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

2012 was a year of exceptional growth for the Water Supply Bank. Rental fee revenue was nearly triple that in 2011 with rented volume nearly doubling from 2011. The number of rental agreements increased by more than 25%. Such growth brings challenges, however.

There are more demands than ever on the Bank’s limited data keeping and staffing resources.

Rental agreements are based on available water supplies from leased water rights. The pool of leased rights in high demand areas is diminishing, making it more difficult to process rental agreements quickly and appropriately. Now, Bank staff are working with smaller pieces of water rights to satisfy larger rentals.

Rentals based on small pieces of leased rights mean increasingly complex end-of-year payments but increased rental activity means more payments in general, further limiting staff time. The Bank brought in a record revenue of over $500,000. The Bank will pay nearly $450,000 to rightholders who have leased their rights to the Water Supply Bank and then had those water rights rented.

The Bank’s current operating costs are $90,000+ and Bank revenue was just over $136,050. At first glance, this is a surplus but there are other costs associated with running the Bank that may not be adequately covered in this $90,000. In times of need, the Bank pulls from other IDWR staff and such time is not billed to the Bank. IDWR has begun conversations internally to address the Bank’s limited resources and IDWR staffs anticipate discussing some potential changes with IWRB Water Supply Bank Committee members in 2013.

It is important to note this is an annual report for the calendar year 2012, 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. It is also important to remember some basic Bank vocabulary: leases are water rights put into the Bank and rentals represent water rented from the Bank to be used.

This report summarizes 2012 Bank activity and discusses goals for 2013.

- 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. In April 2011, the Legislature approved a $250 lease application fee which brought in additional revenue.

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 continues to work on projects designed to improve efficiency. One important project in 2012 was implementing spatial tracking of rentals.

Tracking rentals spatially

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. This has led to greater connectivity to Department data and increased data sharing. 2012 was the first year this system was fully operational and available to Department staff.

Reminders to indefinite lessors

Bank staff sent reminders to all lessors who had not received correspondence within the last couple of years. This reminds lessors their rights are in the Bank and gives both lessors and Bank staff an opportunity to update records.

Continuing changes to receipting

Issuing payments to lessors remains one of the more complex Bank tasks. Bank staff have continued to adjust the way rental payments are data entered. This year staff assigned a separate code to each part of a rental fee (Department administrative fee and lessor share) to allow better data analysis for Department Fiscal staff and Bank staff. This should result in more immediate data for Department staff and more streamlined payments to lessors.

ADMINISTRATIVE

Financial

The Bank generated $542,700.03 in rental revenue during calendar year 2012, up from $192,824 in 2011 and $108,283 in 2010. Of the $542,700, IDWR paid $447,146.91 to lessors and retained $95,550.12 to cover administrative costs for the year. The following chart shows the rental revenue trends from 2008 to 2012 (NOTE: There is no data available for 2009).
The Department received $40,500 in lease application fees in 2012, up from $27,500 in 2011, the first year in which such fees were collected.

The total calculated Bank operating cost, which includes administrative assistance, office space, and materials, was $90,000. The Bank’s 2012 revenue of $136,050.12, when compared to the total operating cost, resulted in a difference of $46,050.12. However, as noted previously, there are some other costs associated with the Bank that may not be reflected here. For example, when demand is high, IDWR staff pull time from their other duties to support Bank efforts.

In 2012, growth in Bank activity resulted in payment obligations that far exceeded payments from past years. The Idaho State Legislature allows a certain amount to be spent by individual state agencies each year. As Bank staff were looking at Bank payments for 2012, we realized we needed to issue checks in excess of our authorized spending limit set by the Legislature. When we realized this, we took steps to acquire additional spending authorization. We have a supplemental spending request pending before the Legislature now but that may not be addressed until the end of March.

We will be prepared to request payments be issued as soon as the Legislature approves the additional spending authority. We have also requested what we believe to be adequate spending authorization for subsequent years so it is unlikely we will be in this situation again.
Operations

In 2012, the Department received 74 rental applications and approved 68, and the Department received 157 lease applications and approved 126.

The chart below shows lease and rental activity per basin. Basin 63 (Boise River Basin) once again had the most lease activity, but only 4% of leased rights were rented. In comparison, in Basins 22 (Teton River Basin) and 43 (Raft River), water users rented all or nearly all of active leases. We saw the biggest jump in rental activity in Basin 02 (Snake River, Milner Dam to leaving Idaho) this year. In 2011, 2,000 AF were rented and in 2012, over 15,000 AF were rented.

*NOTE: If a basin number is not displayed, there was no activity for the basin during 2012.*
Operations cont’d.

Rental volume totaled 57,306.9 acre-feet of water in 2012, up from 28,816 AF in 2011 and 23,191 AF in 2010. Approximate total leased volume was 250,000 acre-feet. It is not possible to determine actual leased volume because many water rights leased to the Bank do not have assigned volume limits. If we accept the total leased volume as 250,000 acre-feet, then 20% 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 in that basin in 2012, except for in Basin 01 where there is a rental without an assigned volume (01-7054, rented by IWRB).

There were 103 active rental agreements in 2012, up from 81 in 2011 and 50 in 2010:

- Irrigation: 74
- Commercial /Industrial: 10
- Municipal: 3
- Instream flow: 4
- Other: 12
Processing Status

As of January 7, 2013, there were 30 pending lease applications and 9 pending rental applications.

LOOKING AHEAD

2013 will continue to bring change. 2012 was a year of incredible growth and 2013 looks likely to be the same. IDWR and Bank staff will be discussing potential changes internally and with the IWRB. Limited resources require efficiency and Bank staff will continue to look at mechanisms for process improvement.