Mission statement

“The water resource board shall have the duty of operating a water supply bank. The water supply bank shall make use of and obtain the highest duty for beneficial use from water, provide a source of adequate water supplies to benefit new and supplemental water uses, and provide a source of funding for improving water user facilities and efficiencies.”

(Idaho Code, §42-1761)

Letter to the Stakeholders

2011 was a year of continued growth and change for the Water Supply Bank. Bank staff finished eradicating the rental and lease application backlog, rental activity increased significantly and staff continued process improvements.

Idaho water users have relied on water banking since the 1930s but the Idaho Legislature did not formalize the Bank until enacting Idaho Code, §42-1761, in 1979. The Idaho Water Resource Board (IWRB) appointed the Idaho Department of Water Resources (IDWR) to operate the Bank in 1979. Bank activity remained low through the 1980s and 1990s, but began to increase around 2001 with the issuance of the first partial decrees in the Snake River Basin Adjudication (SRBA). Growth has continued since then.

In 2010, despite limited revenue to fund bank activities, IDWR Interim Director Gary Spackman responded to Bank processing backlogs by temporarily assigning additional staff to Bank processing. That effort was continued in 2011, most particularly with the help of Dan Nelson of IDWR who remained with the Bank to assist in lease application processing. In January 2011, the Bank’s lease application backlog stood at over 300 and the rental application backlog stood at 17. By the end of December 2011, those backlogs were at 14 and 2, respectively.

With increased Bank activity came an increase in Bank operating costs, resulting in a significant operating deficit ($35,488 in 2010). In April 2011, the Idaho State Legislature, acting on a recommendation from the Idaho Water Resource Board, passed an addition to the Water Supply Bank Rules allowing for a lease application fee of $250 per water right, to be capped at $500 for overlapping water rights. This resulted in a substantial increase in Bank revenue in 2011.

It is important to note this is an annual report for the calendar year 2011, not the fiscal year. Bank operations run by calendar year because many leases and rentals run from January 1 to December 31 or through the irrigation season. A fiscal year report for the Bank would bifurcate not only the year-round leases and rentals, but the irrigation season ones as well.

This report summarizes 2011 Bank activity and discusses goals for 2012.

- Monica Van Bussum
ABOUT THE WATER SUPPLY BANK

IDWR has managed the Bank for the IWRB since 1979, but banking has been important to the distribution of water rights in Idaho since the 1930s. The purposes of the Bank are to encourage the highest beneficial use of water, provide a source of adequate water supplies to benefit new and supplemental water uses, and provide a source of funding for improving water user facilities and efficiencies (Idaho Code § 42-1761). Anecdotal evidence suggests Bank users have different goals in mind. Idaho, along with Arizona and California, is one of three Western states identified as having high-activity market mechanism programs (Clifford, 2004. Water Banking in the Western States. Washington Department of Ecology. Uploaded 3/14/2011).

The Bank serves as a market clearer making unused water rights available to others through a lease and rental process. The Bank is a means to connect buyers and sellers. It establishes a regulated water rights market that facilitates the exchange of water rights that would have otherwise been unused and/or forfeited.

Water right holders may lease rights into the bank for a number of reasons. Leases may protect rights from forfeiture – the most common reason for leasing. Leases have the potential to become rented, thus resulting in rental payments to the lessor and Bank. While the right is leased to the Bank, it may not be used by the lessor regardless of rental activity.

IDWR changed its lease terms in August 2010. Before August 2010, IDWR would approve so-called indefinite leases, or leases where the right was in the Bank for an unspecified period. Since that time, terms for new leases have been capped at five years with an option to extend them for additional up-to-five-year periods. We are currently maintaining the status of previously-granted indefinite leases pending further discussion and decision by the IWRB. Most leases may be renewed/extended at the lessor’s signed request.

Bank rental demand is generally greater in areas of limited supply, such as in the Eastern Snake Plain Aquifer (ESPA), particularly in the Bingham County area. In the Treasure Valley area (Basin 63), there is little demand for rentals but considerable lease activity. In northern Idaho, where surface water supplies and precipitation are more plentiful, Bank activity is minimal.
PROJECTS

Bank staff continued several process improvement projects in 2011 to improve efficiency and reduce backlogs.

Backlog reduction

Bank staff completed backlog reduction in 2011. The Bank is now at what could be considered a normal operating level.

Rental tracking, GIS and modeling

Historically, the Bank managed most of its data in an Excel spreadsheet, but in 2008 converted to an Access database. Although an improvement over the Excel format, the Access database is still not connected to IDWR’s enterprise database and, therefore, is not easily accessible to most IDWR staff and the public. In response, IDWR staff designed a GIS-based data management system to house, share, and display Bank rental data. In addition to greater connectivity to other Department data and increased data sharing, the GIS platform will enable IDWR to better model leases and rentals in the Eastern Snake Plain Aquifer (ESPA). ESPA modeling of rental applications currently takes a tremendous amount of time. Using GIS software, and with some assistance from IDWR’s Hydrology staff, ESPA modeling for rentals could be significantly reduced. This project was begun in 2010 and application design completed in 2011. Data entry is ongoing.

Bank task calendar

Bank personnel are designing a calendar to direct Bank focus. For example, one goal is to process payments to lessors at the end of the irrigation season as opposed to during December. This will alleviate pressure on Bank staff during end-of-the-year processing and allow additional time to complete payments than in past years. IDWR may also begin processing Bank rentals in the fall, allowing ample time to process rentals scheduled to begin January 1. Having a Bank calendar will provide the public a predictable structure for the Bank. When the Bank calendar is completed and approved, the calendar will be implemented to standardize Bank operations/processing. The target completion date is early fall 2012.

Fiscal guidelines

IDWR staff are writing a fiscal reporting guideline to aid Bank and IDWR fiscal staff in gathering tax forms and sending prompt lessor payments. This will also align Bank financial practices with IDWR Fiscal guidelines. Additionally, a flowchart will provide an easy visual to clarify this sometimes complicated process. Writing these fiscal guidelines has resulted in other process improvements, most notably a receipting change that reduced data collection for lessor payments from two weeks to 2.5 days. The target completion date is early fall 2012.
ADMINISTRATIVE

Financial

The Bank generated $192,824.00 in rental revenue during calendar year 2011, an increase of 78% over 2010. Of that, IDWR paid $144,580 to lessors and retained $44,607.00 to cover a portion of the administrative costs for the year.

To help cover administrative costs, the IWRB recommended a fee rule change to the Idaho State Legislature for the 2011 session. In November 2010, in an estimate prepared for the IWRB, IDWR projected annual lease revenues of $37,329 with the proposed fee. This rule change was approved in April 2011.

The Department received $27,500 in lease application fees in 2011, below the initial projected amount, but the fee did not go into effect until April, so future years will likely see higher application revenue. Accounting for both lease application and rental revenue, the Department received $72,607 in overall revenue for 2011. The staffing cost for IDWR during 2011 was $69,000. This gave a surplus of $3,607 in 2011. However, the total calculated Bank operating cost, which includes office space and materials, was $84,000. The Bank’s 2011 revenue of $72,607, when compared to the total operating cost, left a deficit of $11,393. Thus, the Bank recouped its staffing costs but not its full operating cost.
Operations

Generally speaking, for all lease and rental activity, about 1 in every 4 water rights leased to the Bank is rented from the Bank. The chart below shows lease and rental activity (in number of water rights leased or rented) per basin. Basin 63 (Boise River Basin) had the most lease activity in 2011, but only 8% of the total active Basin 63 leases were rented. In comparison, in Basins 22 (Teton River Basin), 24 (Upper Snake Wyoming), and 43 (Raft River), water users rented 100% of active leases. *NOTE: If a basin number is not displayed, there was no activity for the basin during 2011.

![Rental & Lease Activity by Basin](chart.png)
Rental volume totaled 28,816 acre-feet of water in 2011, up from 23,191 AF in 2010, an increase of 24%. Approximate total leased volume was 160,945 acre-feet. It is not possible to determine actual leased volume because many water rights leased to the Bank do not have volume limits. If we accept the total leased volume as 160,945 acre-feet, then 17.9% of the leased volume was rented. The figure below indicates total volume rented per administrative basin. *NOTE: If a basin number is not displayed, there were no rentals for 2011.

There were 81 active rental agreements in 2011, up from 50 in 2010, a 62% increase:

- Irrigation: 56
- Commercial/Industrial: 7
- Municipal: 3
- Instream flow: 6
- Other: 9
The Backlogs

As stated above, Bank activity has grown considerably over the past few years. Rental activity increased more than 2,500% and lease activity increased more than 1,600% between 1998 and 2011. This popularity resulted in significant backlogs in Bank processing for both leases and rentals. In 2010, IDWR Interim Director Gary Spackman responded to the backlogs by assigning additional IDWR staff to Bank processing, despite limited revenue to fund bank activities. The following two figures illustrate the continued backlog reduction in calendar year 2011.
In January 2011, the lease application backlog was 326; in December 2011, it was 14. In January 2011, the rental application backlog was 17 and in December, it was 2. Bank personnel stopped using the term backlog and began describing Bank status as “number of applications pending.”

LOOKING AHEAD

2012 will continue to bring change. In 2012, IDWR will focus on providing spatial tracking of rentals, resulting in increased transparency to Idaho’s water users and better data management for the Bank. Additionally, spatial tracking of rentals should streamline processing of Bank application in the Eastern Snake Plain Aquifer (ESPA). Continued process improvement will streamline the Bank’s fiscal and clerical processes, again resulting in better data for Bank staff and Idaho’s water users.