


# Water Supply Bank

## 2023 Report for the Board's Water Supply Bank

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## Introduction & Background

The Water Supply Bank is a water exchange program operated by the Idaho Water Resource Board (IWRB; Board), through the Director of the Idaho Department of Water Resources (IDWR), in association with water districts and IWRB-appointed local rental committees, to facilitate the acquisition and voluntary exchange of water rights, for new and supplemental water uses. The Bank is operated pursuant to Sections 42-1761 through 42-1766 Idaho Code and Idaho Administrative Code IDAPA 37.02.03 (Water Supply Bank Rules).

The Water Supply Bank program consists of two water exchange initiatives: the *Board's water supply bank* (Board's bank) and *rental pools*. The *Board's bank* facilitates the statewide lease and rental of water rights and is operated by IDWR personnel while *rental pools* facilitate the lease and rental of water rights associated with specific watersheds or water sources (e.g. river drainages and/or reservoir systems) and are operated by IWRB-appointed local committees.

This report summarizes operations of the *Board's bank* during calendar year 2023 and features recent data and trends specific to the:

- processing of lease and rental applications during 2023;
- administration of lease and rental transactions approved for 2023;
- productivity and work accomplishments of Water Supply Bank staff during 2023; and
- management of finances associated with operations during 2023.

## Executive Summary

The median number of days required to process a rental rose to 62 days during 2023 from 41 days in 2022, and the median number of days required to process a lease rose to 30 days in 2023 from 29 days in 2022.

The total volume rented during 2023 jumped to a new high of 90,000 acre-feet annually, with 70% of the demand attributable to only five basins. Simultaneously, annual revenue from rental fees also jumped due to the increase in volume rented as well as due to the increase in rental rates from $20/acre-foot to $23/acre-foot, while the revenue generated from lease filing fees remained stable compared to 2022. A significant portion of the 2023 calendar year operating costs are unavailable due to statewide changes to tracking billable hours in Luma.

### 2023 Accomplishments

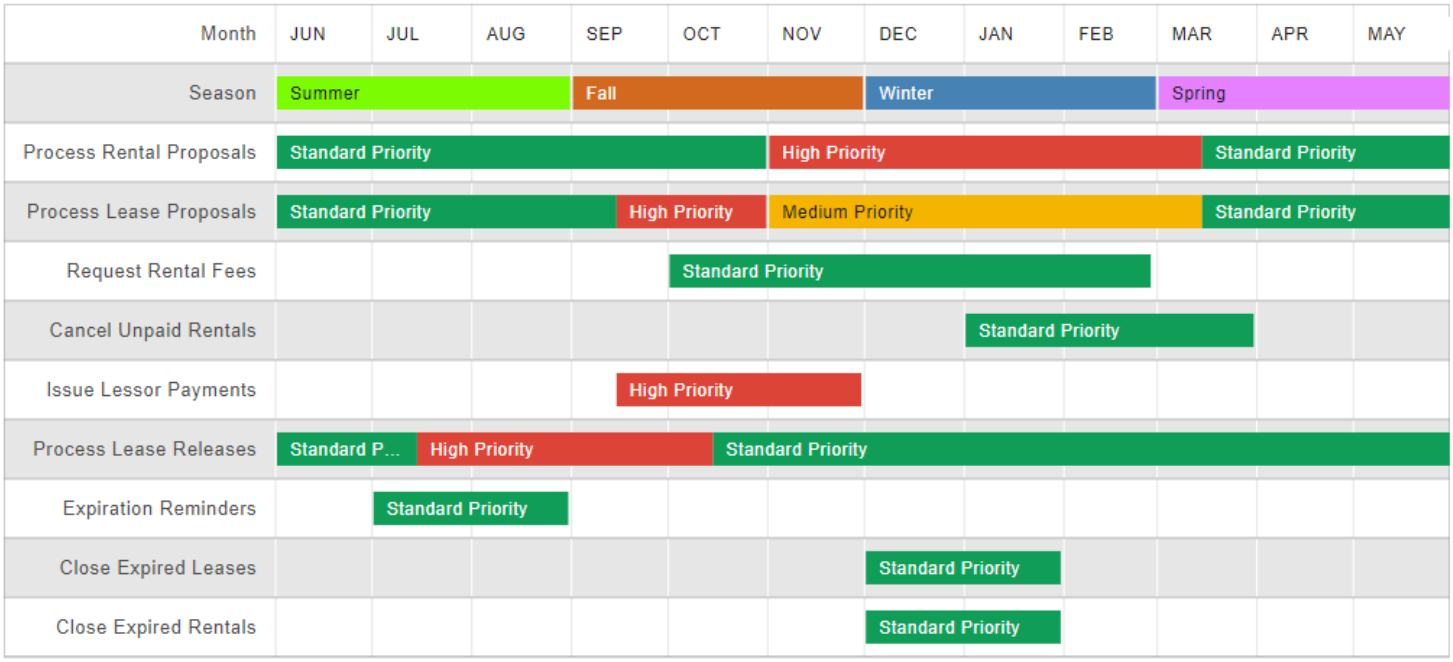
Key accomplishments of the Water Supply Bank during the past year include:

- Continued early issuance of annual warrant payments and rental fee reminders;
- Increase in the number of rental proposals processed;
- Increase in volume rented.

## Programmatic Operations

The primary operational functions of the Board's bank are to:
1) process lease and rental applications;
2) manage active lease and rental transactions;
3) communicate and coordinate aspects of application processing and transaction management with program stakeholders; and,
4) conduct research and development work to implement program improvements and efficiencies.

### Water Supply Bank Calendar




*Graphic 1. Board's bank calendar*

The processing of lease and rental applications, as well as transactional management of the bank and their priority level are shown in the calendar above, with overlap of several high priorities in the late summer to fall. Dedicated Bank staff (WSB Program Coordinator and WSB Specialist) are primarily responsible for transaction management, which are the tasks 'Requesting Rental Fees' through 'Closing Expired Leases and Rentals,' while additional IDWR staff are assigned from September through March for processing Lease and Rental proposals, rows 1 and 2, above.

## Lease and Rental Application Processing

If a water user does not intend to fully exercise their authorized water use during a calendar year, they can propose to lease the authorized but unused extent of their water rights to the Idaho Water Resource Board. Approved lease applications allow the IWRB to enter into a contract with the water right holder to acquire the unused water right authorizations proposed to be deposited into the Board's bank in order to provide a supply for rental applications.

Water rights under contractual lease to the Board's bank form a supply of water from which new and supplemental water uses can be authorized, by means of an approved rental from the Board's bank. Subject to review and approval by the Director of IDWR, successful applications to rent from the Board's bank enable the Board to provide rental agreements with water users who have requested an authorization for a new or supplemental use of water.

## Summary of Lease and Rental Applications Processed Annually

Chart 1, below, summarizes the total number of water right lease proposals and rental requests that were processed via the Board's bank annually from 2013 through 2023. Beginning in 2017, the number of unique lease contracts, which can contain individual or multiple stacked water rights, is also reported. In 2022, there was a dramatic 30% decline in the number of lease and rental applications processed, as observed in Chart 3 below, compared to previous recent years, which slightly improved overall in 2023.

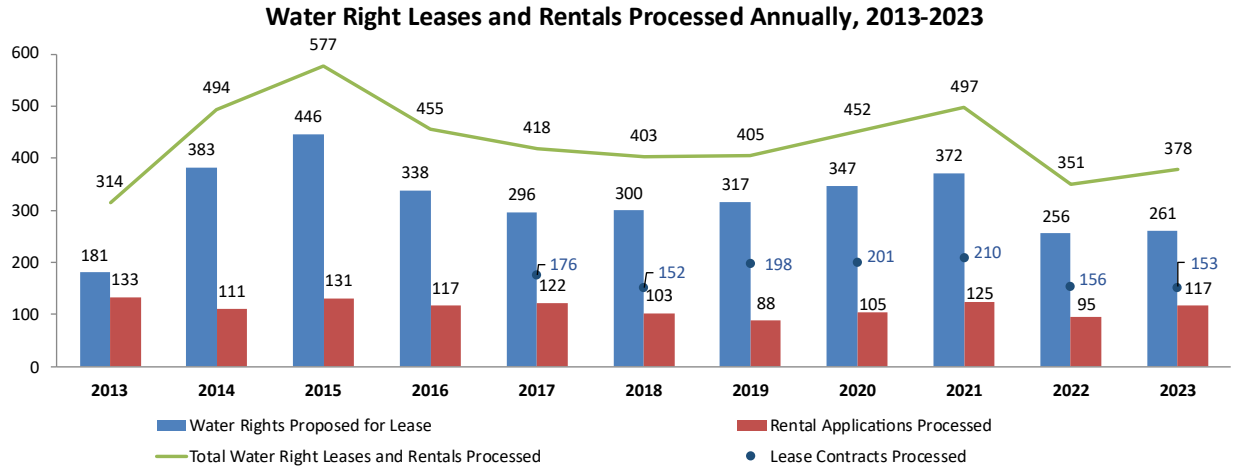
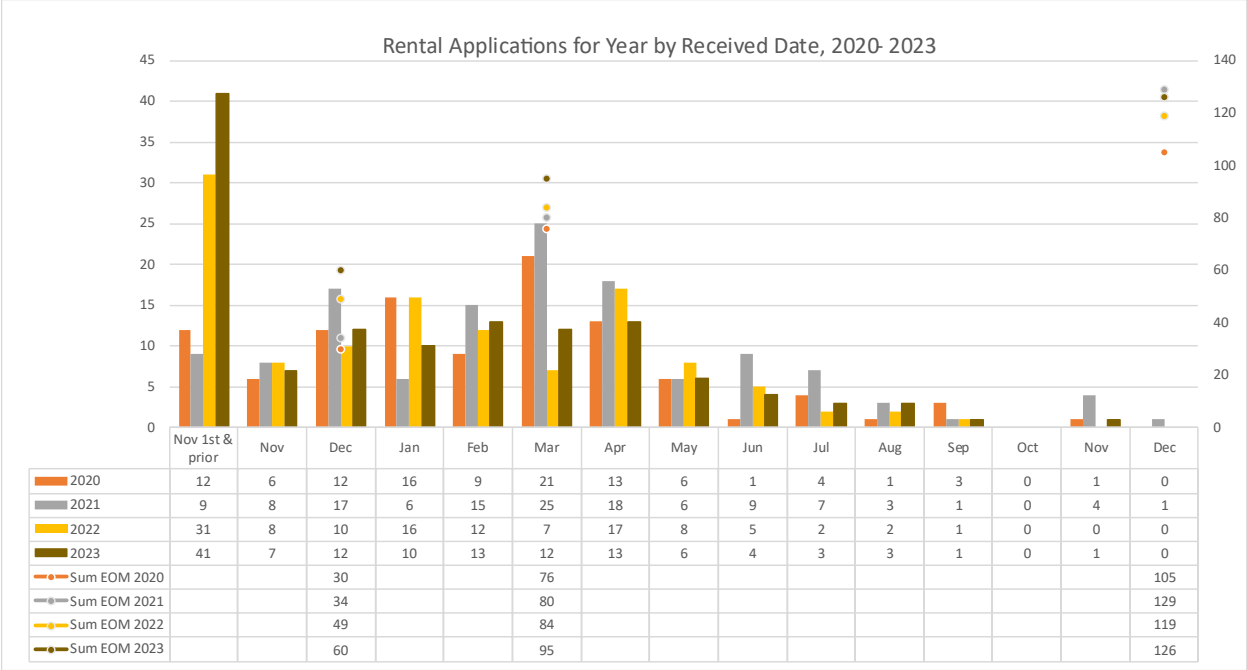



*Chart 1. Total applications processed, 2013 - 2023.*

## Application Processing Times

The Bank endeavors to process all applications as quickly as possible, on a first-come, first-served basis. Generally, the stages associated with application processing include: 1) receipt of an application and preliminary review for completeness; 2) active review of an application, resulting in a recommendation of approval or denial; and 3) completion of application processing through the execution of a lease contract or rental agreement with a water user.

Firstly, it is important to acknowledge the number and timing of applications received for each year to understand processing timelines and prioritizing resources (staff). Chart 2 on the next page illustrates the number of rental applications received each month for years 2020 – 2023.




| | Nov 1st & prior | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2020 | 12 | 6 | 12 | 16 | 9 | 21 | 13 | 6 | 1 | 4 | 1 | 3 | 0 | 1 | 0 |
| 2021 | 9 | 8 | 17 | 6 | 15 | 25 | 18 | 6 | 9 | 7 | 3 | 1 | 0 | 4 | 1 |
| 2022 | 31 | 8 | 10 | 16 | 12 | 7 | 17 | 8 | 5 | 2 | 2 | 1 | 0 | 0 | 0 |
| 2023 | 41 | 7 | 12 | 10 | 13 | 12 | 13 | 6 | 4 | 3 | 3 | 1 | 0 | 1 | 0 |
| Sum EOM 2020 | | | 30 | | | 76 | | | | | | | | | 105 |
| Sum EOM 2021 | | | 34 | | | 80 | | | | | | | | | 129 |
| Sum EOM 2022 | | | 49 | | | 84 | | | | | | | | | 119 |
| Sum EOM 2023 | | | 60 | | | 95 | | | | | | | | | 126 |

*Chart 2. Rental Applications Received by Month for a Specific Start Year, 2020 - 2023*

Rental applications that are received on or before November 1st preceding the year in which the use is requested to start, shown in the first column in Chart 2 above, have priority processing. The jump in the number of rental applications received by November 1st for years 2022 and 2023 compared to 2020 and 2021 is largely due to earlier issuance of conclusion notices in July and August for expiring rental agreements; however, 17 of the 41 rental applications in 2023 were due to changes made by applicants to push their late season 2022 proposal to instead begin in 2023. The earlier application submissions also reduced the number of late rental applications received in March by 50-60% in 2022 and 2023 when compared to 2020 and 2021.

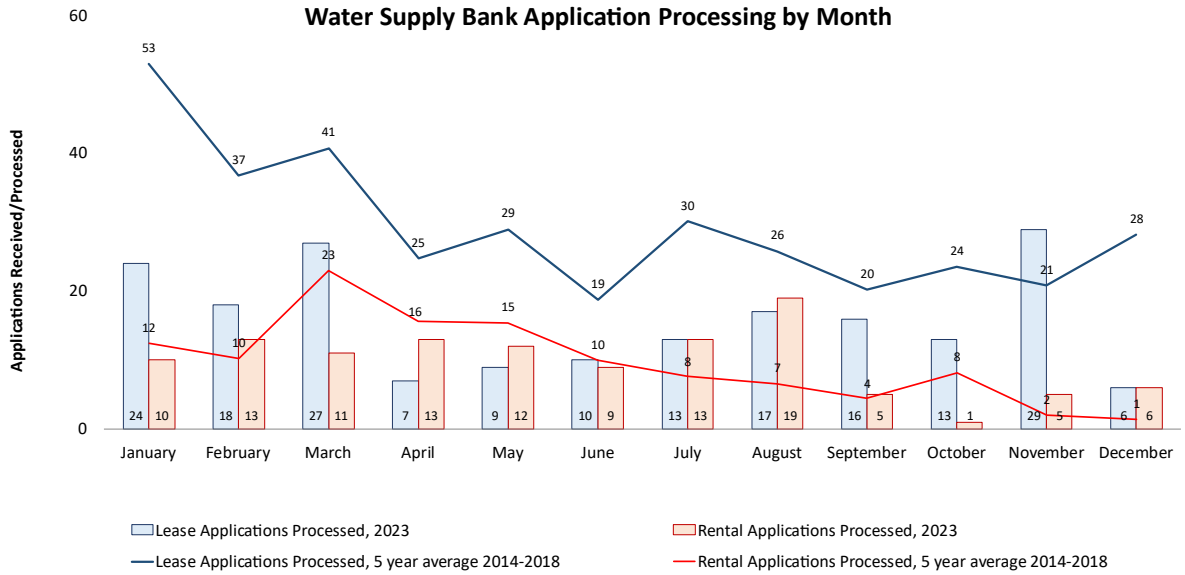



*Chart 3. Applications Processed by Month in 2023 with 2014-2018 Average Comparison*

Chart 3 on the previous page depicts lease and rental applications completely processed by each month during 2023, regardless of the actual start year requested, with comparisons to the averages from years 2014-2018. The blue line for average lease application processing for years 2014 – 2018 shows a healthy start in supply early in the review season to fulfill rental requests. The red line is the average of rental applications processed for the same five-year period, with a peak prior to the beginning of the irrigation season and slight tapering through the summer to finalize rental proposals for the given year.

Beginning in 2017, the Bank began calculating the time required to complete all work associated with steps two (agent review) and three (execution) for all applications processed to better understand efficiency and time commitments associated with application processing. Table 1, below, summarizes the median length in days required to fully review and finalize a lease and rental application for the requested year.

| Year | Median Time Required to Process a Lease Application | Median Time Required to Process a Rental Application |
|---|---|---|
| 2023 | 30 days | 62 days |
| 2022 | 29 days | 41 days |
| 2021 | 51 days | 55 days |
| 2020 | 24 days | 70 days |
| 2019 | 45 days | 52 days |

*Table 1. Median Time Required to Process Lease and Rental Applications, 2019-2023*

By understanding the median time required to complete an application, as well as the timing of receiving applications each year, the appropriate number of additional IDWR staff can be allocated early in the season to process applications by the requested start date. Processing rental applications earlier in the season not only provides the renter with certainty, but it also secures administrative fees from the rental fees to cover the operating costs. For example, there were 35 rental applications for 2022 received after March 31, 2022, and in response notice was provided to the rental applicants that due to the late submittals and current workload, a review and recommendation was not likely to be made before the end of the irrigation season. Upon receiving the notice, 17 rental applicants opted to push their requested start date to 2023, and forgo a rental in 2022. Similarly, and just as importantly, processing lease applications as early as possible ahead of November 1st ensures reasonable supply for priority rental applications.

## Human Resources

The Water Supply Bank Program Coordinator and the Water Supply Bank Specialist positions were both fully staffed during 2023 to provide programmatic operations of the Water Supply Bank. IDWR staff within the Water Allocations Bureau assigned to review and recommend lease and rental applications between September through March 31st included a Water Right Section Supervisor and a Technical Records Specialist, consistent with previous years' staffing, as well four Water Resource Agents for rental application processing.

Unfortunately, the number of hours spent processing lease and rental applications by Water Right Section staff cannot be reported for most of 2023 due to a change in time sheet reporting when the State switched to Luma. The number of hours billed to the Board's bank for years 2018 through

2022, split between WSB staff hours and Water Right Section staff, and the total number of bank applications processed during the same calendar year, is depicted in Chart 4, below.

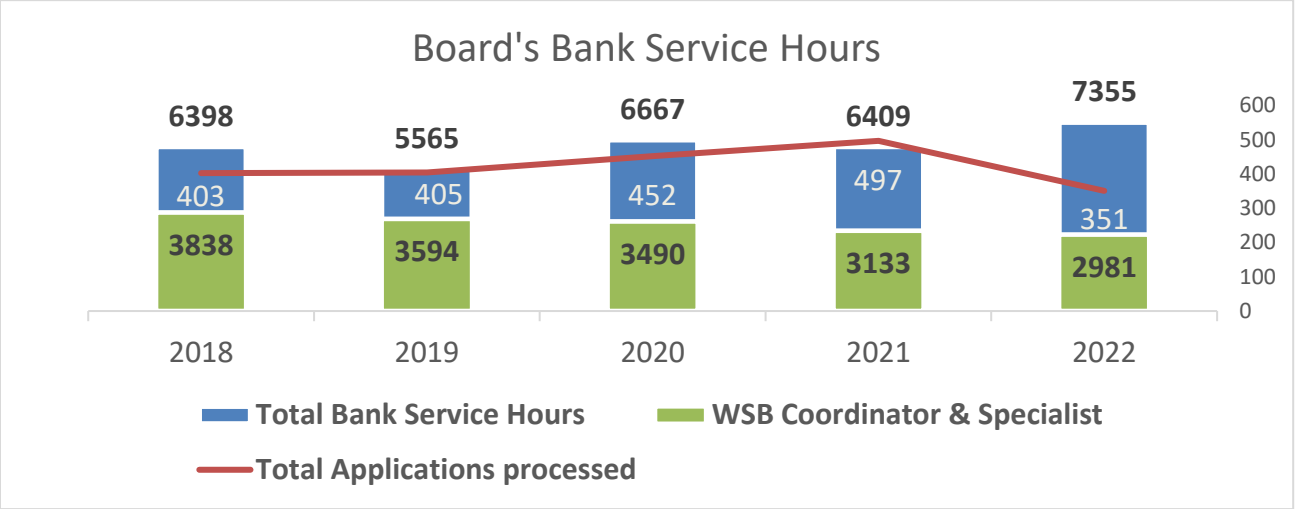



*Chart 4. Hours logged to the Bank with comparison to total applications processed, 2018-2022*

## Processing Applications & Managing Transactions

By considering the specific work tasks performed by IDWR staff who provide the Board's bank services, it is possible to estimate the percentage of all time allocated to specific functions. Of the nearly 7,360 hours logged providing Board's bank services during 2022, more than 60% of the total billed hours were spent processing lease and rental applications. The chart below further breaks out the number of hours for agents and bank staff to review bank proposals as well as the number of hours for a water right supervisor to review a recommendation and issue an approval.

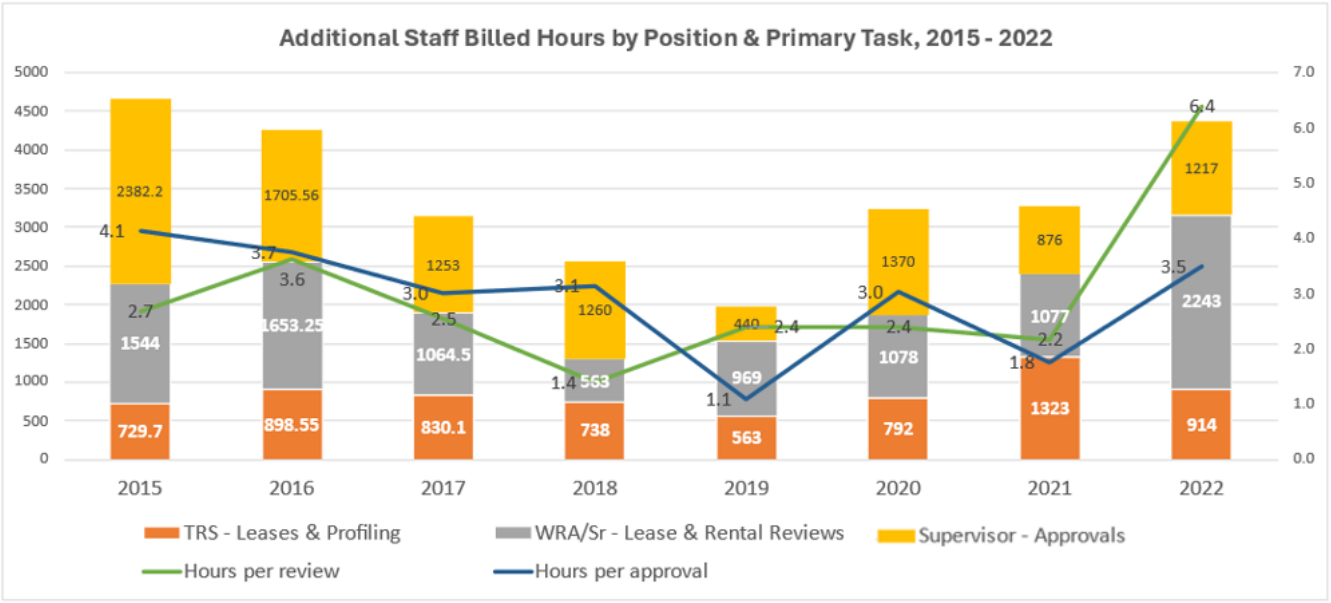



*Chart 5. Hours to review, approve, and profile bank applications processed, 2015-2022*

Similarly, the number of hours billed by IDWR staff can be further analyzed as a percentage of all bank service functions, as well as by comparing the hours logged by water rights section staff and those logged by bank staff. Water right section staff primarily process lease and rental applications, with nearly 80% of their billed hours spent on these two service functions, while bank staff primarily preform the majority of the program supporting service functions, as shown in Table 2 for hours billed in 2022.

| Service Function | Total Hours Logged | Additional Staff Percent of Hours | WSB Staff Percent of Hours |
|---|---|---|---|
| **Processing lease applications** | 1,674 | 27 % | 6% |
| **Processing rental applications** | 2,889 | 51 % | 13% |
| ***Processing applications, total*** | ***4,563*** | ***78 %*** | ***19%*** |
| **Managing lease contracts** | 427 | 2 % | 9% |
| **Managing rental agreements** | 476 | 2.5 % | 11% |
| ***Managing transactions, total*** | ***903*** | ***4.5 %*** | ***20%*** |
| **Communications & coordination** | 1,190 | 12.5 % | 28% |
| **Research & development** | 703 | 5 % | 33% |
| ***All services*** | ***7,359*** | ***100 %*** | ***100%*** |

***Table 2. Board's bank service hours during 2022, by service function***

The service functions that support the bank program are transaction management, communications & coordination, and research & development. Transaction management includes processing release requests, issuing conclusion notices for expiring lease contracts and rental agreements, calculating and issuing warrant payments to owners of rented rights, and requesting and recording rental fees. Chart 6, below, illustrates annual transaction management for 2023, with a total of 423 letters against 1,015 water rights generated and sent between July 2023 through January 2024, which is separate and distinct from letters generated through processing lease and rental applications.

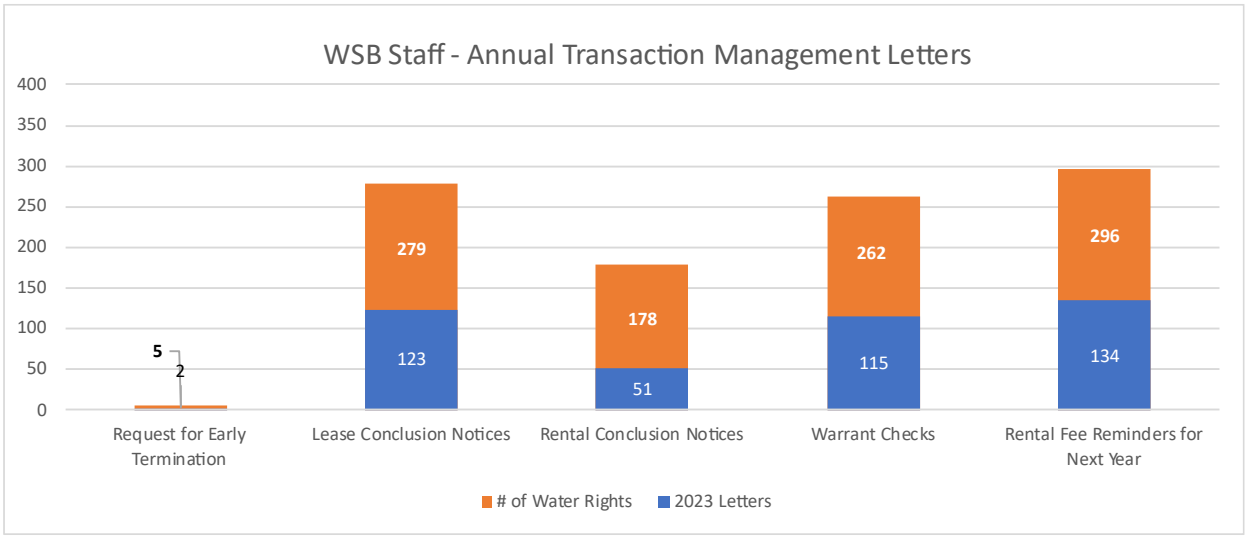



***Chart 6. Transaction Management, 2023***

## Communications & Coordination and Research & Development

During 2022, the Water Supply Bank Coordinator and a Water Right Section supervisor coordinated with IDWR leadership, IWRB members, and members of the public through several public meetings to participate in the Governor's Zero-Based Regulation initiative to review, repeal, and propose a new rule for the Water Supply Bank by October 2022 for presentation to Legislature in the 2023 session. The proposed rule was presented to Legislature during the 2023 session but was rejected and the WSB Rules reverted to the previously adopted version prior to the 2022-2023 rulemaking.

## Volume Rented

During 2023, approximately 90,000 acre-feet of water was rented from the Bank, which is a noticeable increase of 11,000 acre-feet from the previous year. The total volume rented from the Board's bank has averaged 70,000 acre-feet annually from 2016 through 2022. For the same period, Basin 02 Middle Snake River rentals have made up 30% of the total annual volume rented.

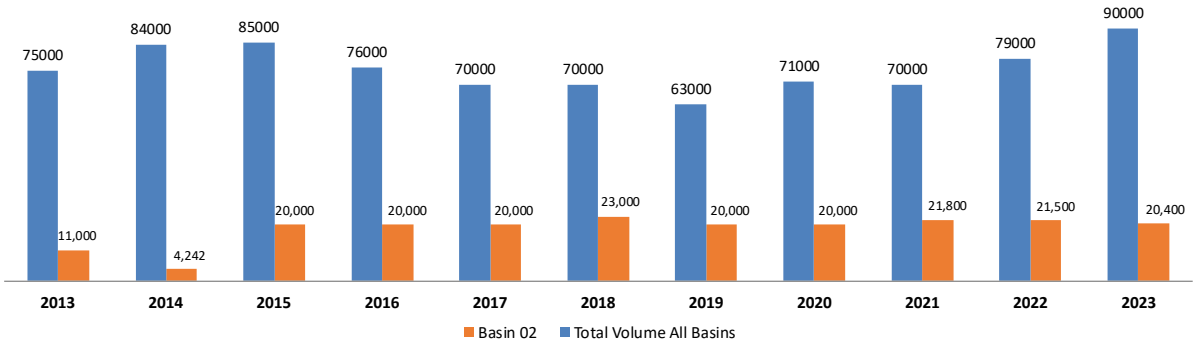
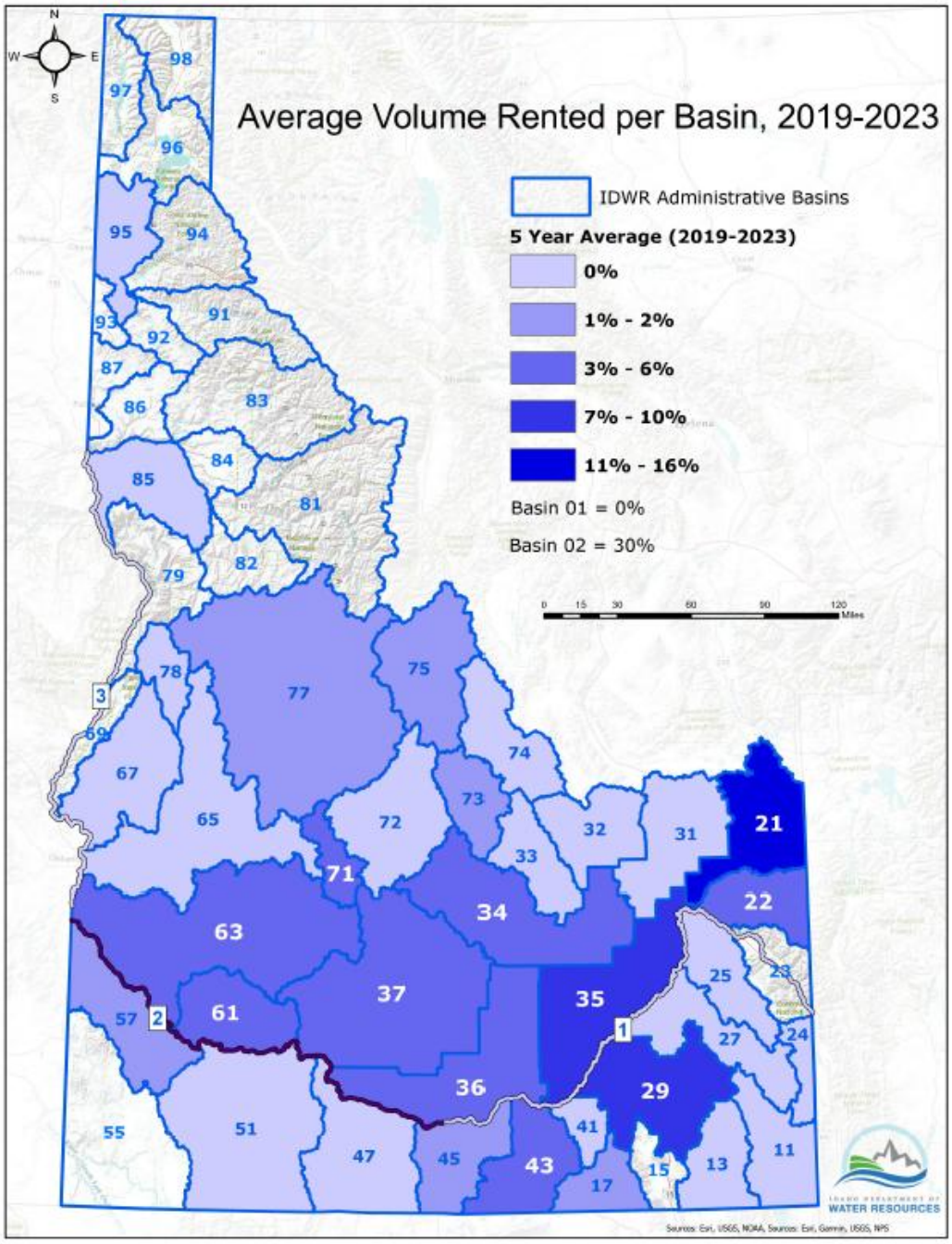



*Chart 7. Total Acre-Feet Rented by Year, 2013-2023*

Of the 90,000 acre-feet rented in 2023, nearly 70% of that volume was supplied from just five administrative basins, as shown in Tables 3 and 4, below. Consistent with recent trends, most of the water rented in 2023, and for the five-year average from 2019-2023, came from basins 02 (Snake River, below Milner Dam) and 21 (Henrys Fork basin). Basins 71 (Stanley Area) joined the top five in 2022 after several large rentals were approved. Additionally, at least 90% of the volume rented in Basins 02, 21, and 71 rentals were from surface water sources in 2023, compared to Basins 29 and 35 which were at minimum 85% ground water rentals.

| 2023 | | | | | Annual Average: Most Recent Five Years (2019-2023) | | | | |
|---|---|---|---|---|---|---|---|---|---|
| # | Basin | Water Source | Volume | % of Total | # | Basin | Water Source | Volume | % of Total |
| 1 | 2 | Snake River | 20,400 | 23% | 1 | 2 | Snake River | 20,740 | 28% |
| 2 | 21 | Henrys Fork Basin | 20,290 | 23% | 2 | 21 | Henrys Fork Basin | 11,575 | 16% |
| 3 | 35 | ESPA - American Falls | 8,884 | 10% | 3 | 35 | ESPA - American Falls | 7,317 | 10% |
| 4 | 71 | Stanley Area | 7,527 | 8% | 4 | 29 | Blackfoot River Basin | 5,508 | 7% |
| 5 | 29 | Blackfoot River Basin | 5,136 | 6% | 5 | 71 | Stanley Area | 4,352 | 6% |
| 2023 Rental Volume: 90,000 AF | | | 62,237 | 69% | Average Five Year Rental Vol: 75,000 AF | | | 49,491 | 66% |

*Table 3 & 4. Most Active Basins by Annual Acre-Foot Rental Volumes*




*Graphic 2. Average Volume Rented by Basin Across Idaho, 2019-2023*

The above graphic illustrates the total volume rented on average over five years for the entire state, with gradient shading based on percentages of the total volume rented by each administrative basin. Basin 02 (Snake River, below Milner Dam) has averaged 28% (20,720 af) of the total volume rented per year over the five-year period and basin 21 (Henry's Fork) increased to 16% (11,575 af) of the total volume, while basins with shading representing 0% have had less than 450 acre-feet rented per year in that basin for the same five-year period. Basins without shading indicate zero volume has been rented from that basin during the five-year period.

## Financial Management

The cost to lease a water right to the Water Supply Bank is $250, however when two or more water rights can be collectively leased together into the Bank on a single application, the maximum fee for a multi-water right lease application is $500. There is no fee to submit a rental application; the Bank collects rental revenue by levying an administrative fee of 10% of the standard or negotiated annual rental fees for rental agreements, based on the acre-feet rented. In 2023, the Bank revenue increased significantly for the rental administrative fees, as represented in Chart 8 below.

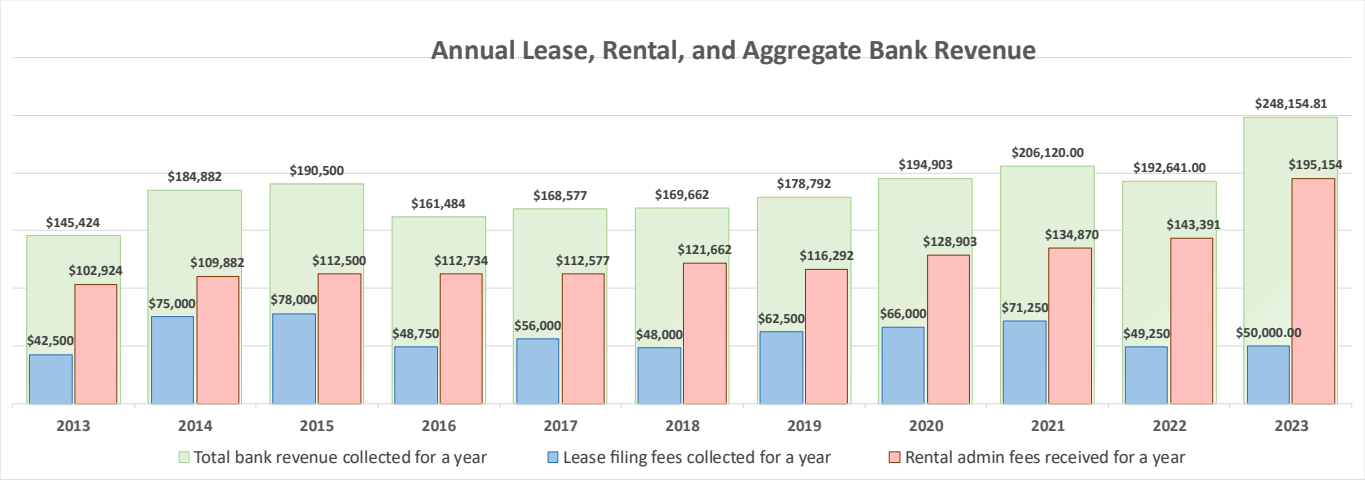
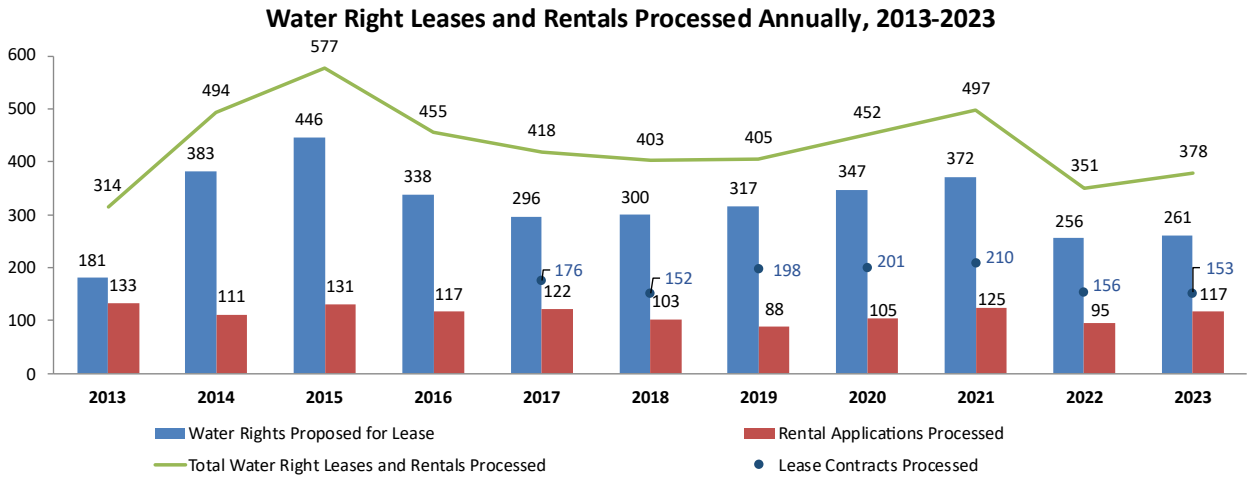



*Chart 8. Annual Revenue from Lease Application Filing Fees and Rental Administrative Fees*

In 2023, the standard rental rate rose from $20.00 per acre-foot to $23.00 per acre-foot, of which the minimum administrative fee levied also rose from $2.00 per acre-foot to $2.30 per acre-foot. However, the filing fee for lease applications has not changed since 2010. The total bank revenue collected each year tends to follow the same trend as the total number of applications processed, as does the revenue from lease application filing fees when compared to applications processed for the same years, as seen between Chart 8 above and Chart 3 from page 6, again below.



## Programmatic Solvency

The primary expenditures necessary to operate the Board's bank include:
1) staff compensation and overhead (salaries, office equipment and office service costs);
2) coordination and communication charges (advertising and stakeholder engagement costs); and
3) resource research and development charges (technology development and maintenance costs, staff education and consulting fees);

The total operational expenses are unknown for 2023 due to the transition to Luma for individual employee time reporting. The previous year operational cost of $287,884 was used to best guess operational costs for 2023, as depicted below in Chart 9, since the number of hours to process applications has been inconsistent each year, and therefore a cost per hour cannot be reasonably estimated. Total revenue rose by nearly 28% in 2023 to $248,155, making it the largest jump in revenue since 2012. The increased revenue is directly attributable to 23% more rental applications processed in 2023 than 2022 and 14% more volume rented during 2023 than 2022. Lease application revenue had a minimal change from the previous year. By using the proxy operating cost, the overall deficit for the Board's bank may have been as low as $40,000 in 2023.

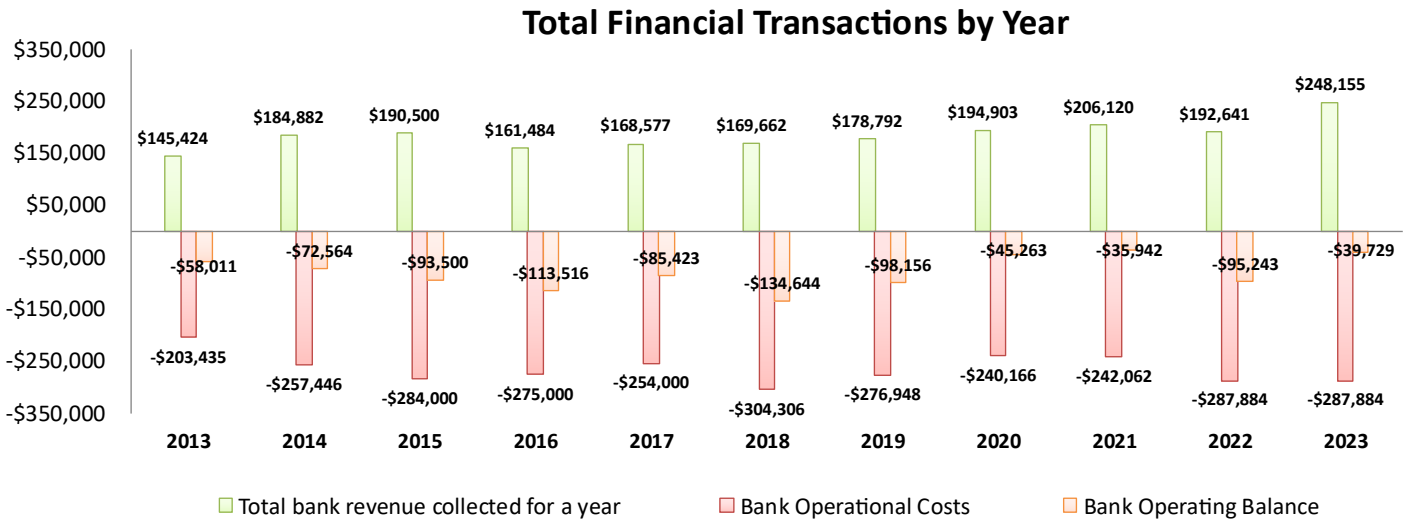



*Chart 9. Board's Bank Operational Finances, 2013-2023*

Operational expenses in the form of staff compensation can fluctuate each year due to Department priorities, staff turnover, training, bringing in more experienced staff with higher pay grades, and assigning certain tasks without considering the skill required and job classification. For example, operating costs rose in 2022 due to a significant increase in the number of hours logged to the bank training four new hires, addressing a backlog in lease and rental applications from 2021 through the summer of 2022, and an increase in hours billed to the Bank due to the 2023 Negotiated Rule-Making effort. Unfortunately, the lack of trained, seasoned staff resulted in less applications processed for the year at a much higher cost per application processed. The Operating Costs and Revenue sheet on the next page breaks down the cost per service function, and the revenue generated by each for years 2016 through 2023, except where year 2023 uses the same operating costs from 2022.

## Operating Costs and Revenue

### Operating Costs and Revenue

| | | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|
| 1 | Lease Applications Processed | 152 | 198 | 201 | 210 | 150 | 153 |
| 2 | Hrs billed processing leases | 1736 | 1400 | 1465 | 1775 | 1340 | unk |
| 3 | % of time for program | 27% | 25% | 22% | 28% | 18% | unk |
| 4 | Hrs per lease application | 11.4 | 7.1 | 7.3 | 8.5 | 8.9 | unk |
| 5 | Total cost to process | $ 82,569 | $ 69,678 | $ 52,784 | $ 67,042 | $ 52,448 | $ 52,448 |
| 6 | Cost per Application | $ 543 | $ 352 | $ 263 | $ 319 | $ 350 | $ 343 |
| 7 | **+ Lease revenue from applications** | **$ 48,000** | **$ 62,500** | **$ 66,000** | **$ 71,250** | **$ 49,250** | **$ 50,000** |
| 8 | Dollar return per application | $ 315.79 | $ 315.66 | $ 328.36 | $ 339.29 | $ 328.33 | $ 326.80 |
| 9 | Approved Contracts / Multi-year | 504 | 678 | 675 | 622 | 593 | 618 |
| 10 | Hrs billed managing leases | 624 | 490 | 378 | 581 | 368 | unk |
| 11 | % of time for program | 10% | 9% | 6% | 9% | 5% | unk |
| 12 | Hrs per lease to manage | 1.2 | 0.7 | 0.6 | 0.9 | 0.6 | unk |
| 13 | Total cost to manage | $ 29,679 | $ 24,387 | $ 13,619 | $ 21,944 | $ 14,404 | $ 14,404 |
| 14 | Cost per contract to manage | $ 59 | $ 36 | $ 20 | $ 35 | $ 24 | $ 23 |
| 15 | **- Leases - Total Cost** | **$ 112,248** | **$ 94,065** | **$ 66,403** | **$ 88,986** | **$ 66,851** | **$ 66,851** |
| 16 | Leases - Gain/Loss | $ (64,248) | $ (31,565) | $ (403) | $ (17,736) | $ (17,601) | $ (16,851) |
| 17 | | | | | | | |
| 18 | Rental Applications Processed | 103 | 88 | 105 | 125 | 95 | 117 |
| 19 | Hrs billed processing rentals | 1727 | 1650 | 2396 | 1912 | 2633 | unk |
| 20 | % of time for program | 27% | 30% | 36% | 30% | 36% | unk |
| 21 | Hrs per rental application | 16.3 | 18.8 | 22.8 | 15.3 | 27.7 | unk |
| 22 | Total cost to process | $ 79,662 | $ 82,121 | $ 86,328 | $ 72,216 | $ 103,056 | $ 103,056 |
| 23 | Cost per Application | $ 773 | $ 933 | $ 822 | $ 578 | $ 1,085 | $ 881 |
| 24 | **+ Rental revenue from admin fees** | **$ 121,662** | **$ 116,292** | **$ 128,903** | **$ 134,870** | **$ 143,391** | **$ 195,155** |
| 25 | Approved Rentals / Multi-year | 107 | 184 | 192 | 207 | 224 | 260 |
| 26 | Hrs billed managing rentals | 517 | 437 | 789 | 711 | 437 | unk |
| 27 | % of time for program | 8% | 8% | 12% | 11% | 6% | unk |
| 28 | Hrs per rental to manage | 4.8 | 2.4 | 4.1 | 3.4 | 2.0 | unk |
| 29 | Total cost to manage | $ 24,590 | $ 21,749 | $ 28,428 | $ 26,854 | $ 17,104 | $ 17,104 |
| 30 | Cost per agreement to manage | $ 230 | $ 118 | $ 148 | $ 130 | $ 76 | $ 66 |
| 31 | **- Rentals - Total Cost** | **$ 104,252** | **$ 103,870** | **$ 114,756** | **$ 99,071** | **$ 120,160** | **$ 120,160** |
| 32 | Rentals - Gain/Loss | $ 17,410 | $ 12,422 | $ 14,147 | $ 35,799 | $ 23,231 | $ 74,995 |
| 33 | Rental volume annually (acre-feet charged) | 61,890 | 59,712 | 65,283 | 68,997 | 73,439 | 86,593 |
| 34 | Dollar per acre-foot average | $ 1.97 | $ 1.95 | $ 1.97 | $ 1.95 | $ 1.95 | $ 2.25 |
| 35 | | | | | | | |
| 36 | Total revenue from leases + rentals | $ 169,662 | $ 178,792 | $ 194,903 | $ 206,120 | $ 192,641 | $ 245,155 |
| 37 | Total costs of leases + rentals | $ 216,500 | $ 197,936 | $ 181,159 | $ 188,057 | $ 187,011 | $ 187,011 |
| 38 | **Lease/Rental Gain or Loss** | **($46,838)** | **($19,144)** | **$13,744** | **$18,063** | **$5,630** | **$58,144** |
| 39 | | | | | | | |
| 40 | Communication & Coordination (C&C) | $ 49,180 | $ 28,618 | $ 16,898 | $ 23,946 | $ 54,248 | $ 54,248 |
| 41 | Research & Development (R&D) | $ 39,049 | $ 52,259 | $ 42,299 | $ 30,027 | $ 46,733 | $ 46,733 |
| 42 | Hrs billed | 1855 | 1625 | 1643 | 1429 | 2580 | unk |
| 43 | % of time for program | 29% | 29% | 25% | 22% | 35% | unk |
| 44 | **- Total C&C and R&D Cost** | **$ 88,229** | **$ 80,876** | **$ 59,197** | **$ 53,973** | **$ 100,981** | **$ 100,981** |
| 45 | | | | | | | |
| 46 | Ave annual hrly cost total hrs billed | $ 47.56 | $ 49.77 | $ 36.03 | $ 37.77 | $ 39.14 | $ 39.14 |
| 47 | | | | | | | |
| 48 | **- Actual Operating cost of Bank (hrs billed)** | $304,306 | $276,948 | $240,166 | $242,062 | $287,884 | $287,884 |
| 49 | **Actual Total Gain or Loss** | **($134,644)** | **($98,156)** | **($45,263)** | **($35,942)** | **($95,243)** | **($42,729)** |
| 50 | Total Hours Billed | 6459 | 5602 | 6671 | 6408 | 7358 | unk |

*Table 5. Analysis of Costs and Revenue associated with functions of the Board's bank, 2018-2023*

Disclaimer: It is important to note that some amounts are rounded to the nearest tenth or whole number while some other values are unrounded. There is a small and reasonable margin of error if calculating from the amounts shown within the sheet due to rounding. Additionally, the volume of water rented each year within Table 5 is less than the volumes represented in earlier charts within this report, since the rental fee is based on the combined limit volume rented, rather than the total additive rental volumes for stacked rights. Finally, operating costs for 2023 are based on 2022 costs, while revenue is actual for 2023.

As previously discussed within this report, lease applications have an associated filing fee of $250 per water right, with a maximum cost of $500 per contract with multiple water rights for the same place of use. Additionally, the total operating cost during 2023 cannot be determined due to a change in timesheet reporting, and so the same costs marked herein with an asterisk (*) from 2022 have been used as a reasonable space holder. Filing fees generated $50,000 in revenue during 2023 for 153 processed lease applications (Table 5, line 7), compared to an estimated cost of $52,500* to process the applications (Table 5, line 5). The lease filing fees received for applications not yet processed are not included in the reported revenue, since the fee may be refunded due to a withdrawal from the applicant or a change in the requested start date to the next calendar year. Approved lease applications become contracts and must be managed and tracked each year through issuing owner payments and/or conclusion notices. Lease management of contracts which were active and maintained prior to and during 2023 cost approximately $14,400* in 2023 (Table 5, line 13). The total cost of processing lease applications and managing lease contracts is higher than the revenue they generate each year, with a loss of an estimated $17,000 during 2023 (Table 5, line 16). The cost per lease to manage has decreased since 2018, averaging $24 per contract in 2022 compared to $65 per contract in 2018 (Table 5, line 14) . An increase in the lease filing fees should be explored, as the fees have not increased since they were implemented more than a decade ago.

Rental applications do not have a filing fee and incurred an estimated processing cost of about $103,000* to review 117 applications in 2023 (Table 5, line 22). Approved rental agreements must also be managed each year through requesting and receipting rental fees and when applicable issuing conclusion notices. Managing rentals had an estimated cost of $17,000* in 2023 (Table 5, line 29). The cost per agreement to manage has also significantly decreased since 2018, averaging $76 per agreement in 2022 compared to $371 per agreement in 2018 (Table 5, line 30). Rental agreements through approved rental applications are charged an annual administrative fee based on the volume rented, which increased to $2.30 per acre-foot during 2023, and returned just over $195,000 in revenue for new and existing rentals (Table 5, line 24). The total cost of processing and managing rentals is estimated to be less than the revenue generated in 2023, with an estimated gain of $75,000 for the year (Table 5, line 32). Solicitation of valid water rights for the Board's bank in high demand basins for lease to fulfill rental applications as well as increasing the rental administrative fee or imposing a rental application filing fee could also increase the revenue annually.

As was previously discussed, additional operational costs which are not directly or solely incurred from processing or managing leases and rentals but are directly tied to Bank activity are Communications & Coordination and Research & Development, as was shown in Table 2 on page 8. The percentage of time estimated to be spent on these functions based on priorities and special projects multiplied by the average hourly cost per billed hour to the bank each year resulted in a cost exceeding $100,000 in 2022 (Table 5, line 44). There is not a revenue directly associated with offsetting these costs, since they are the result of the program and management.

## Programmatic Forecasts and Future Objectives

In order to maintain the solvency of the Board's bank, through revenue neutral or revenue positive operations, one or more of the following must occur:

- solicitation of valid water rights for lease and market for rental is expected to increase revenue;
- hours logged to process applications need to be controlled and kept as low as possible;
- filing fees for lease applications must be increased;
- filing fees for rental applications should be considered; and
- research and development initiatives must continue, to find ways for increasing productivity, by maintaining or increasing application processing capacity without increasing overall operational expenditures or the number of hours logged to process applications.

In 2018, it was forecast that the Board's bank could reasonably be expected to operate with annual expenditures of approximately $250,000, down from a projected cost of $305,000 in 2019, if IDWR staff hours logged to the Board's bank held at or below 5,200, based on the operation of the Bank with 2.5 FTEs. Chart 10 below plots actual annual operational amounts in 2019, 2020, 2021, 2022, and 2023 compared to the targeted operational amounts established in 2018, with callouts of the actual amount when a target was exceeded.

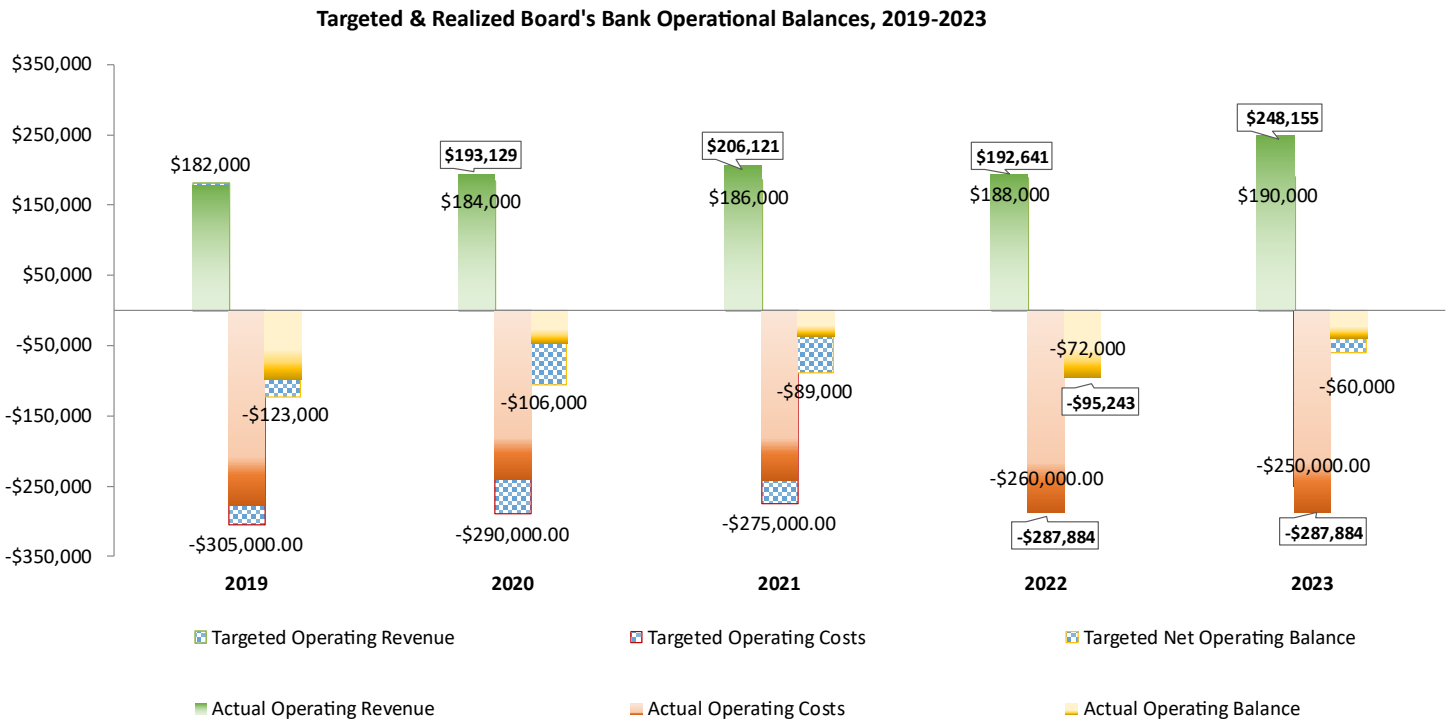



*Chart 10. Targeted and Realized Board's Bank Operational Financial Amounts, 2019-2023*

The revenue generated in the years 2019 through 2023 has been above the projected targets for the last four years and the operating costs in the first three years were lower than projected, resulting in much lower deficits than projected in the years 2019, 2020, and 2021. The deficit in 2023 is a result of estimating the actual operating cost to equal the operating cost in 2022. For future projections, it is recommended that there be consideration of the growing number of rental applications received each year since 2018 with a reasonable expectation to reach the maximum number of applications seen in 2015, and that the bank is more likely to operate with an annual expenditure of $300,000 by 2025, and the equivalent of 3 FTEs at 6,240 hours.

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