate to act as a source of funding for improving water user facilities and efficiencies (IC 42-1761)

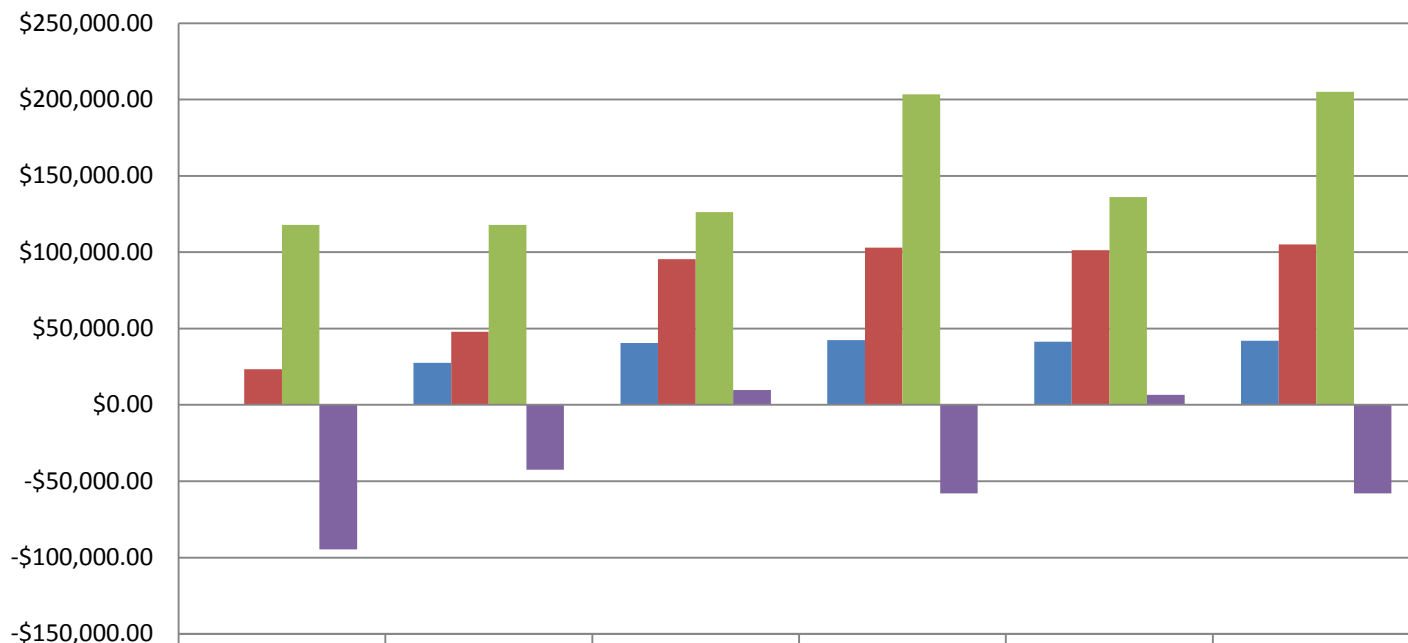
Operational expenses for the Bank continue to exceed revenue generated

Data indicates that, absent policy changes, the Bank will continue to operate at a deficit



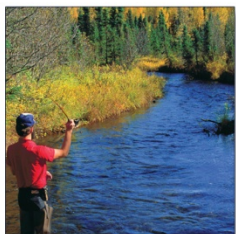


## WSB Annual Finances

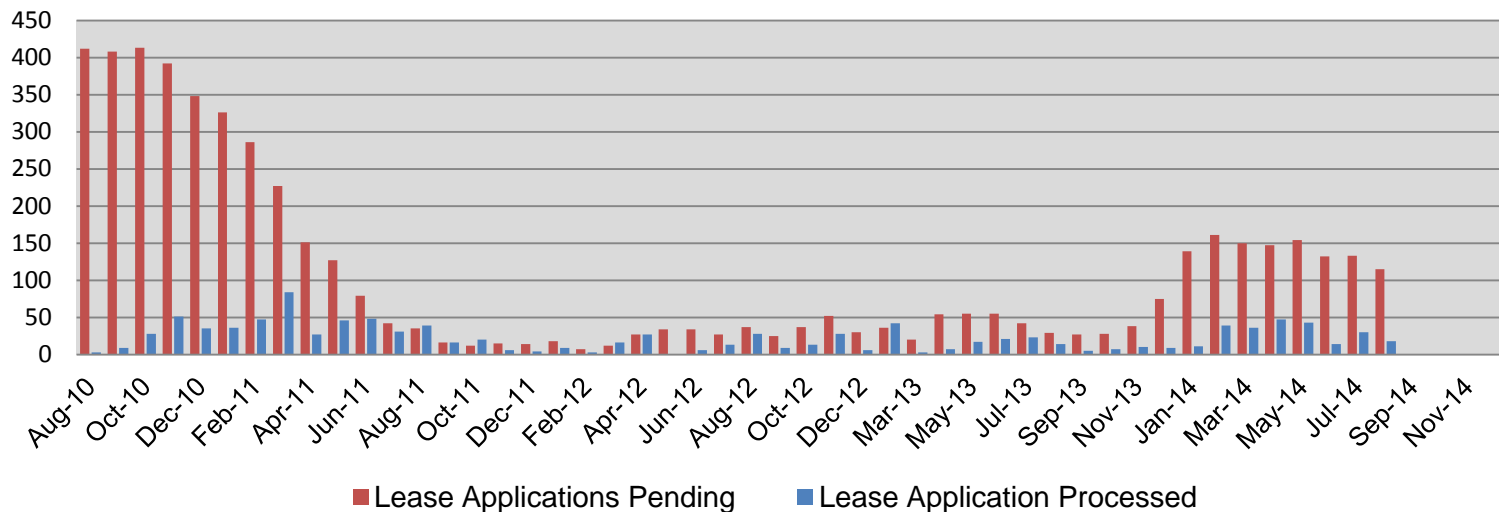


	2010	2011	2012	2013	2014 (to date)	2014 (projection)
Lease Revenue	\$0.00	\$27,500.00	\$40,500.00	\$42,500.00	\$41,425.00	\$42,000.00
Rental Revenue	\$23,283.00	\$47,824.00	\$95,553.12	\$102,924.20	\$101,233.38	\$105,000.00
Total expenses	\$117,852.00	\$117,852.00	\$126,270.00	\$203,435.00	\$136,153.04	\$205,000.00
Operating balance	-\$94,569.00	-\$42,528.00	\$9,783.12	-\$58,010.80	\$6,505.34	-\$58,000.00

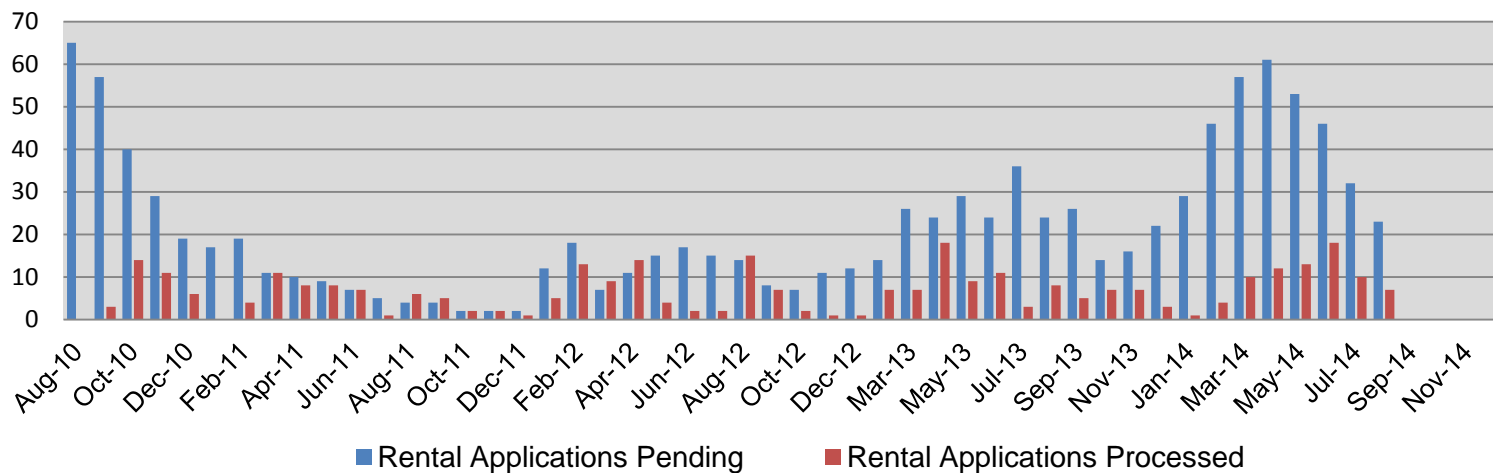


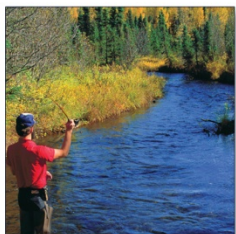


## Water Supply Bank Lease Activity

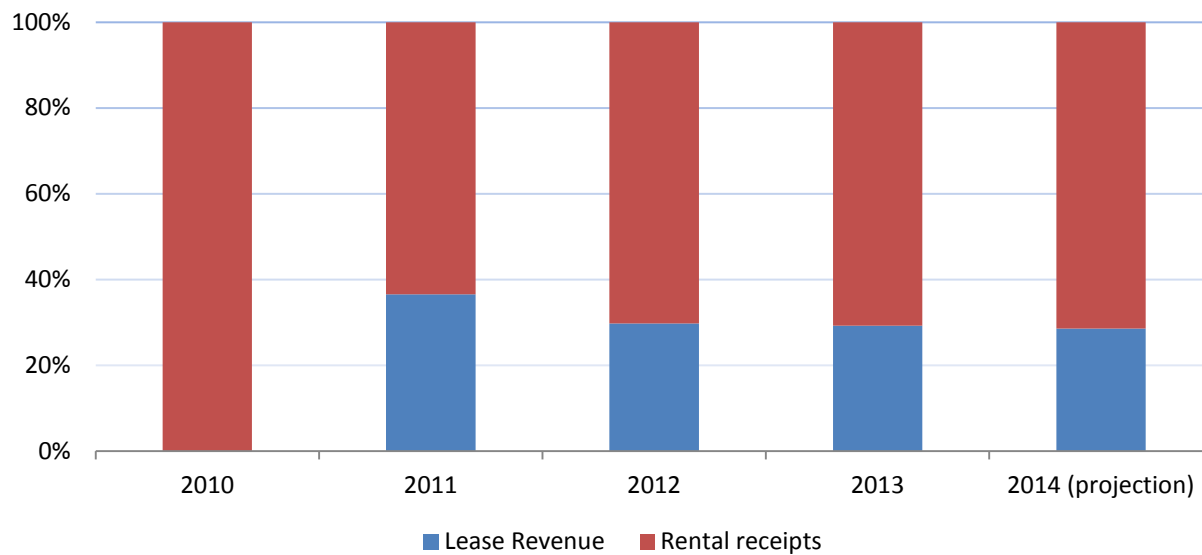


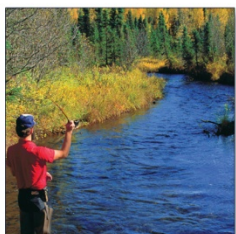
## Water Supply Bank Rental Activity



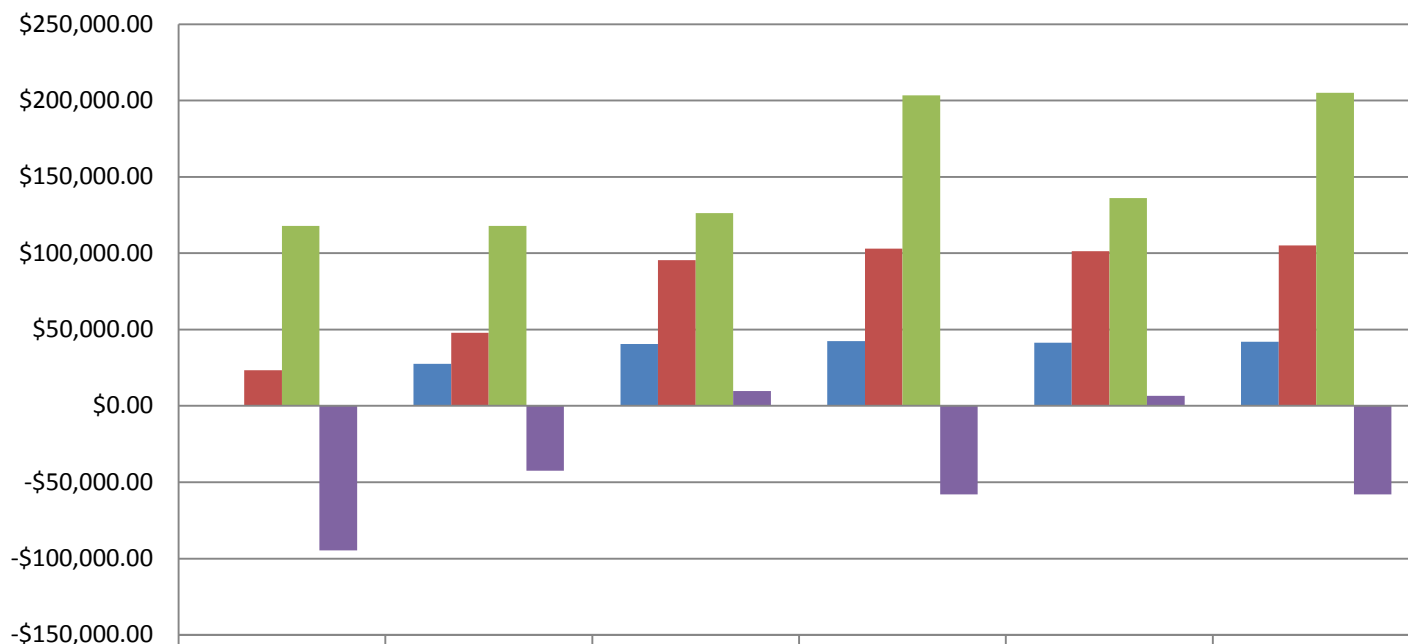


## Distribution of WSB Revenue Stream



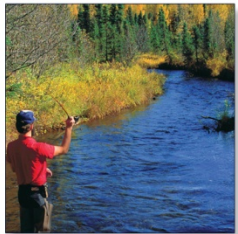


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## Increased demand for rental water in the Wood River Valley

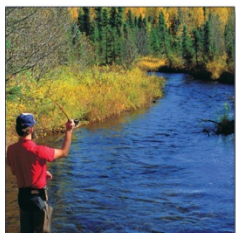
The Bank must evaluate all rental requests to guard against injury to water users & water right enlargement

The Board holds minimum stream flow water rights in the Big Wood River and many water users are junior to the Board

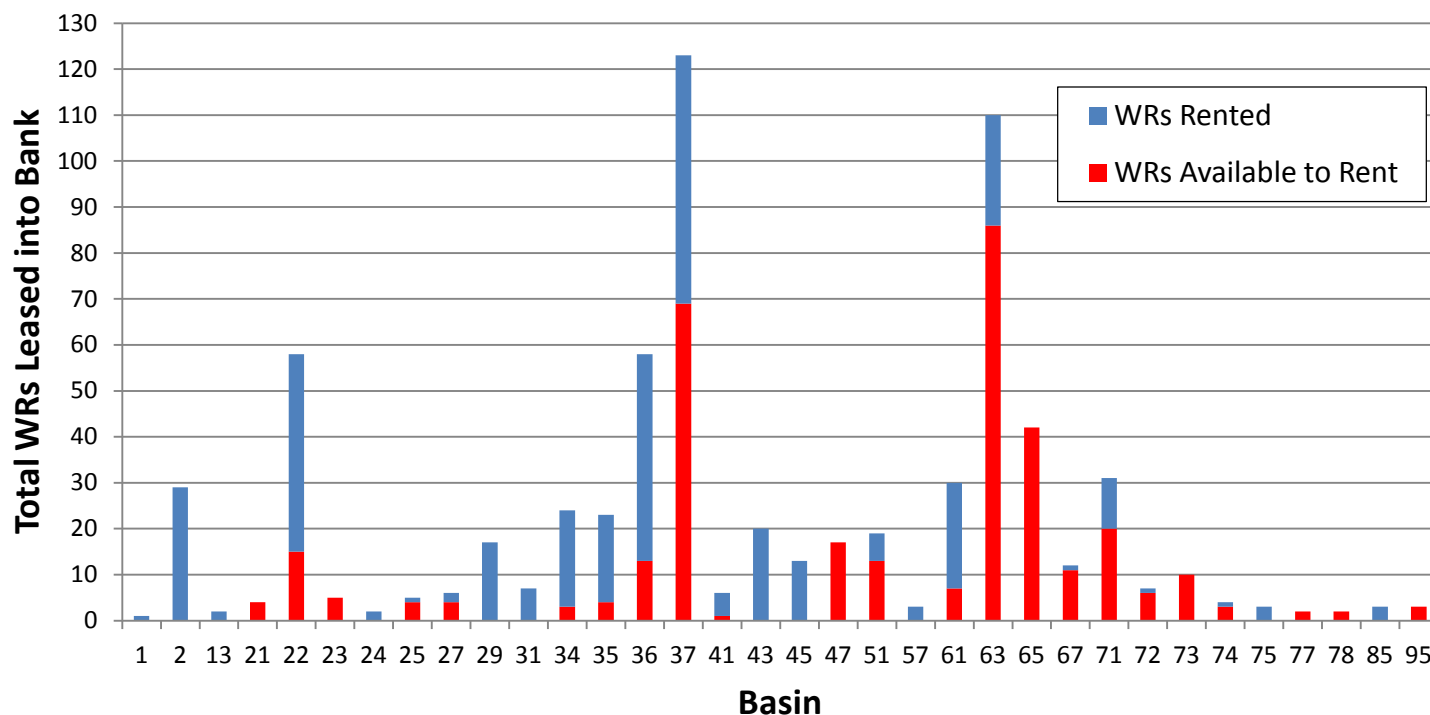
IDWR Hydrology is evaluating the situation to provide the Bank with guidance on how to best to evaluate rental requests

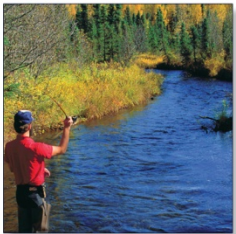
The Bank is currently holding new rental requests for 2015 until such guidance is received and communicated to renters

## 2013 Water Availability by Basin



Available WRs by Basin





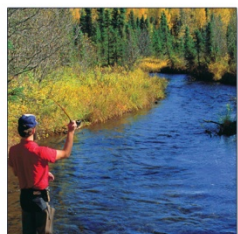
## Management of water rights that are indefinitely leased to the Bank

Approximately 200 water rights are leased to the Bank indefinitely. A majority of leases, including all new leases, are leased for a maximum of five years

Fixed duration lease contracts are more manageable

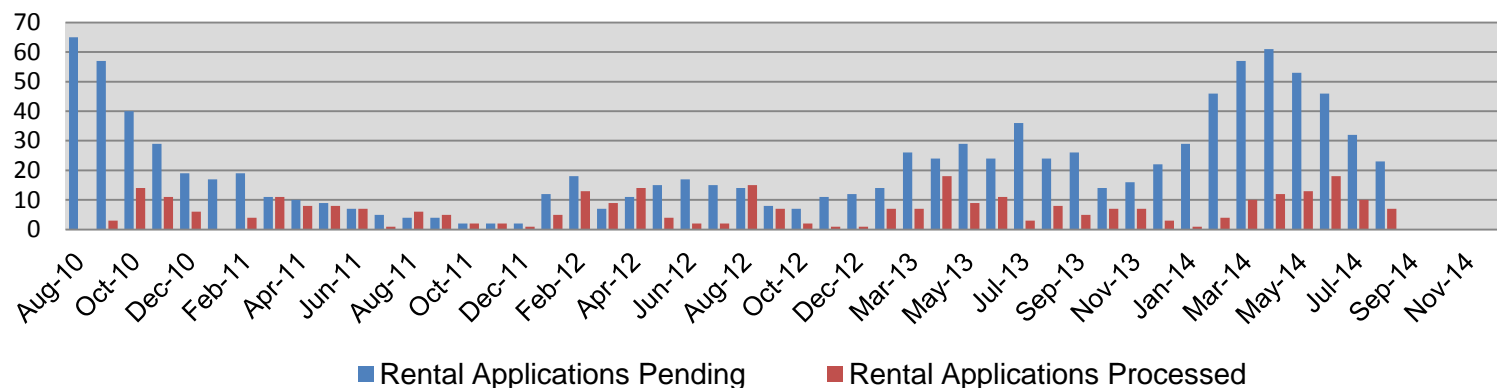
It is proposed that all indefinite lease contracts be updated on January 1, 2015, to bring them into alignment with all other lease contracts



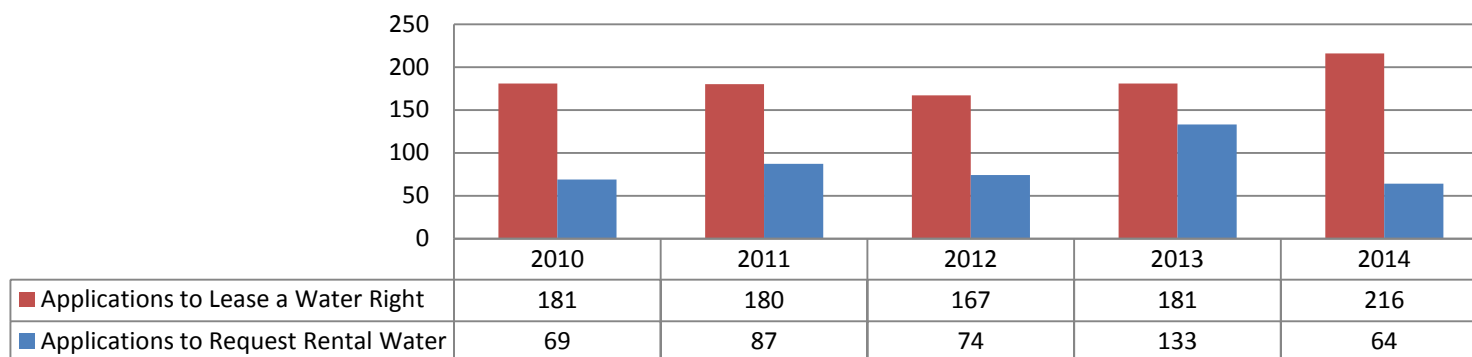


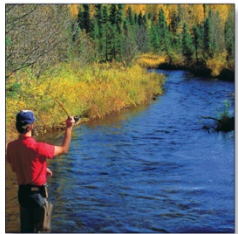
## Timelines for receiving applications to rent water from the Bank

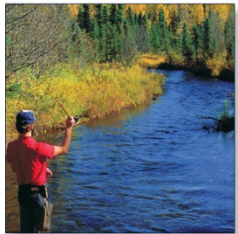
Water Supply Bank Rental Activity



Applications Received Annually



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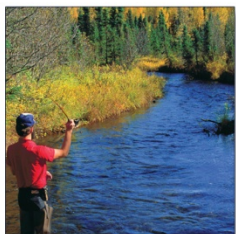
## Project managing the development of the WSB Computer Infrastructure

IDWR will soon complete development documentation to accompany a Water Supply Bank database model, both of which will be provided to the contractor selected to develop the database application

IDWR will utilize task-based, work orders in order to couple payment for development of the application with demonstrated accomplishment of numerous expected deliverables

A Board resolution to authorize expenditure of funds will soon be necessary to issue payment for the the first work order





## Questions



# Water Supply Bank Calendar

The Water Supply Bank operates year round. Seasons dictate programmatic priorities.

The start/continuation of a process is marked by a green dot. A yellow triangle denotes de-prioritization of a process while a red hexagon denotes a process end.

Heavy lines indicate significant human resource (staff) allocations, whereas thinner lines indicate lower staff allocations and the dotted line is indicative of a low priority, low staff allocation activity.

