



Water Supply Bank

2014 Report for the Board's Water Supply Bank



Executive Summary

The Water Supply Bank is a water exchange market that enables natural flow water rights and storage allocations to be temporarily repurposed for beneficial uses. Regional rental pools broker exchanges of storage allocations while natural flow surface water and ground water rights are transacted through the Board's Bank. This report summarizes water right exchanges from 2014 through the Board's Bank.

Presently, 835 water rights are leased into the Board's Bank, representing approximately 250,000 acre feet of water on approximately 75,000 irrigable acres. These numbers are approximate because not all water rights leased into the Bank are for irrigation, and of those that are for irrigation, many natural flow surface water rights don't have a decreed or licensed volume, making a determination of an estimated leased volume difficult.

In spite of the difficulty involved in applying administrative and conditional limitations on the use of water authorized under a water right, both the popularity and performance of the Water Supply Bank continued to increase in 2014. More applications were processed in 2014 than ever before, resulting in higher revenue for both the Bank and water right holders; over half a million dollars was generated and paid out to water right holders who had water rights rented from the Bank in 2014.

Improved administrative processing enabled the Board's Bank to process more lease and rental applications earlier in the year, resulting in more timely approval of applications. The Bank successfully cleared all rentals and almost all leases during December 2014, enabling the Bank to build on the momentum from 2014 and shift the processing of application approvals to early spring in 2015.

2014 Accomplishments

New lease proposal and rental request application forms were issued in 2014, resulting in better information gathering and faster application processing. Policy questions, provided to the staff of the Board's Bank through procedural guidance by the Idaho Water Resource Board, clarified how the Bank should consider rental requests for ground water rights in the Eastern Snake Plain Aquifer, as well as the Wood River Valley. Through more proactive data collection and clarity on how the Bank may consider the rental of ground water rights, the Bank is poised to further improve administration processing of applications in 2015.

2014 Activity Summary

As evidenced by the graph below, the demand to lease water into the Bank continued to increase in 2014, even as the total number of rental requests remained steady. 180 more applications were processed in 2014 than in 2013, an increase of more than 50%.

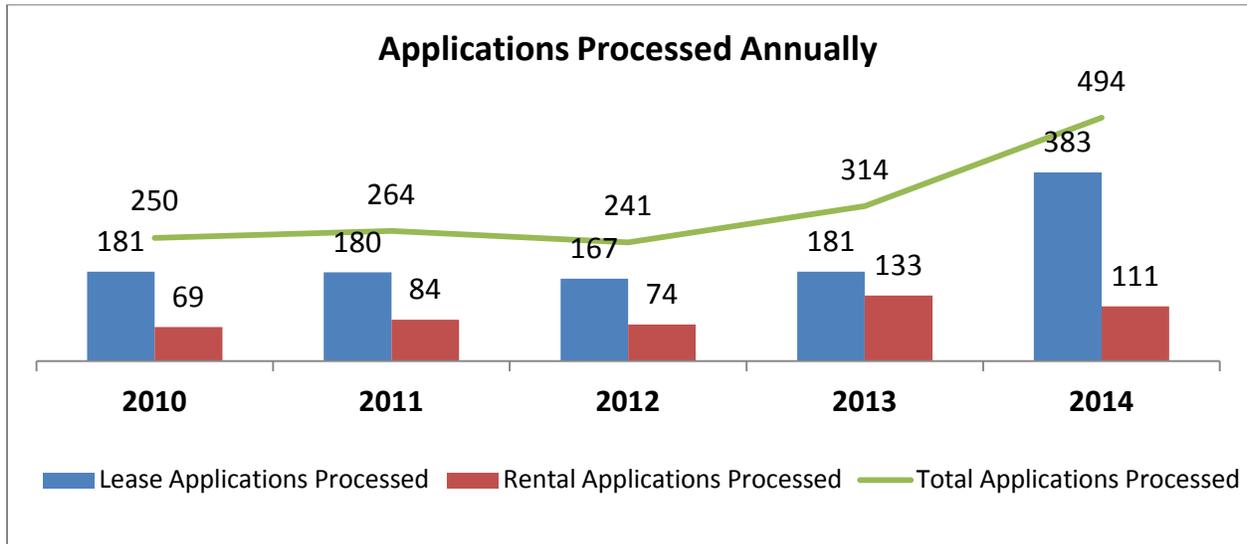


Chart 1. Total applications processed, 2010 - 2014

A notable reason for the marked increase in lease applications can be attributed to the rise in the number of companion applications processed by the Bank in 2014. Companion applications are combined lease-rental applications which are submitted together, affording an opportunity for lessors to specify a renter for their water rights. In 2014, 100 of the 383 water rights leased into the Water Supply Bank were leased in as part of a companion rental application package.

That approximately one in four lease proposals to the Water Supply Bank was submitted in conjunction with a rental application matches similar numbers witnessed in 2013. During 2013, 46 of 181 lease applications processed were submitted as part of a companion rental application. Thus, though largely steady, trends in 2014 indicate a growing number of leases being submitted to the Bank are for companion applications. The data is represented in chart 2.

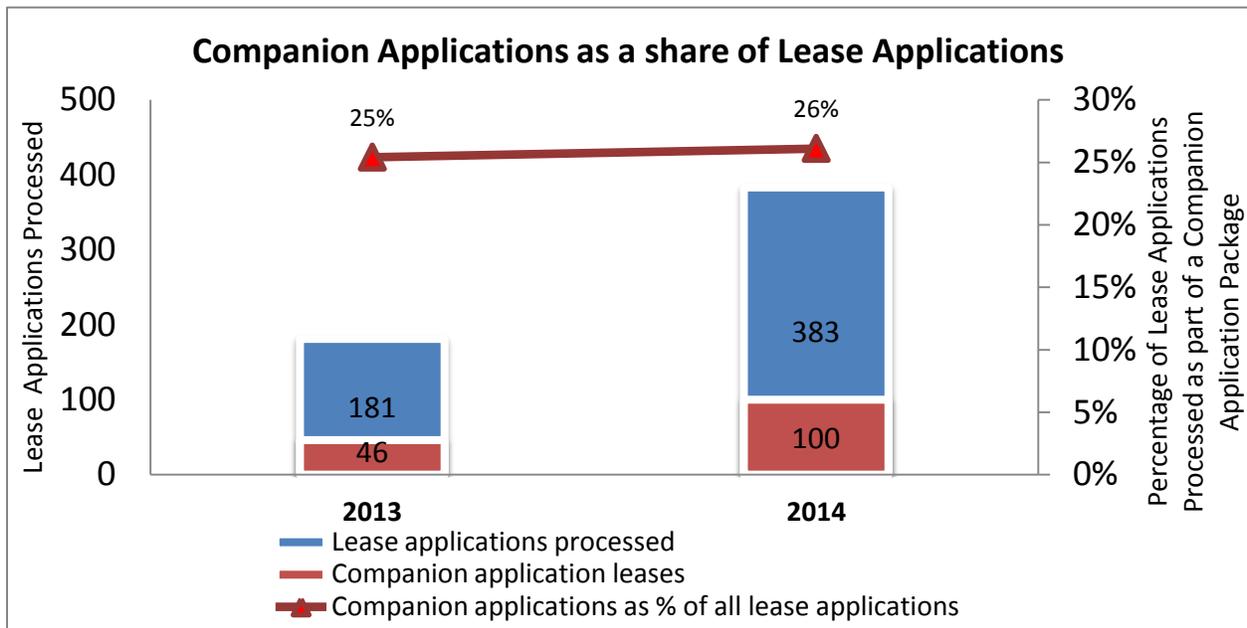


Chart 2. Companion applications as a percentage of lease applications 2013 and 2014

What is notable in comparing 2013 and 2014 companion applications is that while the number of lease applications processed in association with companion applications is increasing slowly, the number of companion applications being processed overall is increasing more quickly. Of all applications processed in 2013, just over one in five was a companion application, however this increased to one in four in 2014. Chart 3 below captures the changes in the data.

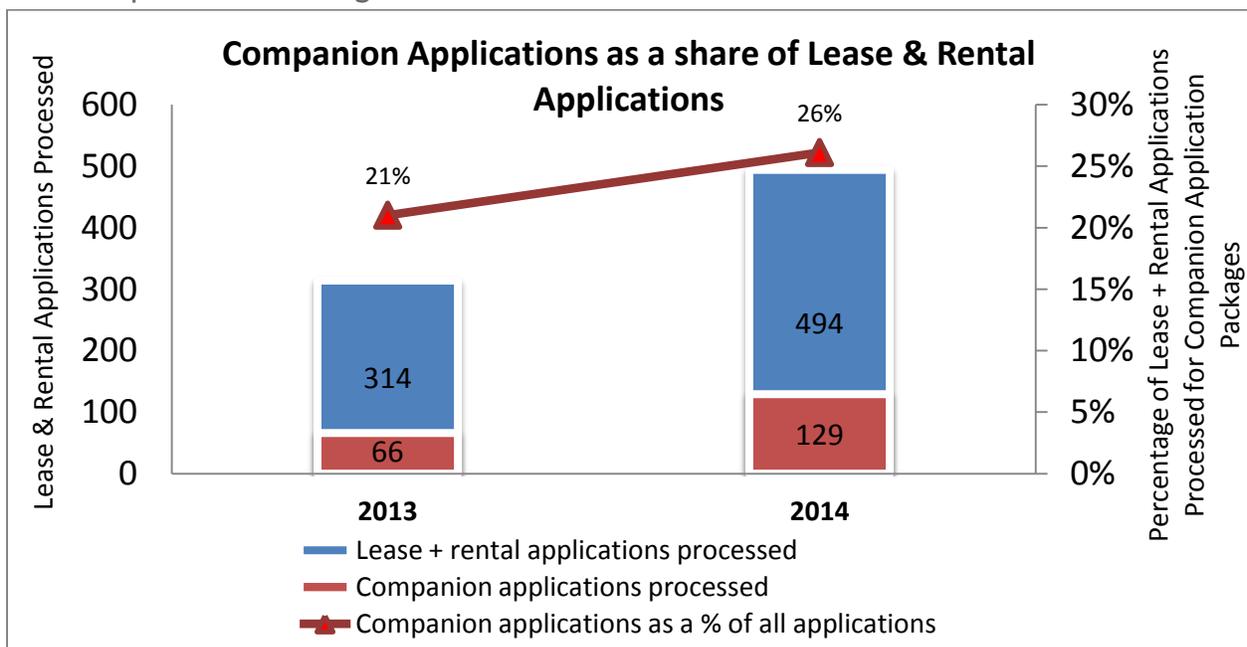


Chart 3. Companion applications as a percentage of all applications 2013 and 2014

In spite of the fact that the Board’s Bank processed more water right applications than ever before, administrative staff were successful in processing the majority of applications earlier in the year. Whereas the greatest number of lease and rental applications successfully processed in 2013 occurred in early and mid summer, during June and July, the Bank successfully pushed the timeline back further into spring during 2014, processing the greatest number of leases in May, and a relatively equal number of rental applications in April, May and June.

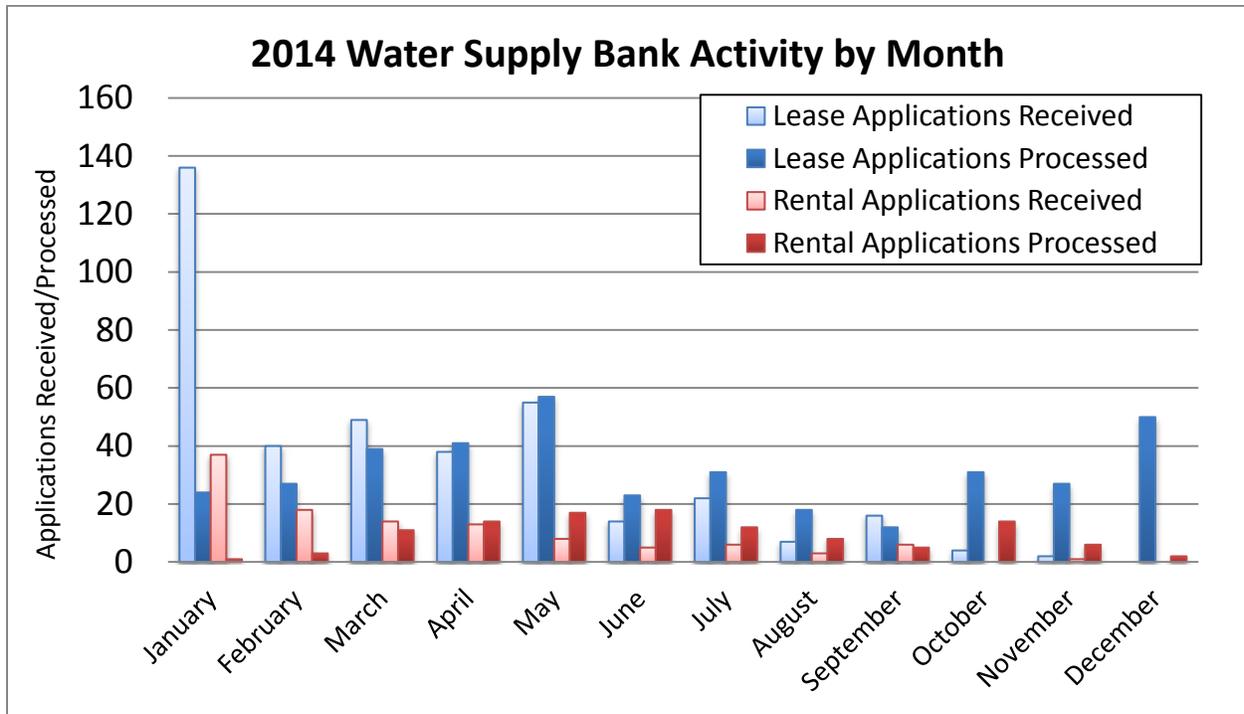


Chart 4. Companion applications as a percentage of lease applications 2013 and 2014

The above chart plots the number of applications received by month, as well as the number of applications processed monthly. The number of applications received in January is large because it includes all lease applications received during 2013 that were submitted for processing in 2014; Bank staff did not address 2014 applications until January 2014 so that they could instead focus on addressing all 2013 applications before the end of that year. The same trend can be witnessed above in the number of lease applications processed during December 2014.

What is notable from the chart above is that the number of rental applications received monthly surged during the winter and stayed strong through the spring and summer before dropping off in the fall. In anticipation of a similar trend in 2015, the Bank is poised to further push processing of lease and rental approvals into early spring, with the goal of processing a majority of rental requests by early summer. Applications processing data are available in table 1.

Month	Lease Applications Received	Lease Applications Pending	Lease Applications Processed	Rental Applications Received	Rental Applications Pending	Rental Applications Processed	Total Applications Received	Total Applications Processed	Lease App Percentage Processed	Rental App Percentage Processed
January	136	136	24	37	37	1	173	25	96%	4%
February	40	152	27	18	54	3	206	30	90%	10%
March	49	174	39	14	65	11	239	50	78%	22%
April	38	173	41	13	67	14	240	55	75%	25%
May	55	187	57	8	61	17	248	74	77%	23%
June	14	144	23	5	49	18	193	41	56%	44%
July	22	143	31	6	37	12	180	43	72%	28%
August	7	119	18	3	28	8	147	26	69%	31%
September	16	117	12	6	26	5	143	17	71%	29%
October	4	109	31	0	21	14	130	45	69%	31%
November	2	80	27	1	8	6	88	33	82%	18%
December	0	53	50	0	2	2	55	52	96%	4%
Sum	383	3	380	111	0	111	3	491	77%	23%

Table 1. Applications processed in 2014

Though the total number of water right leases was vastly larger than the number of rental requests received in 2014, the volume of water rented from the Bank remained strong. Rental fees were levied on more than 80,000 acre feet of water in 2014.

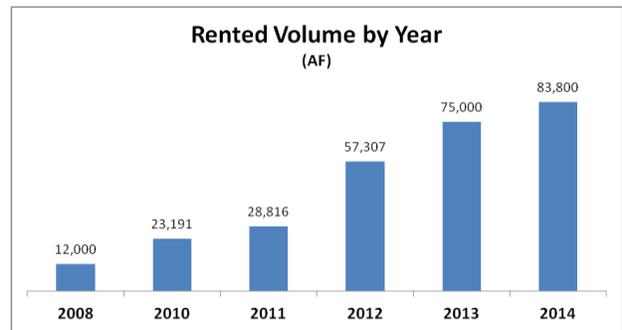


Chart 5. Annual rental volumes

The lion’s share of water rented from the Bank in 2014 occurred in a handful of basins, the six most active being: Basins 29 (Blackfoot River), 34 (Big Lost River), 36 (Magic Valley, ESPA), 37 (Big/Little Wood Rivers) 43 (Raft River) and 63 (Boise River).

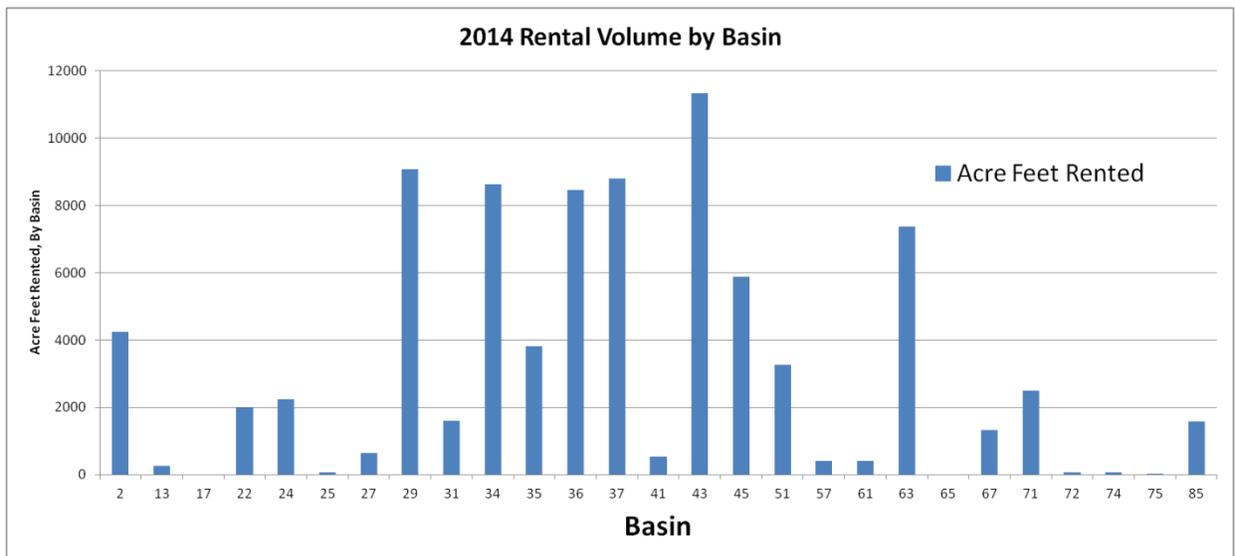


Chart 6. Annual rental volumes, by Basin

2014 Financial Summary

The fiscal health of the Board’s Bank continued to improve in 2014, though it still fell short of breaking even or generating revenue. One hundred and eighty-five thousand dollars were generated last year, primarily through rental administrative fees, but as evidenced by charts seven and eight below, lease application filing fees continue to comprise a growing source of revenue for the Board’s Bank.

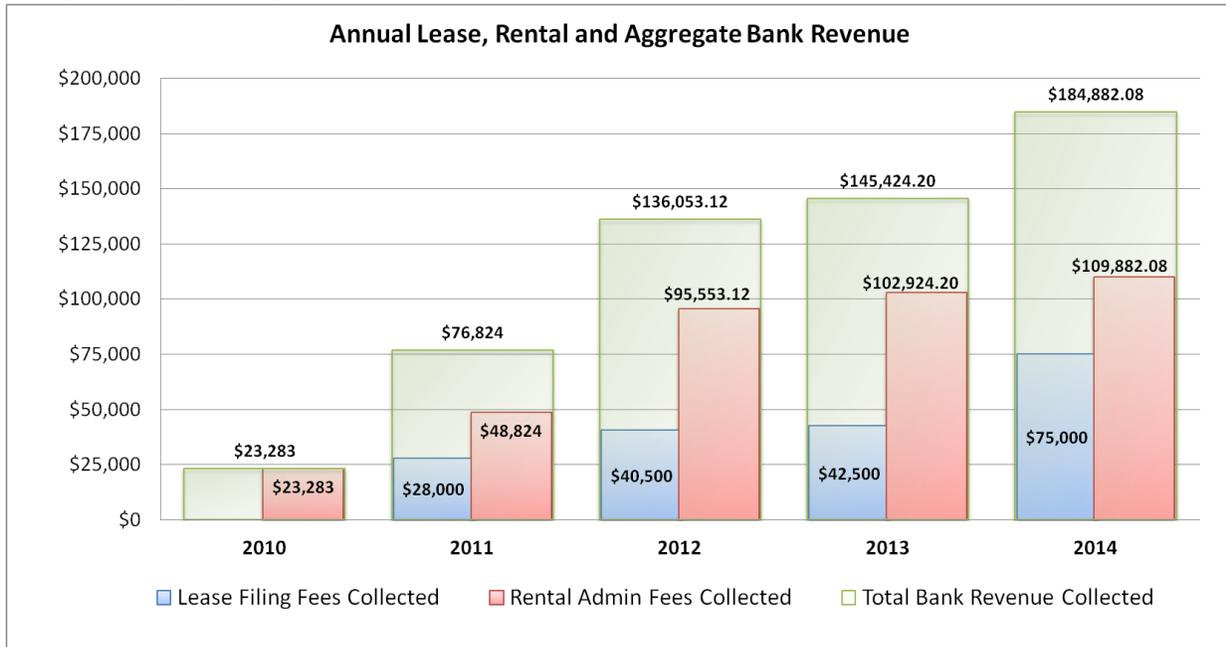


Chart 7. Annual revenue from lease application filing fees and rental admin fees

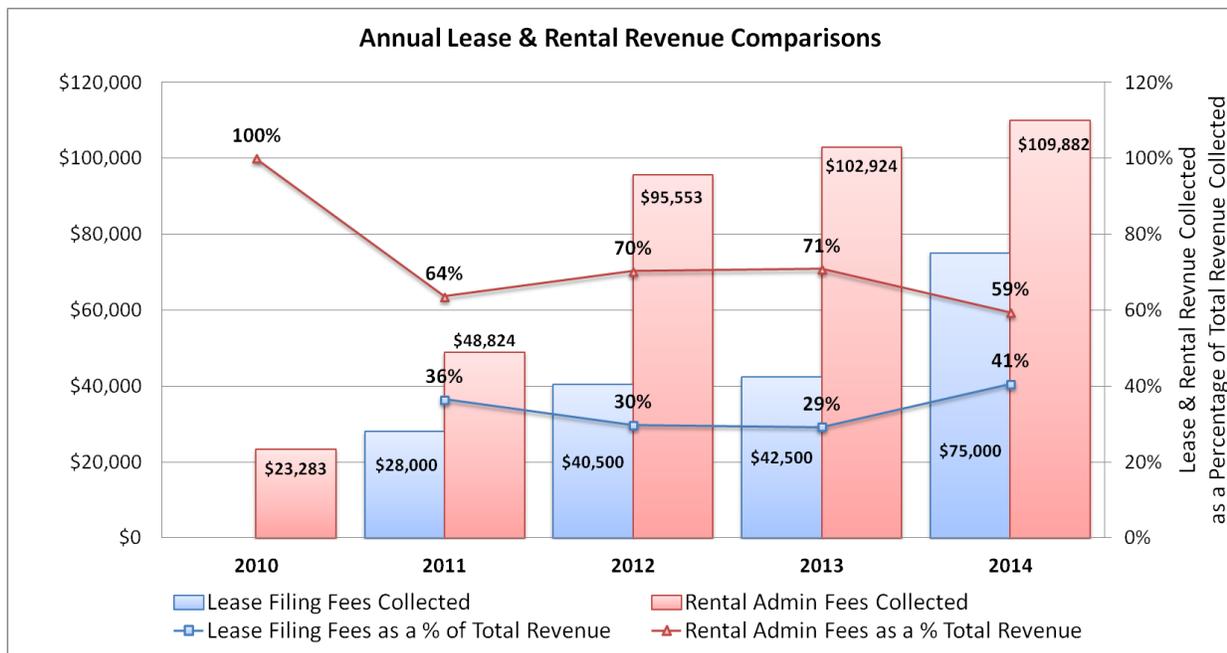


Chart 8. Annual revenue from leases and rentals as a percentage of total revenue

Bank revenue increased in 2014, as did the total revenue generated and paid out to water right holders. Five hundred and eighty-five thousand dollars were paid out to water right holders who had water rights rented through the Bank in 2014, the largest payout for water right rentals ever.

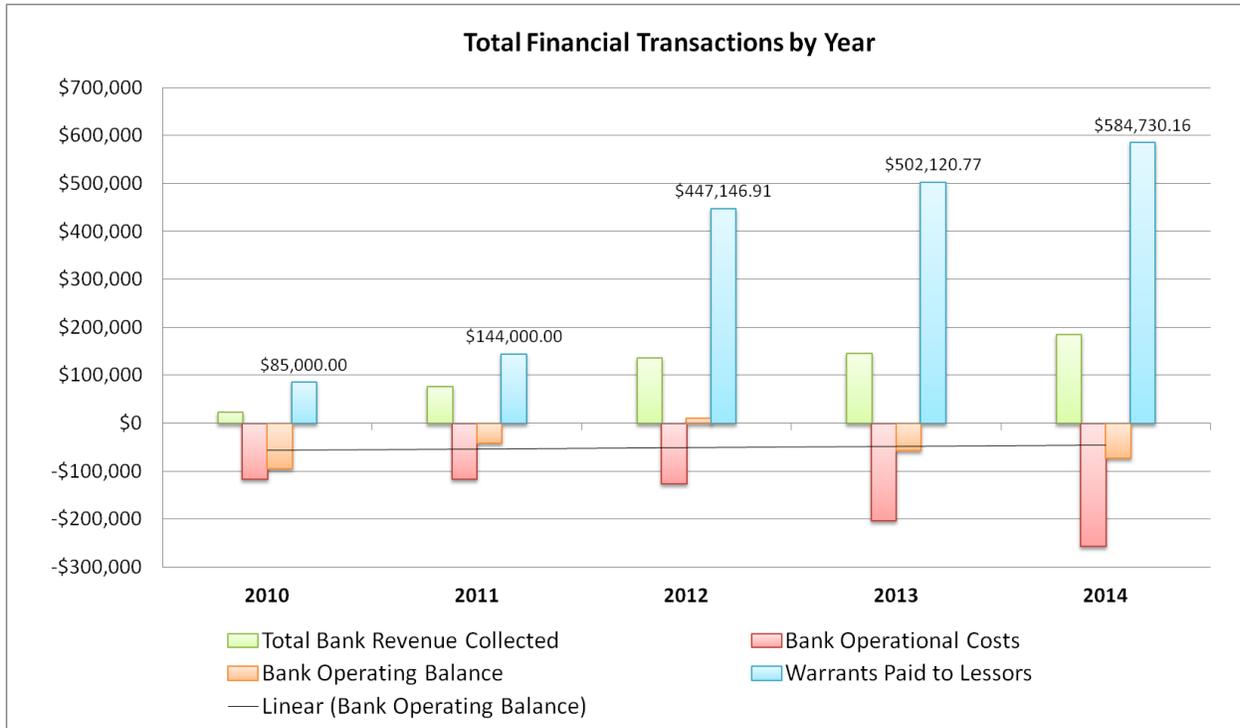


Chart 9. Bank revenue, operational costs and warrant payouts to water right holders

The 2014 operational expenses for the Bank, comprised of salary and operational expenditures, amounted to \$257,445.76. Accounting for Bank revenue of \$184,882.08, the operational balance of the Board’s Bank was negative \$72,563.57. Though this is a significant sum, the trend over past five years shows that revenue is increasing faster than expenditures, resulting in an improving operational balance. The Bank anticipates that operational expenditures will continue toward positive health in 2015. Detailed financial information is provided in table 2 below.

Year	Rental Fees Collected	Rental Admin Fees Collected	Lease Filing Fees Collected	Total Bank Revenue Collected	Warrants Paid to Lessors	Bank Operational Costs	Bank Operating Balance
2010	\$108,283.00	\$23,283	\$0	\$23,283	\$85,000.00	-\$117,852.00	-\$94,569.00
2011	\$192,824.00	\$48,824	\$28,000	\$76,824	\$144,000.00	-\$117,852.00	-\$41,028.00
2012	\$542,700.03	\$95,553.12	\$40,500	\$136,053.12	\$447,146.91	-\$126,270.00	\$9,783.12
2013	\$605,044.97	\$102,924.20	\$42,500	\$145,424.20	\$502,120.77	-\$203,435.00	-\$58,010.80
2014	\$694,612.24	\$109,882.08	\$75,000	\$184,882.08	\$584,730.16	-\$257,445.65	-\$72,563.57

Table 2. Bank revenue, expenditures, operating balance and warrant payouts