

# MEMO



**To:** Idaho Water Resource Board  
**From:** Brian Patton  
**Subject:** Ground Water Districts Interim Loan and Aqualife Hatchery  
**Date:** December 14, 2015

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On November 17, the IWRB approved a resolution that did the following:

- Authorize the sale of the Aqualife Hatchery to the 10 Ground Water Districts on the Eastern Snake Plain with water rights subordinated so a future owner could not make a delivery call against the Eastern Snake Plain Aquifer.
- Increase the amount of the \$4M interim loan to the 10 Ground Water Districts approved on September 18, 2015 by \$3.2M to include the cost of the Aqualife Hatchery Purchase in the loan. *(NOTE: this would not require a cash disbursement from the IWRB, but the \$3.2M value of the facility would be added to the loan as ownership is transferred to the Districts).*

It was noted during the discussion that the \$3.2 million sales price was based on an appraised value of the facility with unsubordinated water rights, while a condition of the November 17 resolution required that the water rights be subordinated prior to sale to the Districts. The IWRB Chairman committed to revisiting the issue.

The IWRB's appraiser issued an addendum to the appraisal on December 1, 2015 that estimated the value of the facility with subordinated water rights at \$2.6 million.

The IWRB therefore has the following options:

1. Sell Aqualife to the Districts with **unsubordinated** water rights at a cost of **\$3.2 million**. There appears to be little risk that the Districts would subsequently transfer ownership of Aqualife to Seapac with unsubordinated water rights placing their ground water user members at risk of a delivery call by Seapac.
2. Sell Aqualife to the Districts with **subordinated** water rights at a cost of **\$2.6 million**. This would ensure beyond any doubt that a future owner of Aqualife could not place a delivery call against the aquifer and ground water users.
3. Since the issue is one of who pays for the subordination, one option that has been discussed among IWRB leadership is to sell with subordinated water rights and split the cost of the subordination between the IWRB and the Districts, resulting in a sales price of **\$2.9 million**.
4. Leave the November 17 authorization and resolution in place and unchanged.

Attached for your consideration is a resolution that can be used with options 1, 2, or 3.

BEFORE THE IDAHO WATER RESOURCE BOARD

IN THE MATTER OF THE EASTERN SNAKE            )  
PLAIN GROUND WATER DISTRICTS                )  
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A RESOLUTION

WHEREAS, a Letter of Request from the Aberdeen-American Falls Ground Water District, Magic Valley Ground Water District, North Snake Ground Water District, Southwest Irrigation District, Carey Valley Ground Water District, Bingham Ground Water District, Bonneville-Jefferson Ground Water District, Madison Ground Water District, Jefferson Clark Ground Water District, and the Fremont-Madison Irrigation District (Districts) has been submitted to the Idaho Water Resource Board (IWRB) requesting an interim loan in the amount of \$6,000,000; and

WHEREAS, the Districts are proposing to use the funds on a short-term basis to finance the construction of the Magic Springs-Rangen Pipeline which was recently completed at a cost of about \$4.3 million, and the purchase of the Aqualife Hatchery from the IWRB; and

WHEREAS, the Magic Springs-Rangen Pipeline Project is a key component of the Idaho Ground Water Appropriator's (IGWA's) "Fourth Mitigation Plan" for Rangen, which was approved by Director Spackman on October 29, 2014. IGWA submitted the "Fourth Mitigation Plan" on behalf of the Districts, which are members of IGWA; and

WHEREAS, both the Magic Springs-Rangen Pipeline Project and the Aqualife Hatchery purchase are key components of the proposed Hagerman Valley Settlement Agreement, currently being negotiated between the Districts and water users in the Hagerman Valley; and

WHEREAS, the total cost of the Hagerman Valley Settlement Agreement is estimated at \$15 million and is to be shared by the Districts; and

WHEREAS, on June 15, 2015, the Districts jointly received authority through judicial examination, Sixth Judicial District Case No. CV-2015-115, to incur indebtedness of up to \$15 million for the purpose of undertaking mitigation projects in the Hagerman Valley; and

WHEREAS, the plan for long-term financing is for the Districts to finance the entire \$15 million package of Hagerman Valley projects through IWRB-issued revenue bonds or other long-term financing as may be available; and

WHEREAS, on August 4, 2015 the IWRB's Finance Committee met and considered this request for an interim loan. The Finance Committee recommended approval of the loan in the amount of \$4 million to be repaid no later than September 2016. The Finance Committee further recommended that the purchase of the Aqualife Hatchery from the IWRB could be handled at a later date prior to the end of the calendar year; and

WHEREAS, on September 18, 2015 the IWRB met in Twin Falls and approved an interim loan in the amount of \$4 million at 3.5% to be repaid no later than September 30, 2016 or upon issuance of revenue bonds for long-term financing. The \$4 million includes a \$1.26 million loan already

outstanding to the Magic Valley & North Snake Ground Water Districts approved by resolution dated December 24, 2014, and \$2.74 million from the Secondary Aquifer Planning, Management, and Implementation Fund.

WHEREAS, the IWRB committed to addressing the Aqualife Hatchery issue at a later date prior to the end of the calendar year; and

WHEREAS, House Bill 644 passed and approved by the 2014 Legislature directed the sale of the Aqualife Hatchery from the Department of Parks and recreation to the IWRB for the purpose of utilizing the assets of the facility to assist in resolving water delivery calls; and

WHEREAS, the Districts intend to purchase the Aqualife Hatchery for exchange to Seapac of Idaho in return for Seapac providing water from its Magic Springs Hatchery to the Districts for delivery to Rangen through the Magic Springs-Rangen Pipeline; and

WHEREAS, an appraisal of the Aqualife Hatchery dated August 14, 2015 estimated the value of the facility at \$3.2 million with unsubordinated water rights; and

WHEREAS, and addendum to the appraisal of the Aqualife Hatchery dated December 1, 2015 estimated the value of the facility at \$2.6 million with subordinated water rights; and

WHEREAS, the projects to be financed by this interim loan are in the public interest, in conformance with the State Water Plan, and will assist in resolving significant water use conflicts.

NOW THEREFORE BE IT RESOLVED that the IWRB authorizes the sale of the Aqualife Hatchery, including facilities, land, and water rights to the Districts at a value of \$\_\_\_\_\_ million.

NOW THEREFORE BE IT FURTHER RESOLVED that the IWRB approves increasing the amount of the interim loan approved on September 18, 2015 from \$4 million to \$\_\_\_\_\_ million to include the cost of the Aqualife Hatchery Purchase. All other terms and conditions of the loan approval remain unchanged.

NOW THEREFORE BE IT FURTHER RESOLVED that the water rights appurtenant to the Aqualife Hatchery be conditioned to preclude a delivery call by the owner of said water rights against the Eastern Snake Plain Aquifer.

NOW THEREFORE BE IT FURTHER RESOLVED that the IWRB provides authority to the Chairman or his designee to enter into contracts with the Districts on behalf of the IWRB.

NOW THEREFORE BE IT FURTHER RESOLVED that this resolution supersedes and takes the place of the resolution concerning this topic approved by the IWRB dates November 17, 2015.

DATED this 16th day of December, 2015.

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ROGER CHASE, Chairman  
Idaho Water Resource Board

ATTEST \_\_\_\_\_  
VINCE ALBERDI, Secretary