



AGENDA

WATER SUPPLY BANK AND MITIGATION BANK COMMITTEE MEETING NO. 1-14

C.L. "Butch" Otter
Governor

March 6, 2014 at 1:00 pm

Idaho Water Center
Conf. Rm. 602 C,D
322 E. Front St., Boise, ID 83702

Roger W. Chase
Chairman
Pocatello
District 4

Peter Van Der Meulen
Vice-Chairman
Hailey
At Large

Bob Graham
Secretary
Bonners Ferry
District 1

**Charles "Chuck"
Cuddy**
Orofino
At Large

Vince Alberdi
Kimberly
At Large

Jeff Raybould
St. Anthony
At Large

Albert Barker
Boise
District 2

John "Bert" Stevenson
Rupert
District 3

-
1. Introductions
 2. 2013 Water Supply Bank Annual Report
 3. 2014 Water Supply Bank Procedural Guidance
 4. Water Supply Bank IT Infrastructure Update
 5. Discussion
 6. Other Non-Action Items from Committee Members
 7. Next Meeting and Adjourn

Committee Members – Vince Alberdi (Chairman), Bert Stevenson, Jeff Raybould, Albert Barker, Roger Chase

Americans with Disabilities

The meeting will be held in facilities that meet the accessibility requirements of the Americans with Disabilities Act. If you require special accommodations to attend, participate in, or understand the meeting, please make advance arrangements by contacting Department staff by email Mandi.Pearson@idwr.idaho.gov or by phone at (208) 287-4800.

Water Supply Bank 2014 Committee Meeting 1-14

To: Vince Alberdi, Bert Stevenson, Jeff Raybould, Al Barker, Roger Chase

From: Remington Buyer

Re: Briefing Memo for Water Supply Bank Committee Meeting 1-14

Date: March 5, 2014

Action Items: The Water Supply Bank Committee will hear and discuss a three-part Water Supply Bank Memo on Procedural Guidance, drafted by Water Supply Bank Coordinator Remington Buyer. The memo addresses three administrative topics for the Bank: 1) the establishment of timeframes for submitting rental applications and prioritization of processing rental applications; 2) clarifying procedures for considering Lease Contract release requests; and 3) establishing a policy on the refunding of rental fees. Members of the Water Supply Bank Committee are requested to discuss the memo with the Water Supply Bank Coordinator. Should Committee members agree with the memo, they are requested to recommend Board approval of the memo at the upcoming Board on March 21, 2014.

Committee Meeting Summary

The Water Supply Bank Committee will convene for meeting 14-1 at 1:00 pm at the Idaho Department of Water Resources to hear a summary of financial and administrative activities in the Board's Bank in 2013, as well as to discuss Bank initiatives for 2014. 2014 initiatives include clarifying administrative procedures for Bank staff, updating public information materials for the Bank, and discussing upcoming procedures for utilizing legislatively authorized funding to develop Water Supply Bank IT infrastructure.

Please see the attached Water Supply Bank Memo, Water Supply Bank 2013 Report and presentation slides to familiarize yourself with the content of tomorrow's discussion.



Idaho Water Resource Board

2013 Report Annual Report for the Board's Water Supply Bank

Introduction & Background

The waters of Idaho are a public resource belonging to the people of Idaho and management of water is entrusted to the Idaho Water Resource Board (Board). A private right to appropriate and use water in Idaho is established through a water right. Through operation of a Water Supply Bank, the Board authorizes the temporary transfer of water rights between willing lessors and renters, to encourage the highest beneficial use of Idaho's water resources.

The Water Supply Bank is comprised of two parts: local rental pools and the Board's Water Supply Bank (Board's Bank). Six rental pools administer rental transactions of natural flow and surface water storage rights, whereas the Board's Bank is a statewide exchange market for surface water and groundwater rights. Presently, 700 water rights—approximately 256,000 acre feet of water—are leased into the Board's Water Supply Bank and the Bank administers 400 rental agreements, under which 75,000 acre feet of water is temporarily being rented throughout the state.

The Board's Bank is administered by the Idaho Department of Water Resources (IDWR). Property owners that have water rights can lease all or part of their water right into the Board's Bank. The cost to lease a right into the Bank is \$250 and lease contracts range in duration from one to five years. When leasing a water right into the Bank, the water right holder (lessor) ceases to divert water under the right and the water is made available to a renter, for a new use and at a new location. Water is rented out from the Bank for \$17/acre foot (AF) and water right holders receive 90% of this rental payment. 10% of the fee is retained by IDWR to cover administrative costs. A water right is protected from forfeiture while it is in the Board's Bank.

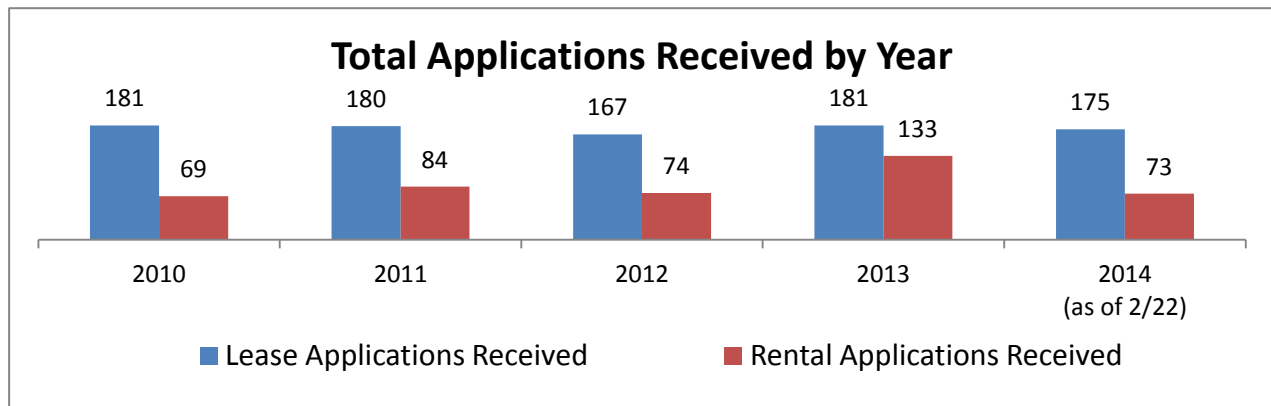
2013 Accomplishments

2013 was the most active year ever for the Bank. The Bank accepted 170 water rights for lease into the Bank and executed more than 100 rental transactions. The increase in rental activity led to increased revenue generated for water right lessors—half a million dollars was delivered to water right holders for Bank activity in 2013.

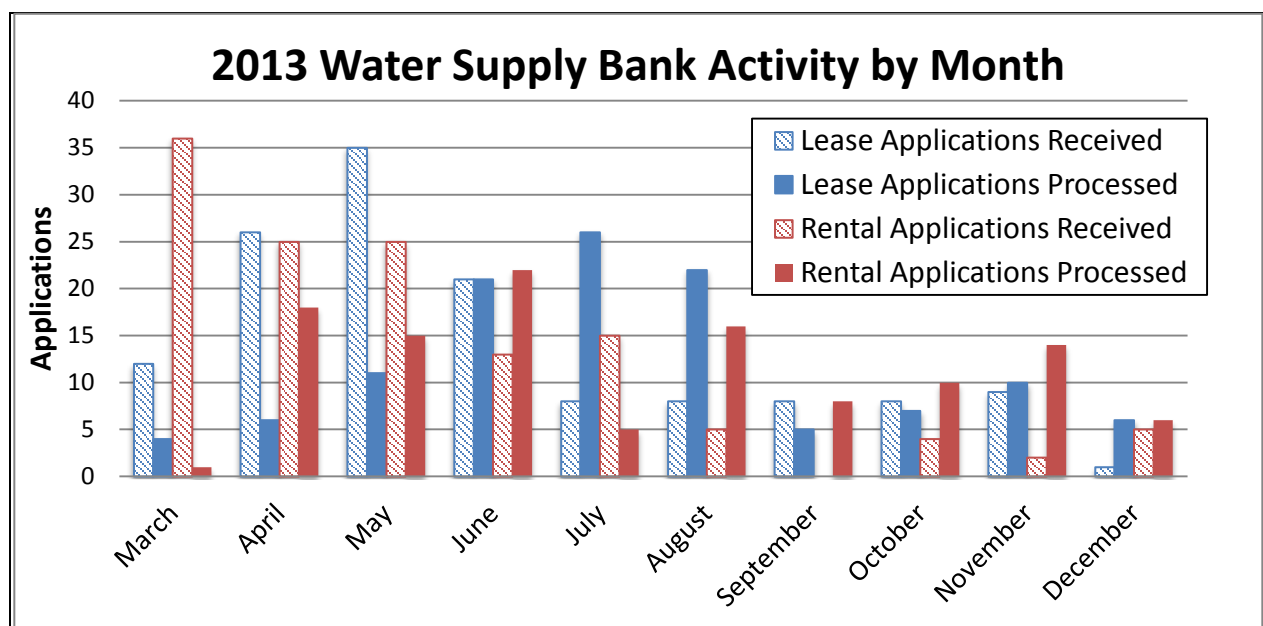
In addition to increased leasing and rental activity, the human resources of the Water Supply Bank grew as well. The Water Supply Bank Coordinator position has been moved into IDWR's Planning Bureau to assist the Board in managing the Water Supply Bank program and a Senior Water Resource Agent (Lead Agent) position has been created within the Water Rights Section of IDWR's Allocation Bureau to administer the Board's Bank. Beyond these two positions, many IDWR employees continue to assist with administration of the Board's Bank. The Board's Bank is well positioned to grow even more active in 2014.

2013 Activity Summary

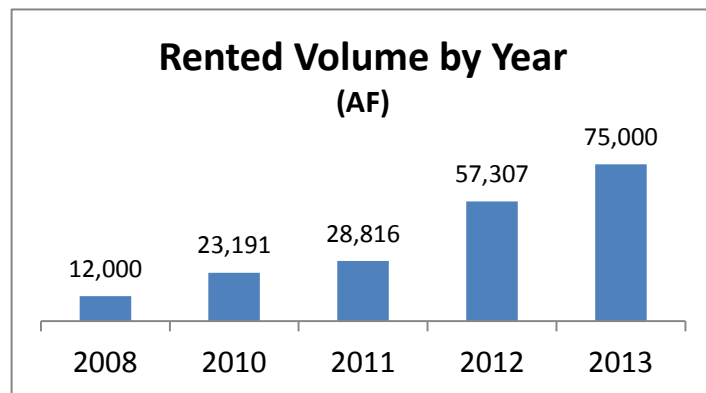
Increased interest in renting water from the Board's Bank is notable by the greater number of rental applications received in 2013. In total, 133 rental applications were received last year, an increase of 180% over the 74 received in 2012. Lease applications were up slightly as well. In all, 314 applications were received by the Bank in 2013, an increase of 73, or 30% from the 2012. Continuing this trend, as of February 22 2014, the Bank has already achieved the same level of activity for rentals and leases witnessed each year from 2010 through 2012.



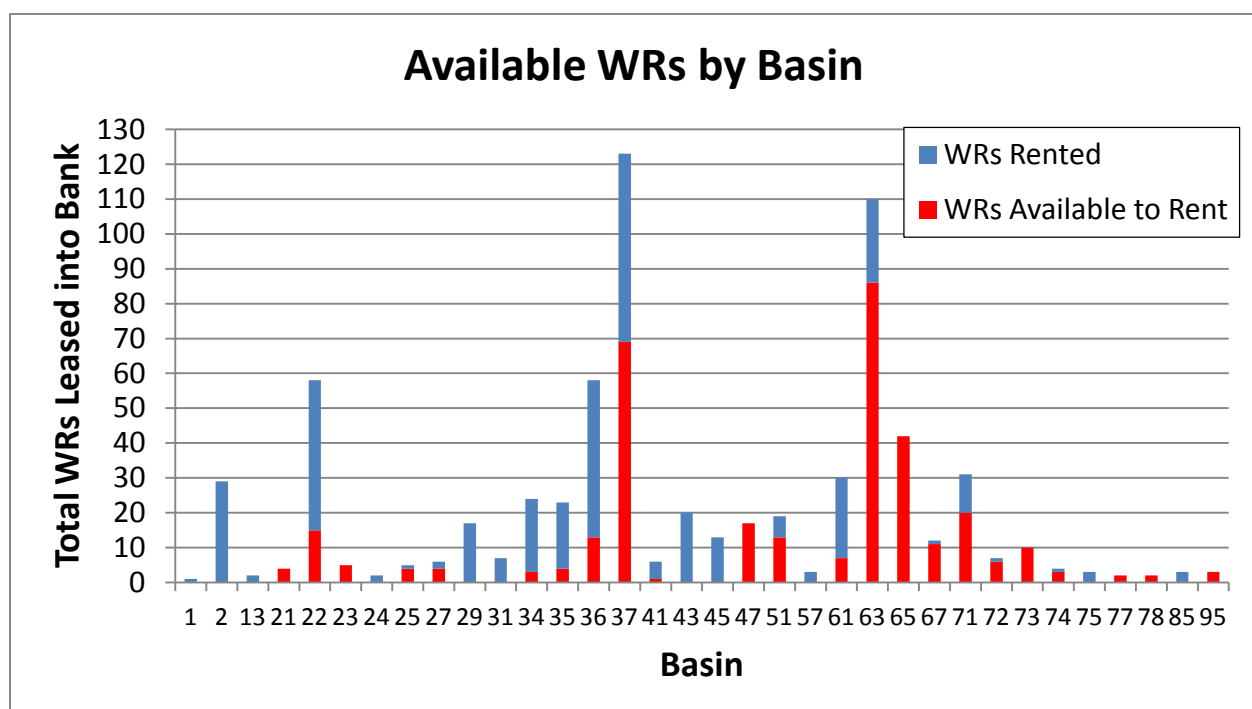
Considering 2013 applications, the time series graph below shows that spring was the busiest time for Bank staff, coinciding with prioritization for establishing summer rental agreements. Generally, administrative activity in the Bank closely matched application volumes.



Rental interest in the Board's Bank continued to grow last year and 2013 saw the most rentals ever for the Bank. More than 100 new water right rental agreements were executed last year and 75,000 AF were rented out on 30,000 acres, a gain of 18,000 AF (30%) over 2012 and an increase of 46,000 AF (159%) over the 29,000 AF rented out in 2011.

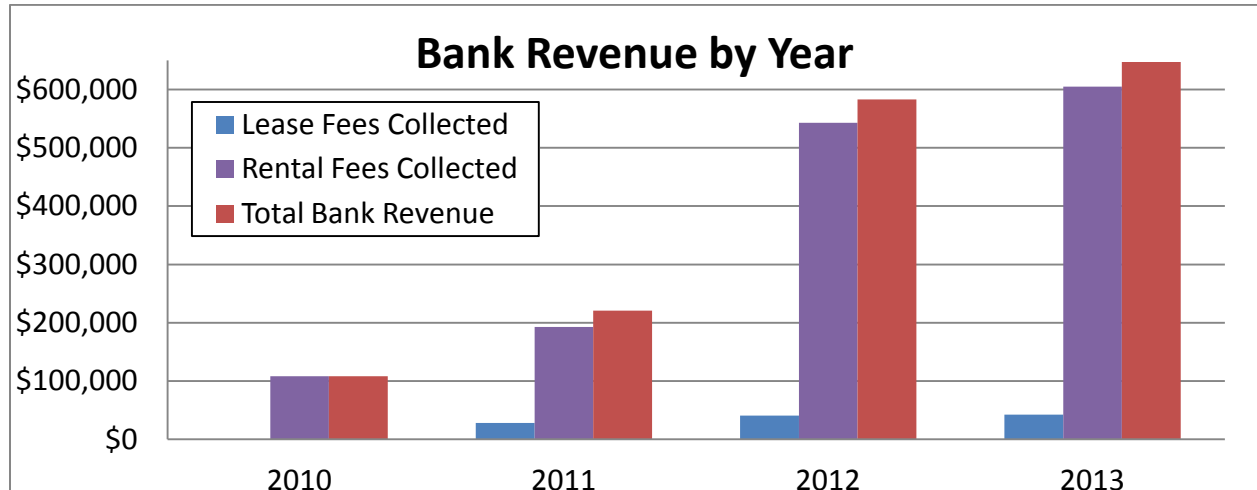


While the total volume of water rented through the Bank increased last year, it is worthwhile noting the location where rental transactions are most active. Some basins have little to no participation in the Water Supply Bank whereas others are highly active. Notably, Basins 22 (Teton County), 36 (Southern Idaho, north of the Snake River), 37 (Wood River Valley) and 63 (Boise River) feature the greatest number of water rights available for rental, however only 22 and 36 are heavily leased. Additionally, though Basins 2 (Eastern Snake River) and 43 (Cassia County) don't feature as many water rights as others, they are almost entirely rented out. Attention will be paid to lease and rental trends to encourage future leasing or renting through the Board's Bank in areas where it is clearly of benefit for local water uses.

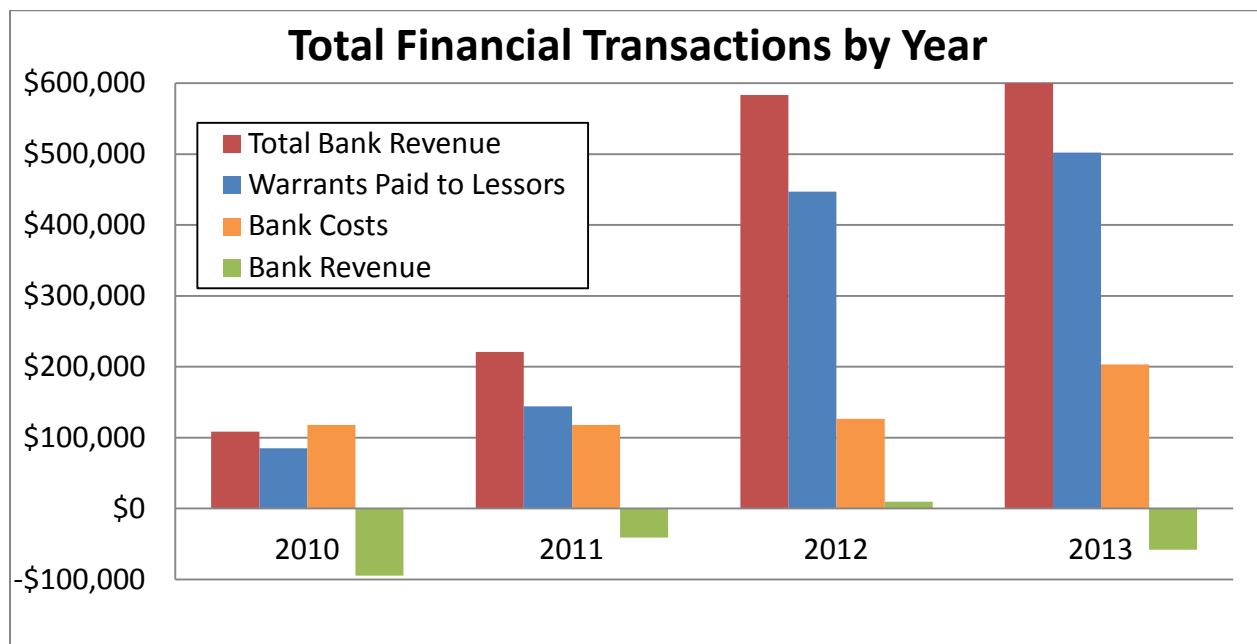


2013 Financial Summary

The Water Supply Bank generated more revenue than ever before in 2013. Both lease and rental revenues were up, as were warrant payments, which is revenue paid out to lessors for the rental of their water rights in 2013. By far, the greatest source of revenue generation for the Bank continues to be rental fees charged on the volume of water rented through the Bank however it is important to note that revenue generated by lease application fees, begun in 2011, has continued to increase.



Though Bank revenue continues to increase, the majority of revenue continues to be allocated to lessors. Currently, the Bank is not capturing revenue enough to cover full operational costs and avenues need to be further explored to ensure Bank solvency.



Of note, three quarters of water rights currently leased to the Bank are for terms of five years or less, however 178 leases (25%) are grandfathered in on indefinite lease terms. As the Bank continues to receive additional lease applications, the share of indefinite leases in the Bank will continue to shrink.

Table 1 - Bank Finances

	2010	2011	2012	2013
Lease Application Revenue	\$0.00	\$27,500.00	\$40,500.00	\$42,500.00
Rental Fee Revenue	\$108,283.00	\$192,824.00	\$542,700.03	\$605,044.97
Total Revenue Generated	\$108,283.00	\$220,324.00	\$583,200.03	\$647,544.97
Payments to Lessors	\$85,000.00	\$145,000.00	\$447,146.91	\$502,120.77
Revenue Remaining	\$24,000.00	\$75,324.00	\$136,053.12	\$145,424.20
Bank Salary Expenditures	\$84,000.00	\$84,000.00	\$90,000.00	\$145,000.00
Bank Operational Expenditures	\$33,852.00	\$33,852.00	\$36,270.00	\$58,435.00
Bank Total Expenditures	\$117,852.00	\$117,852.00	\$126,270.00	\$203,435.00
Balance	-\$93,852.00	-\$42,528.00	\$9,783.12	-\$58,010.80

2014 Initiatives

The Bank will undertake the following initiatives to improve operations in 2014:

1. Updating public information (website update and Bank information products);
2. Updating lease and rental application forms;
3. Creating an application guide for submitting lease and rental applications;
4. Updating Scheduling for Administrative Activities (see table below);
5. Procedural guidance for staff through administrative memos; and
6. Bank IT infrastructure development

The Bank has already begun updating public information materials and we are working to complete our update to the rental application form as well as application guide next. As previously mentioned, the Bank is most active during the fall, winter and spring, and Bank staff is looking forward to dedicating time during summer 2014 to collaborating on the development of Bank IT infrastructure. Additionally, as per the schedule below, Bank staff will endeavor to initiate warrant payments earlier in the year, beginning at the end of the summer.

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Processing Lease Applications											
Processing Rental Applications										Process Rental Apps	
								Warrant Payments			
									Review Bank Agreements	Close Contracts	
Collect & process rental fees										Rqst Rental Fees	
				Special Projects							

Data Summary

	2010	2011	2012	2013
Lease Applications Received	181	180	167	181
Lease Applications Withdrawn/Released	22 (12%)	10 (6%)	8 (5%)	6 (3.3%)
Lease Applications Superseded				2 (1%)
Lease Applications Denied	30 (17%)	10 (6%)	30 (18%)	3 (2%)
Lease Contracts Executed	129 (71%)	160 (89%)	129 (77%)	170 (94%)
Lease Contracts Expiring/Closed	33	27	59	136
Lease Balance	463	596	666	700
Rental Applications Received	69	84	74	133
Rental Applications Withdrawn	2 (3%)	3 (4%)	6 (8%)	18 (14%)
Rental Applications Denied	1 (1%)	1 (1%)	6 (8%)	1 (1 %)
Rental Agreements Executed	66 (96%)	80 (95%)	62 (84%)	104 (78%)
Rental Agreements Expiring/Closed	38	78	103	157
	466	494	453	400
Total Lease + Rental Applications Received	250	264	241	314
Water Volume Rented (Acre Feet)	23,191 AF	28,816 AF	57,307 AF	75,000 AF

Water Supply Bank Memorandum

To: Idaho Department of Water Resources

From: Planning Bureau and Water Allocation Bureau

Re: **Water Supply Bank Organizational Structure**

Date: 3/6/2014

The Idaho Water Supply Bank is a temporary water marketing program operated by the Idaho Water Resource Board (IWRB or Board). Through the Water Supply Bank, water right holders who have temporarily ceased beneficial use of water can provide an opportunity for beneficial use by other users. There are two Water Supply Bank initiatives: distribution of natural flow and surface water storage rights in local rental pools, and a statewide water bank (the Board's Bank) for distribution of surface water and groundwater rights. Rental pools are administered by local committees established by the Board. The Department of Water Resources administers the statewide water bank for the Board. Within the Department, the Water Supply Bank program is coordinated by the Water Supply Bank Coordinator, a member of the Water Planning Bureau and day-to-day activities of the Board's Bank are administered by the Water Allocation Bureau.

Bank Background

Water banking in Idaho began with the formation of informal rental pools in Eastern Idaho along the Snake River. These rental pools allowed individuals with surplus surface water storage rights to make water available for users who needed additional water. The first recorded annual rental pool transfers occurred during the drought period of the 1930s.

In 1979 the Idaho Legislature formalized water banking activity through legislation authorizing the Idaho Water Resource Board to oversee and operate the Water Supply Bank. The Board has delegated administration of rental pools to local committees and administration of the Board's Bank to the Department of Water Resources. The Water Supply Bank Coordinator works with local committees and IDWR staff to coordinate the Water Supply Bank on behalf of the IWRB.

Water Supply Bank Personnel

The Water Supply Bank Coordinator is an IDWR employee and member of the Water Planning Bureau. The Water Planning Bureau works closely with the Water Resource Board to carry out its duties and initiatives, including developing and implementing policies, standards and guidelines for rental pools and the Board's Bank. The Coordinator researches, drafts and presents policies, rules, resolutions and reports on water banking for the Board and for the Idaho Legislature. The Coordinator collaborates with rental pool committees and IDWR staff administering the Board's Bank to ensure optimal operation of the Water Supply Bank.

Within the Department, the Water Allocation Bureau is responsible for day-to-day processing of water right applications and water right record-keeping. Within the Water Allocation Bureau, members of the Water Rights Section process Water Supply Bank applications for lease and rental of water rights.

Water Supply Bank Memorandum

Application processing is typically conducted by a Senior Water Resource Agent (Lead Agent) responsible for application processing within the Board's Bank but other Water Rights Section staff members also work on Bank items when the need arises. The Lead Agent serves as a primary point of contact for IDWR staff and members of the public regarding application processing for the Board's Bank. Additionally, the Lead Agent assists the Water Supply Bank Coordinator in monitoring Bank performance and tracking statistics, and communicates to Water Allocation Bureau leadership and to the Water Supply Bank Coordinator any issues associated with Bank program administration.

Local committees administer surface water rental pools. Local committees are comprised of different individuals and may consist of IDWR staff, members of the public and Water District Watermasters, Board Members, Secretaries and Treasurers. Rental Pool Committees are responsible for development of procedures and processing applications for water in rental pools, as well as for monitoring, tracking and reporting rental pool activities to the Water Supply Bank Coordinator. Rental Pool Committees serve as the primary point of contact for inquiries about local rental pool operational procedures.

Water Supply Bank Memorandum

To: Idaho Department of Water Resources

From: Planning Bureau and Water Allocation Bureau

Re: **Procedural Guidance for the Board's Water Supply Bank**

Date: 3/6/2014

The following memo pertains to the processing of applications to lease or rent water through the Idaho Water Resource Board's Water Supply Bank (Board's Bank). The memo addresses three administrative topics: 1) the establishment of timeframes for submitting rental applications and prioritization of processing rental applications; 2) clarifying procedures for considering Lease Contract release requests; and 3) establishing a policy on the refunding of rental fees. This procedural memo will be presented to members of the Water Supply Bank Committee at meeting 1-2014 on March 6, 2014.

Establishing Deadlines for Receiving Rental Applications and Procedures for Application Review

The greatest demand to rent water rights through the Board's Bank occurs November through April of every year. During this period, Bank staff prioritize the processing of rental applications. In 2012, 72 rental applications were received by the Bank. This number grew to 133 in 2013. As of February 22, 2014, 72 rental applications have already been received by the Board's Bank.

Bank staff are to be commended for balancing limited human resources while continuing to process an increasing number of rental applications. To sustain the operational efficiency of the Board's Bank, it is imperative that opportunities for improving application processing times be explored and instituted. Application processing times can be improved by regulating the volume of applications coming into the Bank, as well as by clarifying how to prioritize the processing of applications received by the Bank. For these reasons, it is desirable to establish a timeframe for receiving rental applications and a method for prioritizing the processing of rental applications.

Whereas administrative processes of the Bank stem from the Water Supply Bank Rules authorized under Idaho Code 42-1762, the Bank cites Water Supply Bank Rule 30.01 to establish that applications to rent water from the Water Supply Bank will be accepted no earlier than November 1 in the year preceding the use of the rental water. Additionally, no application to rent water from the Water Supply Bank will be accepted if the application is received after the season of use for the water right sought for rental has concluded. Furthermore, whereas Rule 30.07 establishes that water rights should be prioritized for rental from the Bank based on the order in which they have been leased into the Bank, the Bank will similarly prioritize the processing of rental applications based on the order in which they are received. Additionally, while the Bank reserves the right to employ alternative metrics for prioritizing rental applications if such methods will further improve overall processing efficiencies, extenuating circumstances, such as the desire to resolve water use violations through Rental Agreements, will not be cause for superseding processing priorities. Any such rental request will be processed based on the priority established by its place in the processing queue.

Water Supply Bank Memorandum

Policy on Accepting Requests to Release a Water Right from the Board's Water Supply Bank

A Water Supply Bank Lease Contract is a binding agreement between the owner of a water right and the Idaho Department of Water Resources. Water Supply Bank Rule 25.08.c establishes that a water right, once accepted into the Board's Bank, shall remain in the Bank unless removed by a resolution of the Board. It has been the policy of the Bank to allow water right owners to petition that the Board consider releasing their water right from the Bank prior to a contract's termination by submitting a Request to Release a Water Right from the Water Supply Bank form, however no Water Supply Bank rule or statute mandates that the Board consider release requests.

Releasing a water right prior to the culmination of a Lease Contract is problematic for Bank administration because altering the balance of rights leased into the Bank necessarily alters the water supply accounting of the Bank as a whole. Enforcing the terms of a Lease Contract provides Bank staff with the certainty needed to make a full account of all water rights available in the Bank, which improves the ability of staff to approve rental applications more efficiently. Any change involving water rights leased into the Bank thus alters water supply accounting and slows down rental applications.

In light of the preceding, it remains that circumstances do arise from time to time whereby releasing a water right from the Bank is beneficial for Bank administration. Examples of such situations include:

- When the real property to which a Bank-leased water right is appurtenant is bought, subdivided, repurposed or sold, owners of transferred properties may be unaware that their water rights are ineligible for use because of contractual agreements and releasing such a right provides the Bank with an opportunity to update our records while providing a service to our clients; and
- For problematic water right Lease Contracts (where an enlargement or other violation has or might occur), releasing such a water right from the Bank improves water supply accounting; and
- For water rights leased into the Bank indefinitely, the opportunity to release such a water right needs to be maintained;

In light of the aforementioned information, the Bank hereby expresses the policy that all Lease Contracts, indefinite or otherwise, are to remain in full force for the duration of the Lease Contract and that a request to release a water right from the Bank in advance of a contract's termination will only be considered by the Board's authorized representative under extenuating circumstance, when such a release will not adversely impact application processing times and/or water supply accounting.

Water Supply Bank Memorandum

Regarding Refunds of Rental Fees for Rental Applications

The Water Supply Bank transacts in a specific good: the right to divert water under Idaho law. Through Lease Contracts and Rental Agreements, the Water Supply Bank staff authorize the temporary transfer of the right to divert the state's water resources as per the conditions of licensed and decreed water rights. Unlike access to a water right, which is easily accounted for and enforced through Bank agreements, the volume of water that might actually be diverted under a Bank agreement is variable and subject to ecosystem conditions beyond the control of Departmental staff.

If a renter decides the risk of renting a water right subject to potential curtailment is unacceptable, they can cancel their Rental Agreement in advance of the rental fee due date. There is currently no penalty for cancelation of a Rental Agreement. As such, it is hereby expressed that rental fees for a Water Supply Bank Rental Agreement are due on the date specified in the Rental Agreement and the Bank will consider that the beneficial use of water has occurred once rental fees have been paid and the date specified for commencement of the use of water has passed. No rental fees will be refunded once the fee is collected and the start date for a Rental Agreement has passed.

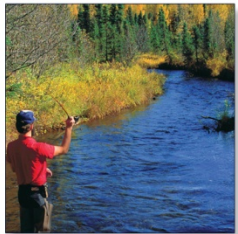


Water Supply Bank Committee

Committee Meeting 1-14

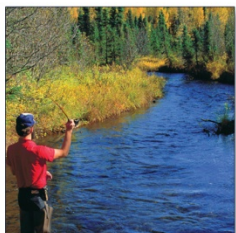
Remington Buyer
Water Supply Bank Coordinator
March 6, 2014





Committee Meeting 1-14

1. 2013 Annual Report for the Board's Bank
 - A. Organizational Changes
 - B. Activity Summary
 - C. Financial Summary
2. 2014 Initiatives for the Board's Bank
 - A. Improved Communication & Information Sharing
 - B. Improved Application Processing
 - C. Updating Administrative Procedures
 - D. IT Infrastructure Development



Bank Organizational Structure



Water Supply Bank Committee

Water Supply Bank Program

Board's Bank

Rental Pools

WSB
Coordinator

Policy development,
guidelines and
program standards

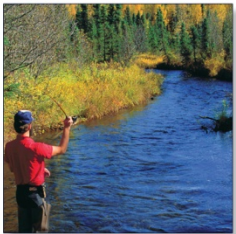
Policy development,
guidelines and
program standards

WSB
Lead Agent

Program
administration

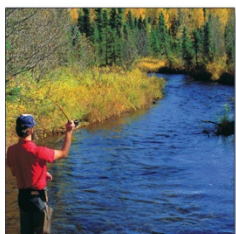
Program
administration

Local Rental
Pool
Committees



Idaho Water Resource Board's Water Supply Bank (Board's Bank)

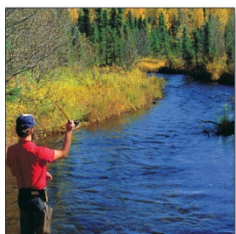
- Exchange market operated by the IWRB to facilitate marketing of water rights
- Authorizes temporary forfeiture protection and transferability of a water right
- Operated by IDWR for the Idaho Water Resource Board (IWRB)



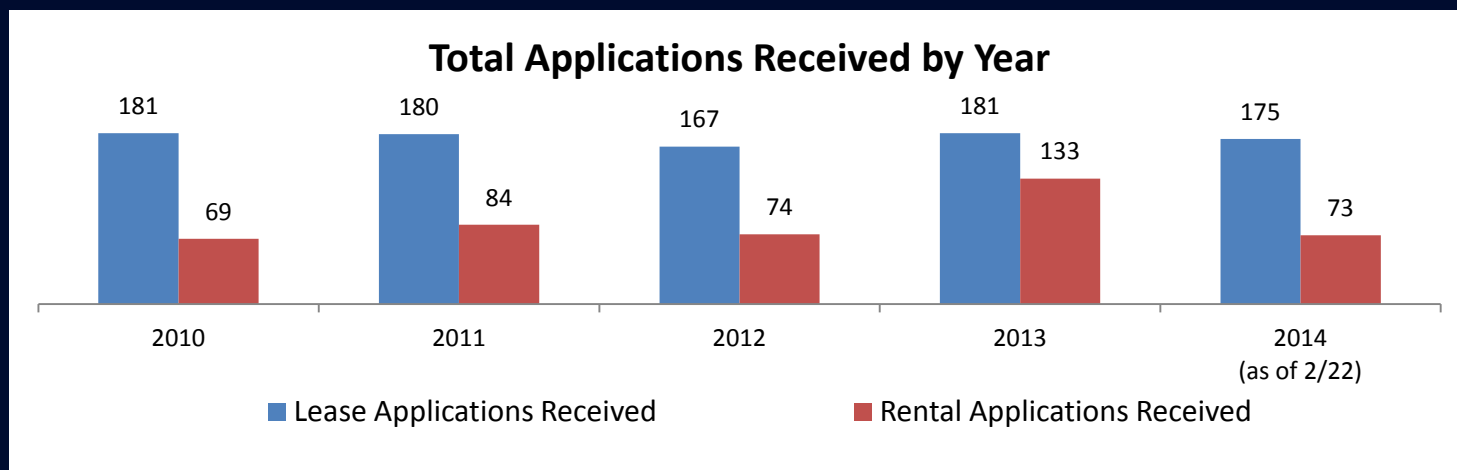
Board's Bank \neq Rental Pool



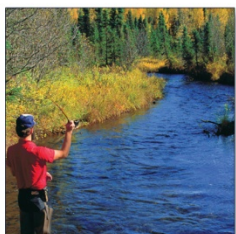
- Surface Water & Groundwater
- Statewide Program



2013 Bank Activity

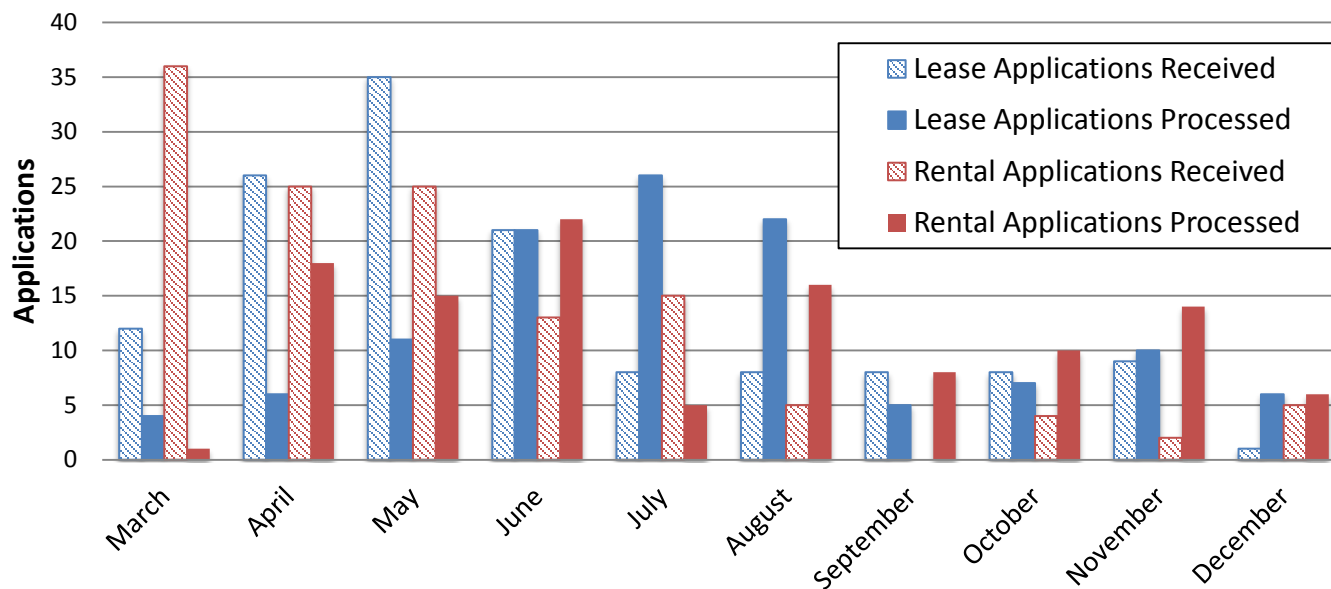


- 181 lease applications received, 170 executed
- 133 rental applications received, 104 executed

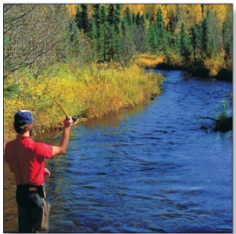


2013 Bank Activity

2013 Water Supply Bank Activity by Month

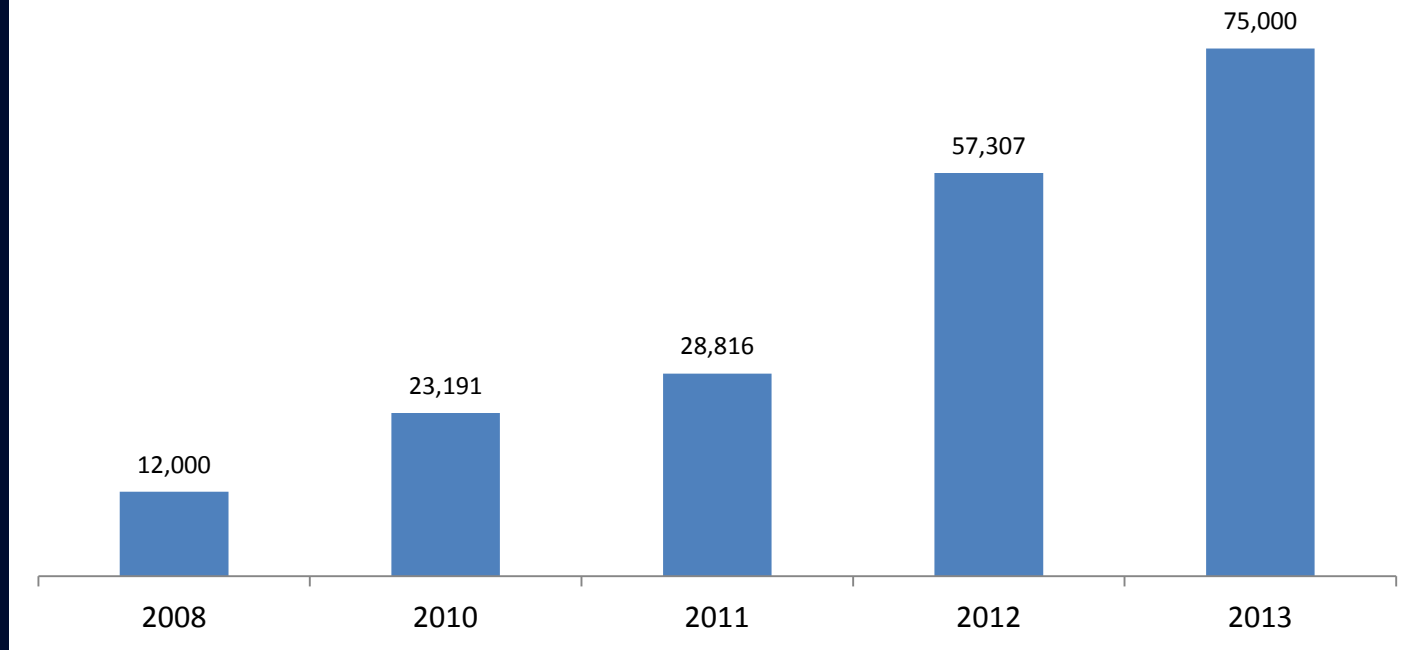


Application volume is highest in the Spring,
Processing activity mirrors application intake by a month

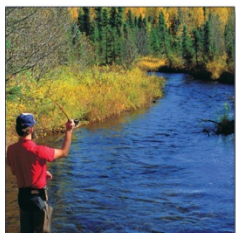


2013 Rental Activity

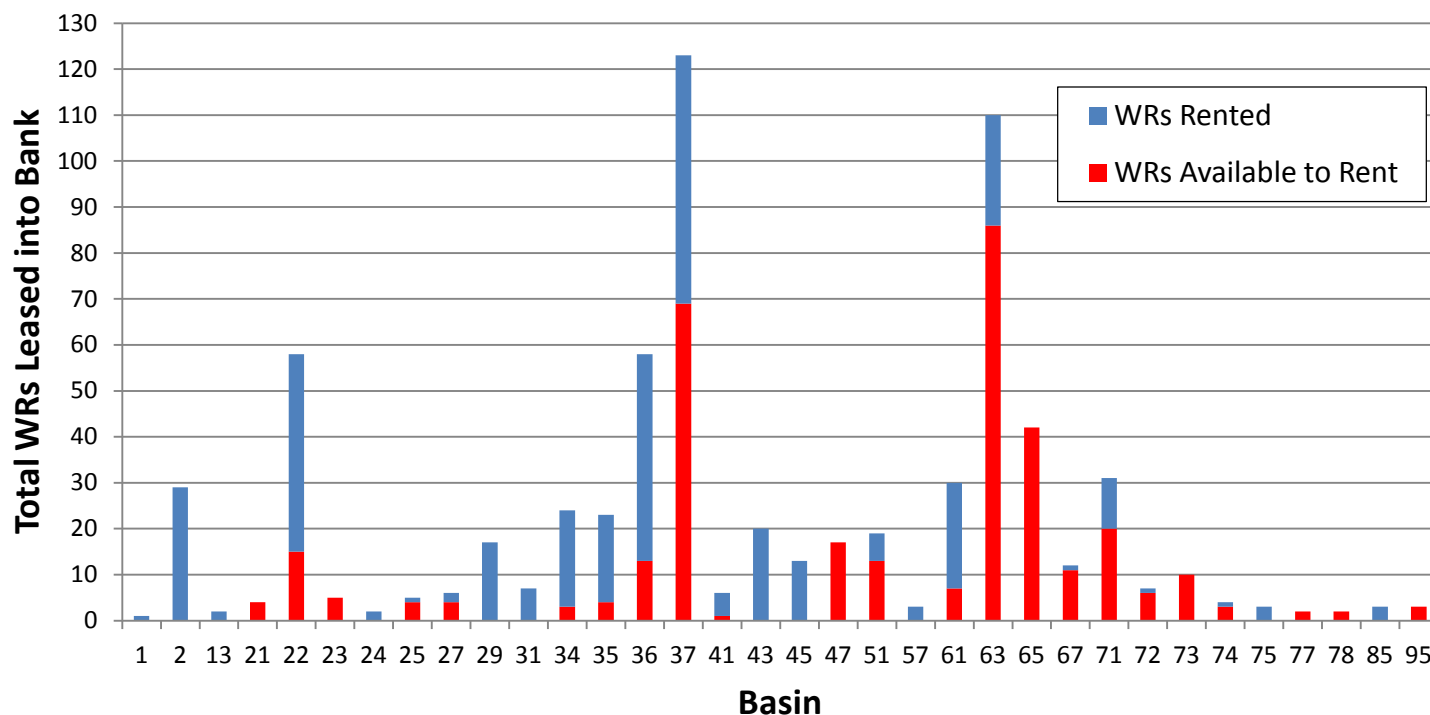
**Rented Volume by Year
(AF)**

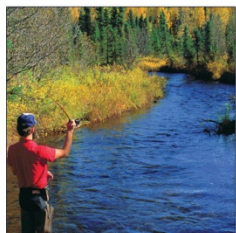


2013 Water Availability by Basin

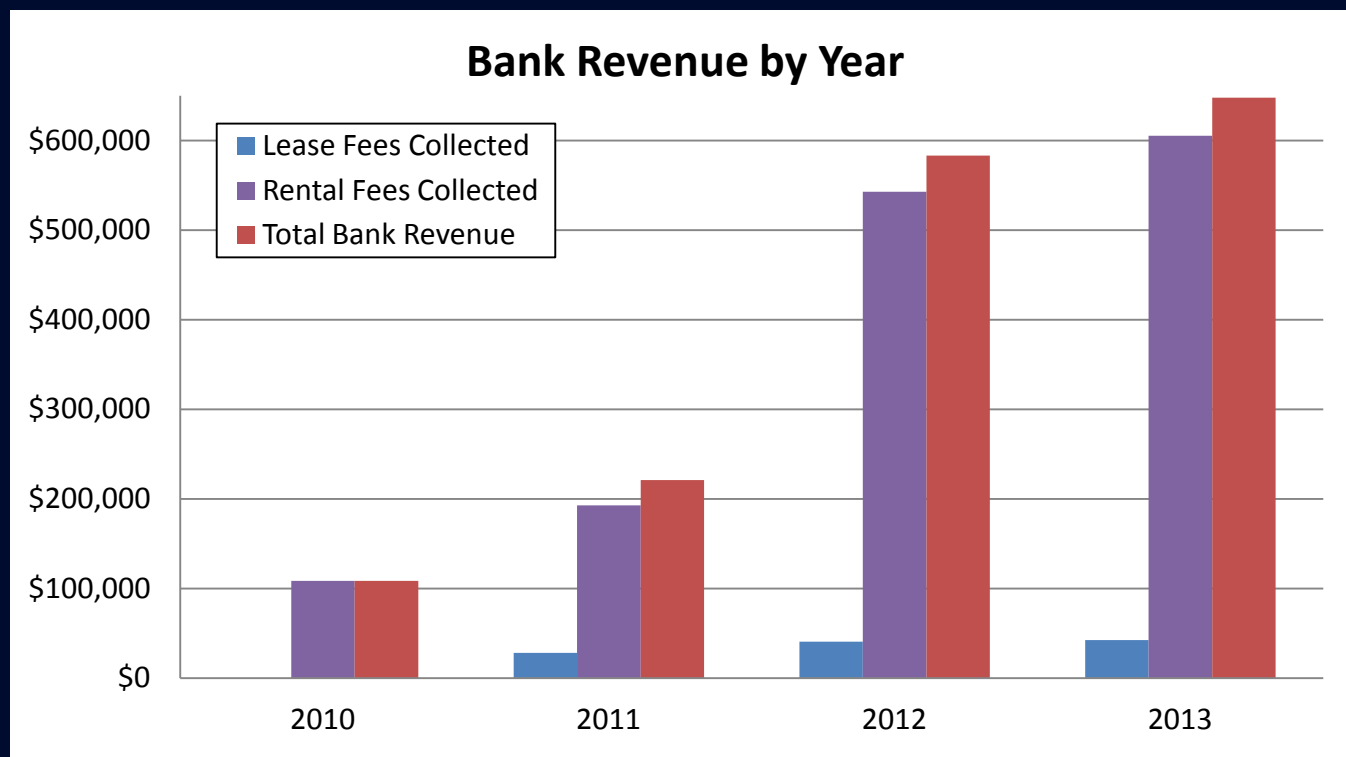


Available WRs by Basin

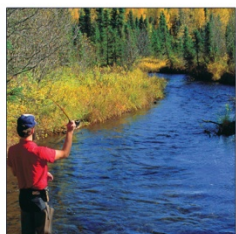




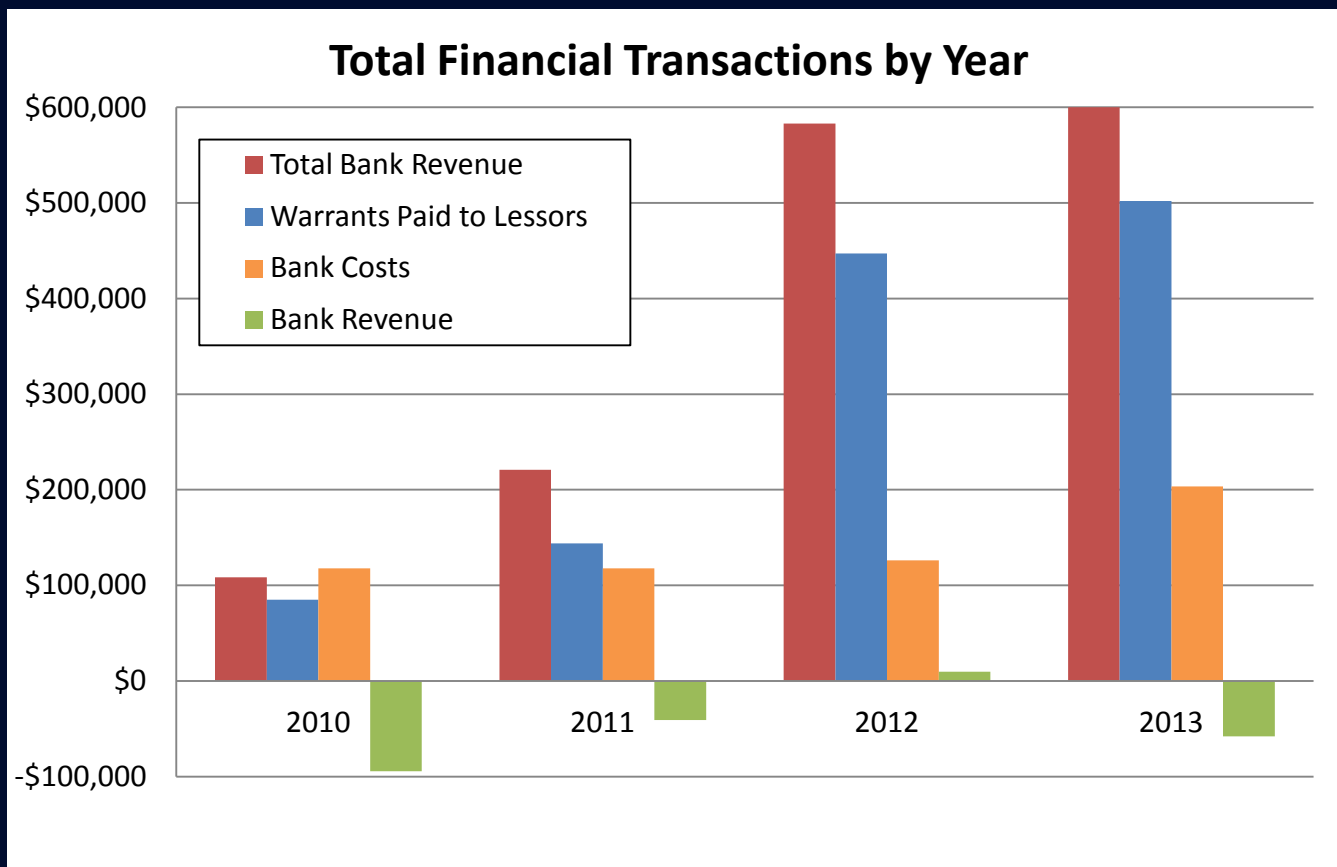
2013 Bank Financial Summary



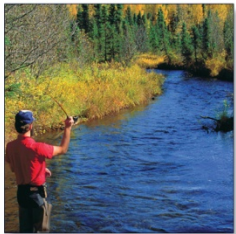
The Bank is generating significant revenue



2013 Bank Financial Summary

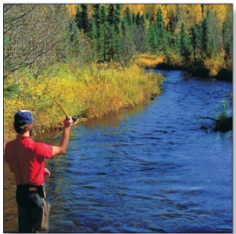


Bank rental revenue is primarily allocated to lessors



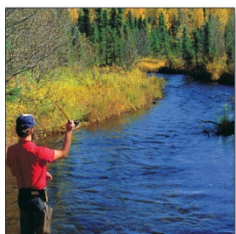
2014 Initiatives

- Updating the Bank website and communication materials for the public
- Updating lease and rental application forms
- Application Guide for the general public
- Prepared for potential water shortages
- Earlier warrant processing
- Procedural guidance for staff
- IT system development



Questions on Annual Report





Procedural Guidance

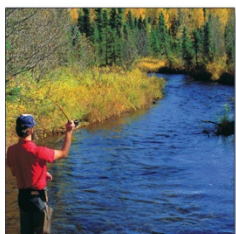
Administrative guidance clarifying:

- Deadlines for rental applications,
- Refund policy for rental fees,
- Considerations of WR release requests



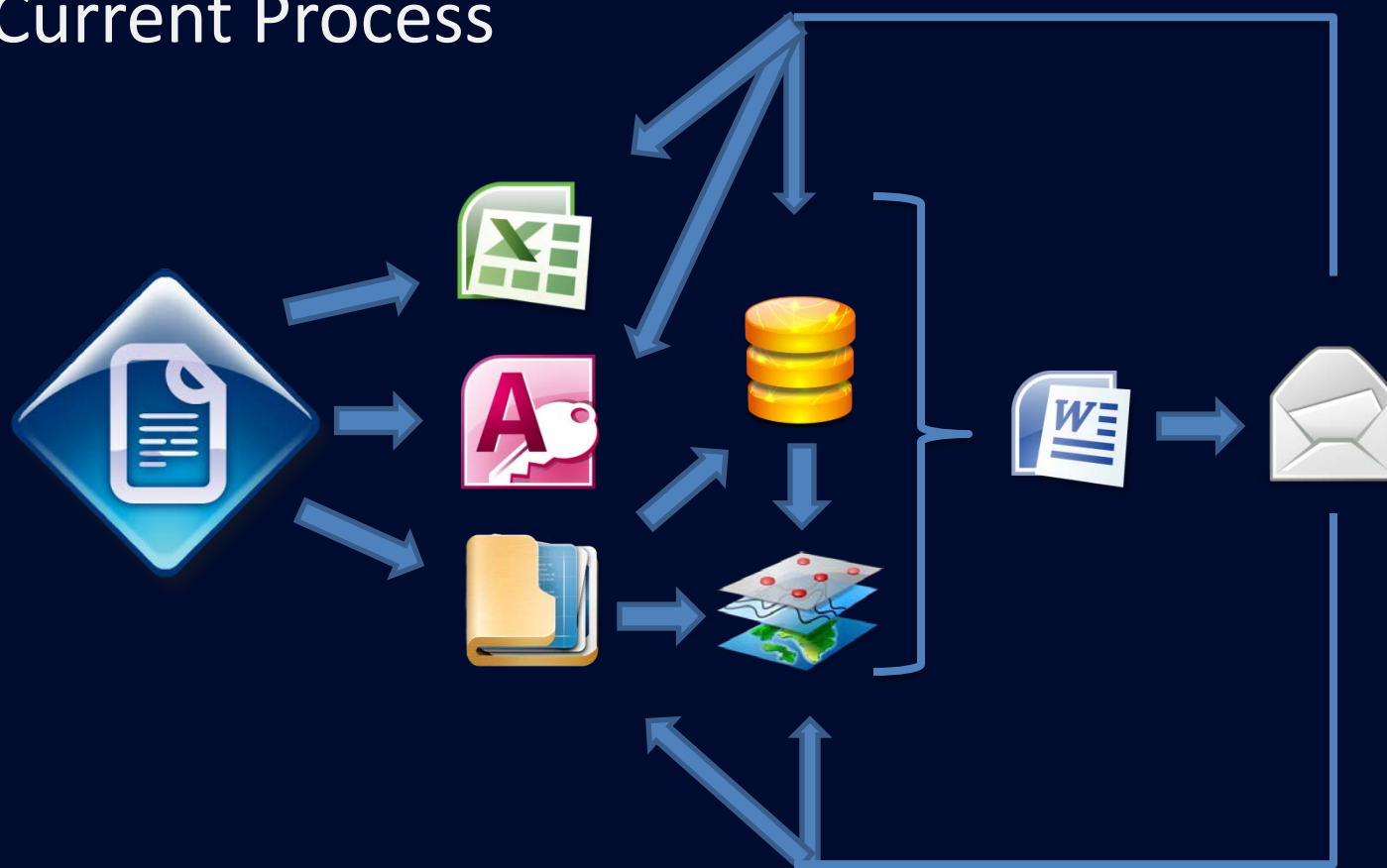
Questions on Procedural Guidance

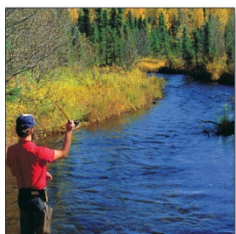




Bank IT Infrastructure

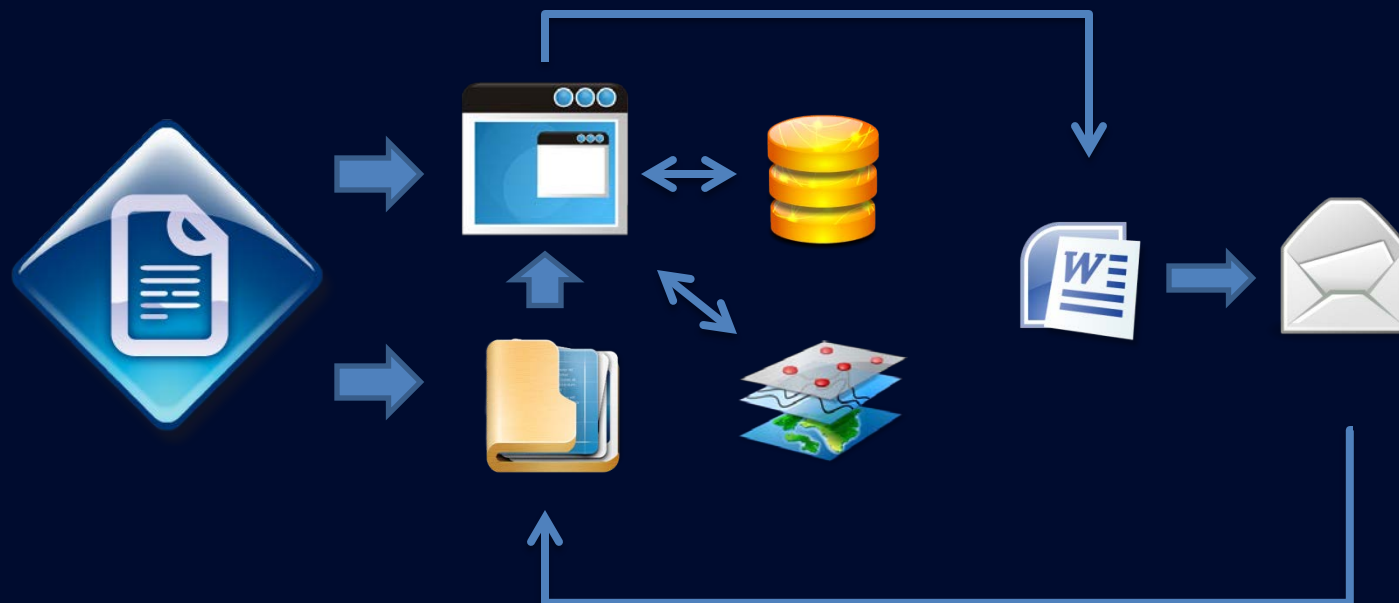
Current Process

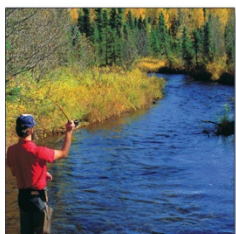




Bank IT Infrastructure

Current Process





1. Internal Discussions & Workflow Modeling (Apr-Aug)

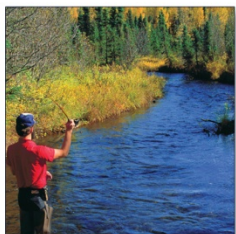
2. Software Development (Sep 2014 – May 2015)

3. Application Debugging & Beta-testing (May-Aug)

4. Program Launch (Fall 2015)

Dependant Variables:

1. Scheduling (Availability) of IDWR IT staff,
2. Migrating Legacy Bank Data into New System,
3. Integrating New System with current IDWR IT system,
4. Unforeseen Situations,



Questions on Development of New Bank IT Infrastructure

