



# **Water Supply Bank**

2022 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 2022 and features recent data and trends specific to the:

- processing of lease and rental applications during 2022;
- administration of lease and rental transactions approved for 2022;
- productivity and work accomplishments of Water Supply Bank staff during 2022; and
- management of finances associated with operations during 2022.

## Executive Summary

During the past few years, the total number of hours committed to providing Bank services rose by nearly 30% from 5,700 in 2019 to 7,355 in 2022, with 59% of the time logged by IDWR Water Right Section staff. Conversely, the median number of days required to process a rental dropped to 41 days during 2022 from 55 days in 2021, and the median number of days required to process a lease dropped to 29 days in 2022 from 51 days in 2021.

The total volume rented during 2022 rose to a new recent high of 79,000 acre-feet annually, with 70% of the demand attributable to only six basins. Finally, annual revenue from rental fees continued to increase, while the revenue generated from lease filing fees reversed a recent upward trend and decreased. The calendar year operating costs rose significantly due to the increase in hours logged, resulting in a dramatic increase to the annual deficit in 2022 to \$95,243, up from \$35,942 in 2021.

## 2022 Accomplishments

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

- Continued early issuance of annual warrant payments and rental fee reminders;
- Reduction in median processing times for applications; and
- 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

Month	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY
Season	Summer			Fall			Winter			Spring		
Process Rental Proposals	Standard Priority					High Priority				Standard Priority		
Process Lease Proposals	Standard Priority			High Priority		Medium Priority				Standard Priority		
Request Rental Fees					Standard Priority							
Cancel Unpaid Rentals							Standard Priority					
Issue Lessor Payments				High Priority								
Process Lease Releases	Standard P...	High Priority			Standard Priority							
Expiration Reminders		Standard Priority										
Close Expired Leases							Standard Priority					
Close Expired Rentals							Standard Priority					

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. Bank staff 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 Applications.’

## Human Resources

In 2022, a total of 7,355 hours were billed by IDWR staff in providing Board’s bank services, of which 40% of the total bank hours were from the Water Supply Bank Coordinator and Specialist positions. Chart 1 depicts the hours billed to the bank from 2018 through 2022 for IDWR staff, the number of hours that were attributable to WSB staff, and the total number of lease and rental applications processed during each year. Unfortunately, the increase in billed hours during 2022 did not result

in an increase to the number of applications processed, and results in an average processing time of 21 hours per application, compared to an average of 13 hours per application in 2021.

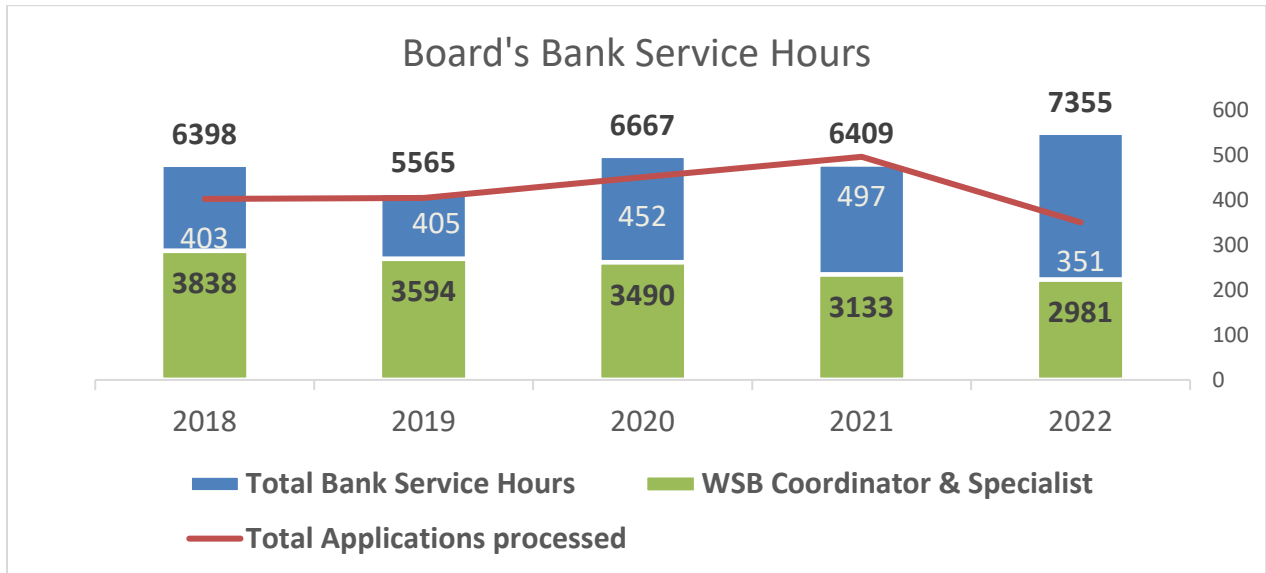


Chart 1. Hours logged to the Bank with comparison to total applications processed, 2018-2022

The increase in hours logged to the bank in 2022 is in large part due to the near constant presence of Water Right Section staff, who continued processing lease and rental applications for the entire summer, as can be seen in Chart 2, in an effort to address a backlog in applications as well as the continuation of declared drought conditions throughout much of the state. Hours logged by WSB staff in 2021 and 2022 decreased from previous years due to turnover in the Bank for the Coordinator and Specialist positions, with one of the two positions unfilled for four months in 2021 and another six months in 2022. The only year with two FTE WSB staff for an entire calendar year was in 2018.

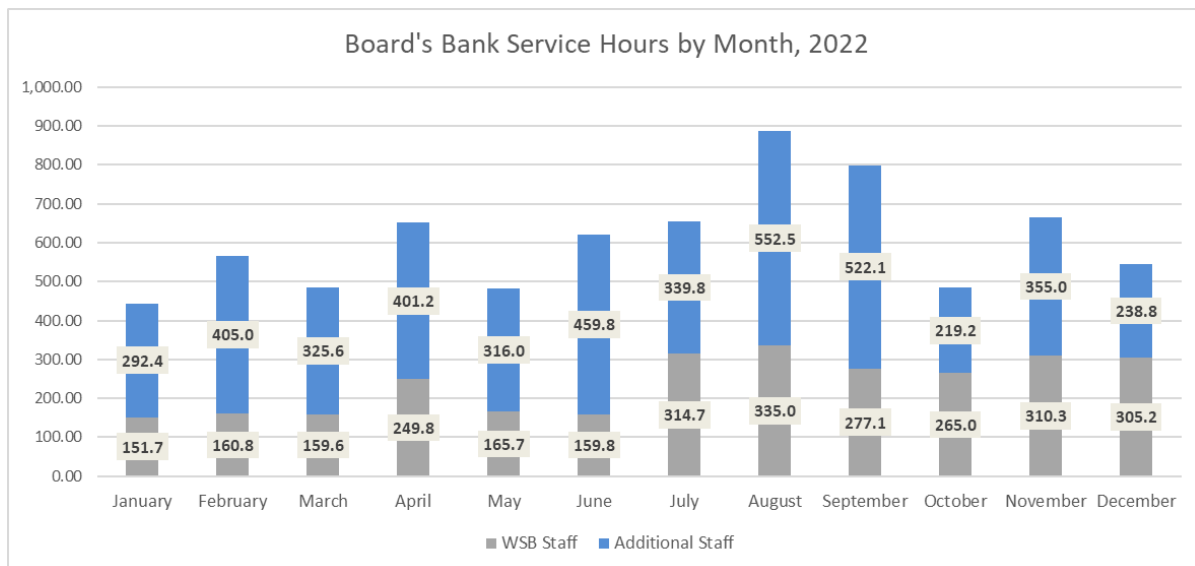


Chart 2. Hours billed per month by IDWR staff, 2022

It is worth noting that the Water Supply Bank Coordinator and a Water Right Section supervisor were undertaking public rulemaking negotiations during the spring and summer of 2022 for the 2023 Legislative Session on the Water Supply Bank Rules, IDAPA 37.02.03, contributing to additional hours billed, and less bank applications processed.

To further illustrate the significance of the change in hours billed in 2022 compared to earlier years, Chart 3 shows the hours billed in 2021, which is typical of the seasonality for billed hours by additional IDWR staff each calendar year. A Water Right Section supervisor will continue approving and executing bank applications reviewed by WSB staff throughout the summer, and a technical records specialist will continue logging bank hours for electronic document filing and approved mailings, while additional IDWR staff are typically only assigned in the fall through the spring to process lease and rental applications. The Water Supply Bank Coordinator and Specialist bill all hours worked to the bank, focusing on transaction management in the fall through spring, data analysis, reporting, research and development, and additional application processing throughout the year. The asterisks in June and November 2021 in Chart 3 denote turnover in WSB staff.

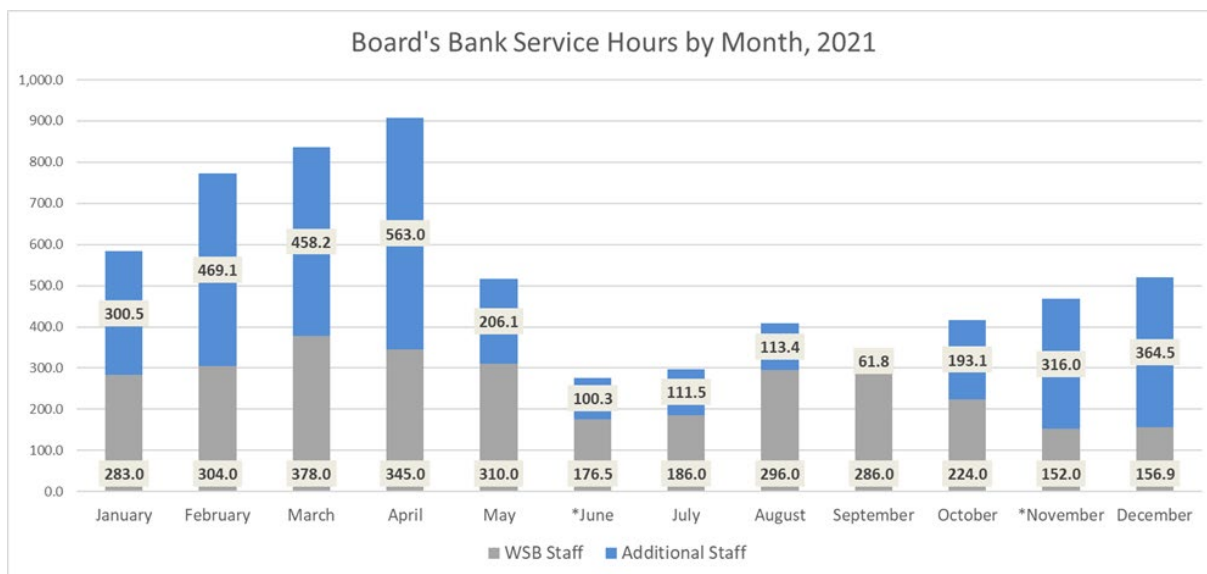


Chart 3. Hours billed per month by IDWR staff, 2021

## Processing Applications & Managing Transactions

By considering the specific work tasks performed by IDWR staff who provide 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 number of hours billed per service function can be further analyzed by comparing the hours logged by additional staff and those logged by bank staff. Additional IDWR staff primarily process lease and rental applications, with nearly 80% of their hours billed spent on these two service functions, while bank staff primarily perform the majority of the program supporting service functions, as shown in Table 1.

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%
<i>Processing applications, total</i>	<b>4,563</b>	<b>78 %</b>	<b>19%</b>
Managing lease contracts	427	2 %	9%
Managing rental agreements	476	2.5 %	11%
<i>Managing transactions, total</i>	<b>903</b>	<b>4.5 %</b>	<b>20%</b>
Communications & coordination	1,190	12.5 %	28%
Research & development	703	5 %	33%
<i>All services</i>	<b>7,359</b>	<b>100 %</b>	<b>100%</b>

Table 1. Board’s bank service hours during 2022, by service function

The service functions that support the program include transaction management, communications & coordination, and research & development. Of these service functions, 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. The chart below breaks down annual transaction management, with 421 letters against 893 water rights generated and sent between July 2022 through January 2023, which is separate and distinct from letters generated through processing applications.

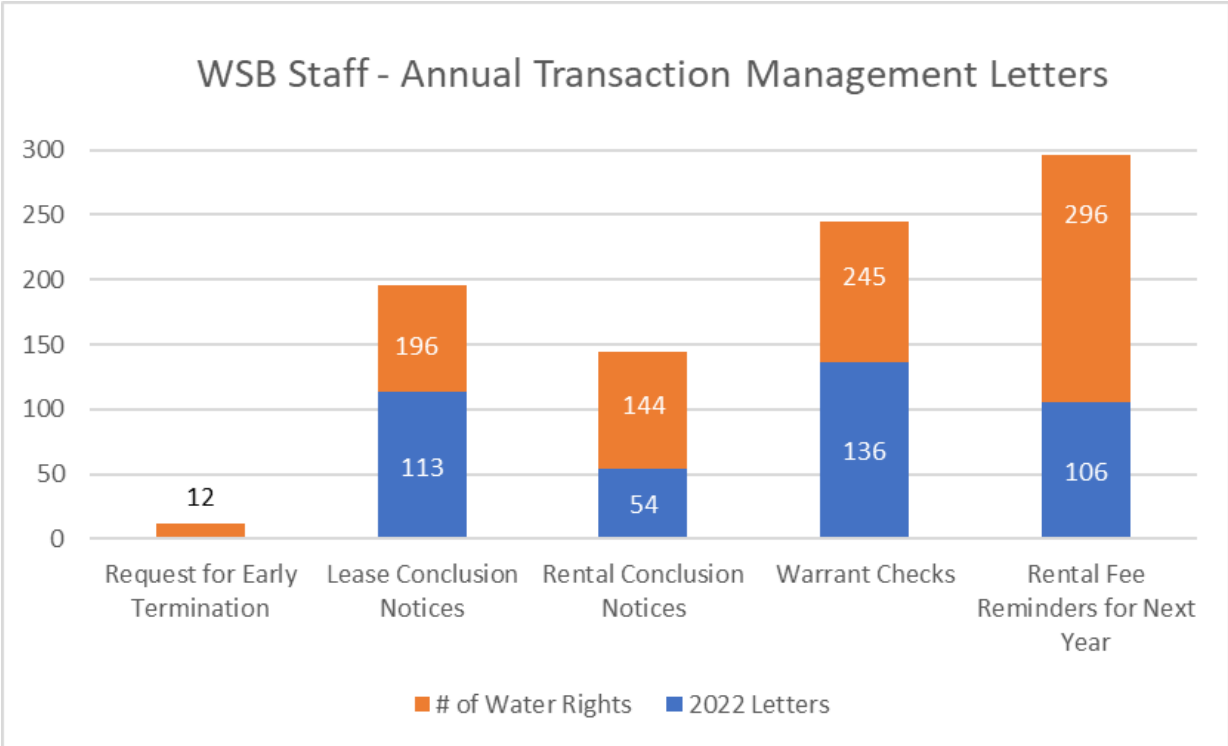


Chart 4. Transaction Management, 2022

## 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 in order 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.

Additionally, the Water Supply Bank Coordinator and a Water Right Section supervisor coordinated with IDWR leadership and IDWR Southern Region staff in an effort to train additional staff on processing lease and rental applications as part of South Valley Ground Water District's initiative to participate in the Big Wood River Ground Water Management Area Plan Term Sheet approved by the Department in 2022.

Finally, in conjunction with the rulemaking effort, the Water Supply Bank Coordinator, along with data collection assistance from the Water Supply Specialist, presented historical data on varying costs and revenue for the Board's bank in an effort to increase revenue and offset operating costs. The endeavor included numerous WSB Committee meetings during 2022 to discuss different factors affecting operating costs and revenue generating avenues, including possible increases to application filing fees, minimums on administrative fees, and increasing the rental rate per volume in the future.

## 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 5, on the next page, summarizes the total number of water right lease proposals and rental requests that were processed via the Board's bank annually from 2012 through 2022. Beginning in 2017, the number of unique lease contracts, which can contain individual or multiple stacked water rights, is also reported. As was discussed earlier in this report and is observed in Chart 1, there was a dramatic decline in the number of lease and rental applications processed in 2022 compared to previous recent years, and 17 rental applicants requesting a start in 2022 opted to push their applications to a 2023 start date due to estimated times in processing applications late in the season.



### Water Right Leases and Rentals Processed Annually, 2012-2022

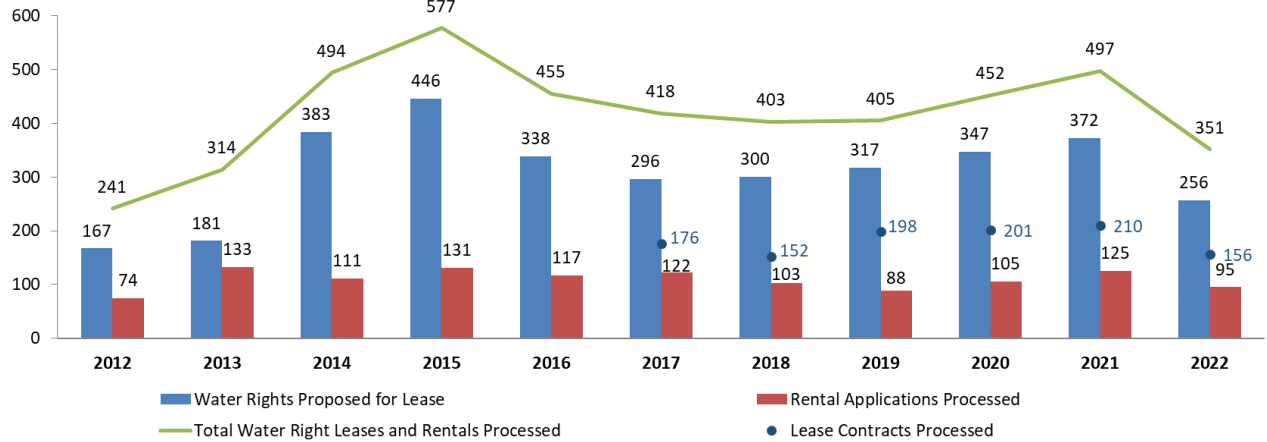


Chart 5. Total applications processed, 2012 - 2022.

### 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. Chart 6, below, shows applications completely processed by each month during 2022, regardless of the actual start year requested, with comparisons to the averages from years 2014-2018. Lease application processing by month during 2022 was significantly less than the five-year average from 2014-2018, and rental applications processed had a reverse trend with approvals increasing much later in the season.

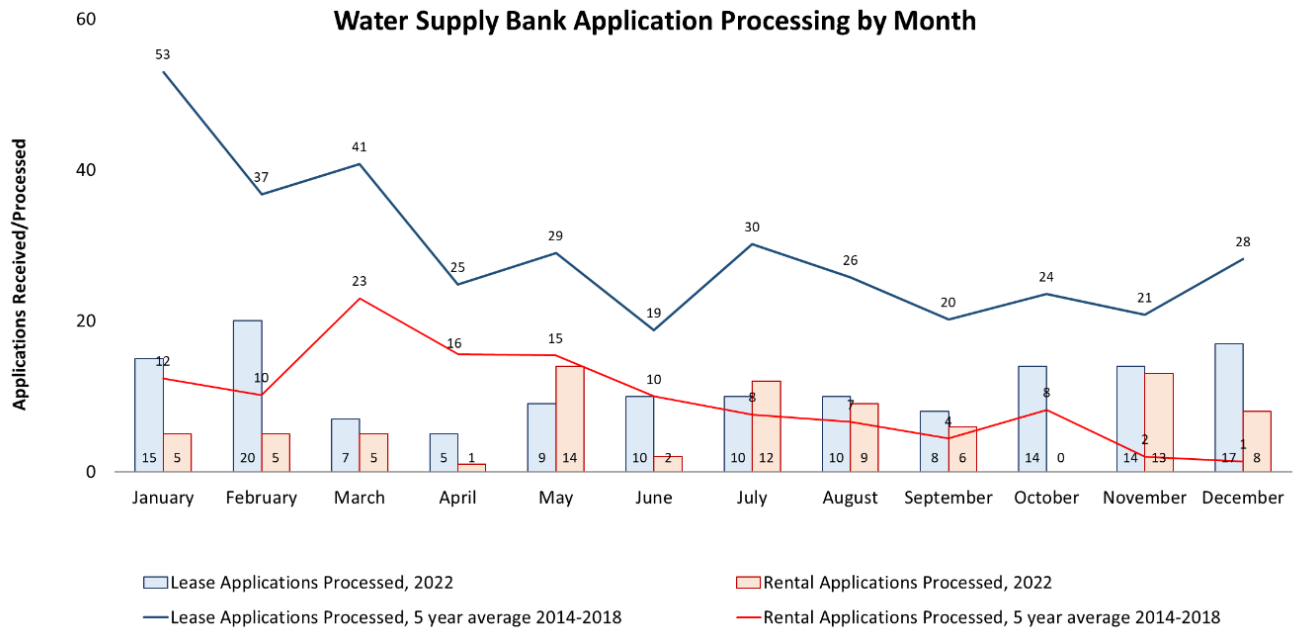
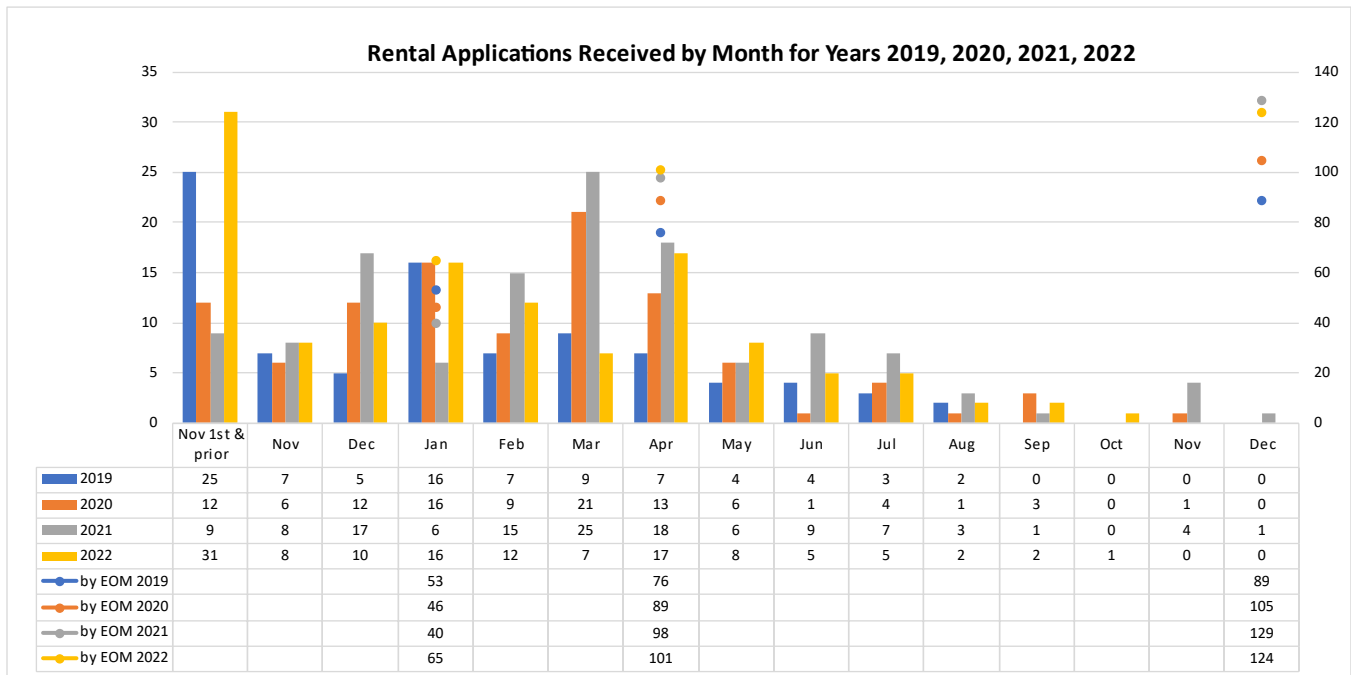


Chart 6. Applications Processed by Month in 2022 with 2014-2018 Average Comparison

It is also important to acknowledge the number of applications received for each year, as can be seen for rental applications received by month and accounted for according to the requested start year in the chart below for years 2019 through 2022. Rental applications that are received on or before November 1<sup>st</sup> preceding the year in which the use is requested to start have priority processing, shown in the first column. The jump in the number of rental applications received by November 1<sup>st</sup> for years 2019 and 2022 compared to years 2020 and 2021 is largely due to earlier issuance of conclusion notices in July and August for expiring rentals, rather than in October and later.



**Chart 7. Rental Applications Received by Month for a Specific Start Year**

In an effort to better understand efficiency and time commitments associated with application processing, in 2017, the Bank began tracking the time required to complete all work associated with steps two and three for all applications processed. Table 2, 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
2022	29 days	41 days
2021	51 days	55 days
2020	24 days	70 days
2019	45 days	52 days
2018	41 days	85 days
2017	20 days	60 days

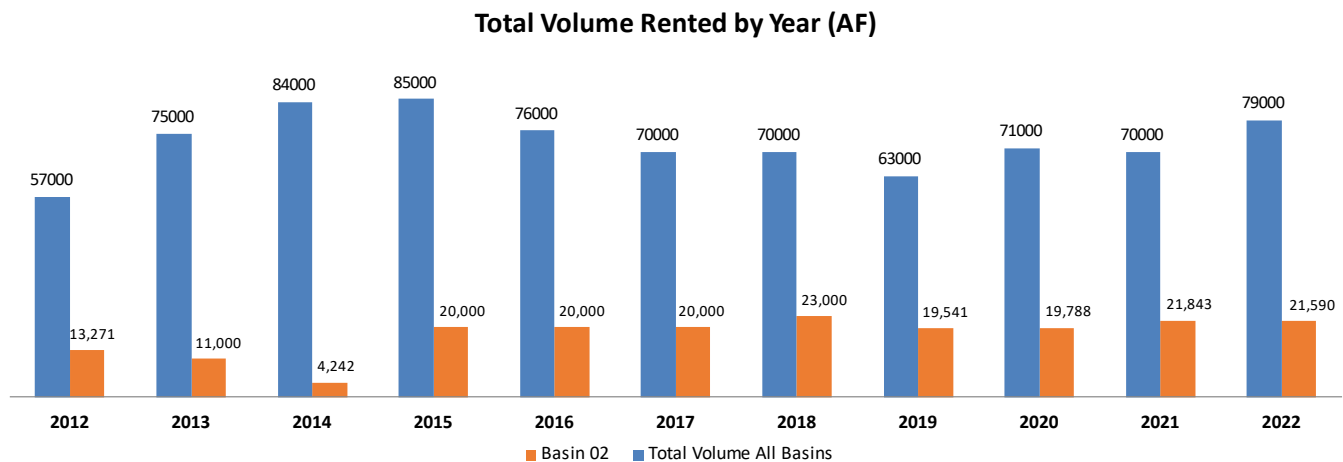
**Table 2. Median Time Required to Process Lease and Rental Applications, 2017-2022**

By understanding the median time required to complete an application, as well as the timing of receiving applications each year, additional IDWR staff can be allocated at the appropriate timing in order to process applications by the requested start date for more applications. Processing rental

applications earlier in the season not only provides the renter certainty, but they also secure administrative fees from the rental fees to cover the operating costs. Just as importantly, processing lease applications at the beginning of the season ensures reasonable supply for rental applications.

## Volume Rented

During 2022, approximately 79,000 acre-feet of water was rented from the Bank, a noticeable increase from the volumes rented the previous six years. Chart 8, below, shows the total volume rented per year since 2012, where historically the highest volume rented was during 2014 and 2015, with an average of 70,000 acre-feet rented annually from 2018 through 2022.

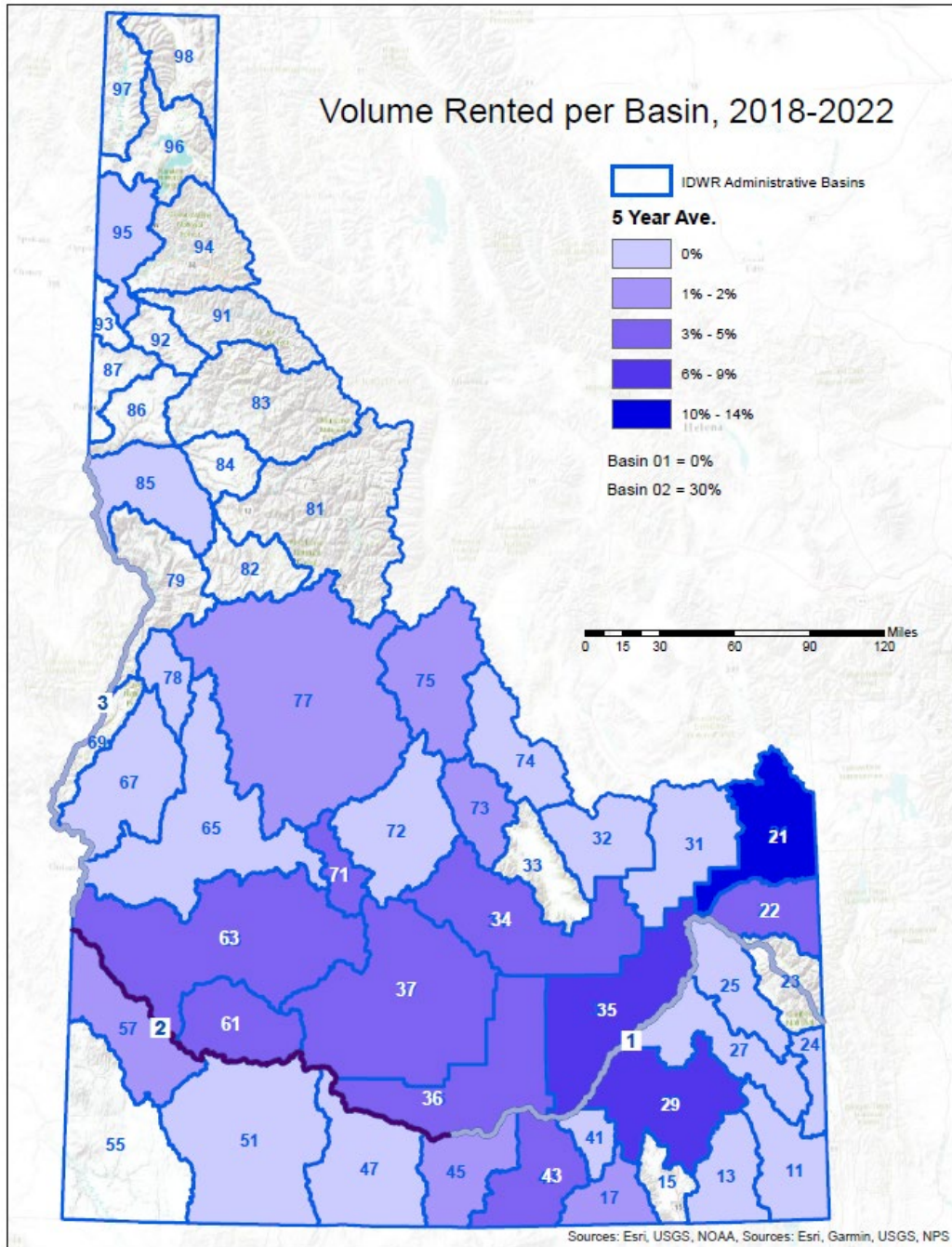


*Chart 8. Total Acre-Feet Rented by Year, 2012-2022*

Of the 79,000 acre-feet rented in 2022, nearly 75% of that volume was supplied from just six administrative basins, as shown in Tables 3 and 4, below. Consistent with recent trends, most of the water rented in 2022, and for the five-year average from 2018-2022, came from basins 02 (Snake River, below Milner Dam) and 21 (Henrys Fork basin). Basins 71 (Stanley Area) and 63 (Boise River basin) jumped into the top six in 2022 due to approvals for several large rentals. Basins 35 (American Falls area) and 29 (Blackfoot River basin) each supplied 8% of the volume rented in 2022. Additionally, 90%-100% of the volume rented in Basins 02, 21, 63, and 71 rentals were from surface water sources in 2022, compared to Basins 29 and 35 which were 85% - 100% ground water rentals.

2022					Annual Average: Most Recent Five Years (2018-2022)				
#	Basin	Water Source	Volume	% of Total	#	Basin	Water Source	Volume	% of Total
1	2	Snake River	21,590	27%	1	2	Snake River	21,152	30%
2	21	Henrys Fork Basin	9,366	12%	2	21	Henrys Fork Basin	9,357	13%
3	71	Stanley Area	8,232	10%	3	35	ESPA - American Falls	6,580	9%
4	63	Boise River Basin	7,006	9%	4	29	Blackfoot River Basin	5,601	8%
5	35	ESPA - American Falls	6,536	8%	5	43	Raft River Basin	3,688	5%
6	29	Blackfoot River Basin	6,113	8%					
2022 Rental Volume: 79,000 AF			58,843	74%	Average Five Year Rental Vol: 77,000 AF			46,377	66%

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

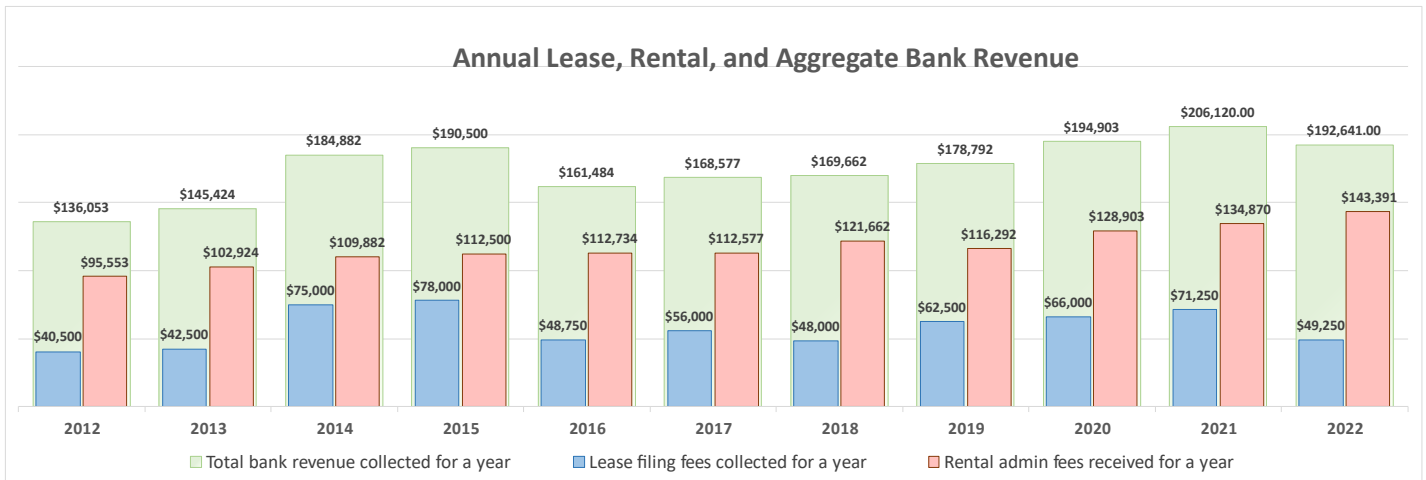


**Graphic 2. Volume Rented by Basin Across Idaho, 2018-2022**

The above graphic helps to illustrate 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 30% (21,152 af) of the total volume rented per year over the five-year period and basin 21 (Henry’s Fork) has averaged 13% (9,357 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.

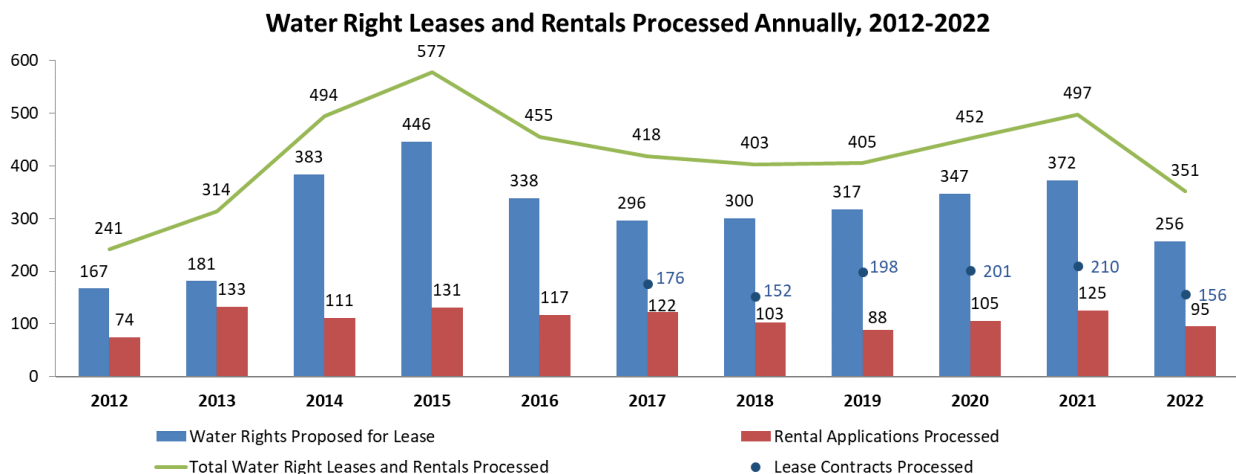
## Financial Management

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 2020 and 2021, the Bank revenue increased from both the lease filing fees and the rental administrative fees, as represented in Chart 9 below.



**Chart 9. Annual Revenue from Lease Application Filing Fees and Rental Administrative Fees**

In 2018, the standard rental rate rose from \$17.00 per acre-foot to \$20.00 per acre-foot, of which the minimum administrative fee levied also rose from \$1.70 per acre-foot to \$2.00 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 9 above and Chart 5 from page 8, 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);

Operational expenses rose by 19% in 2022 to \$287,884 from an average of \$241,000 in years 2020 and 2021. Revenue declined by 6% to \$192,641 in 2022 from \$206,120 in 2021, largely in part due to the decrease in lease filing fees received during 2022. The rise in operating cost coupled with the reduction in revenue resulted in a deficit of \$95,243 during 2022, as seen below in Chart 10.

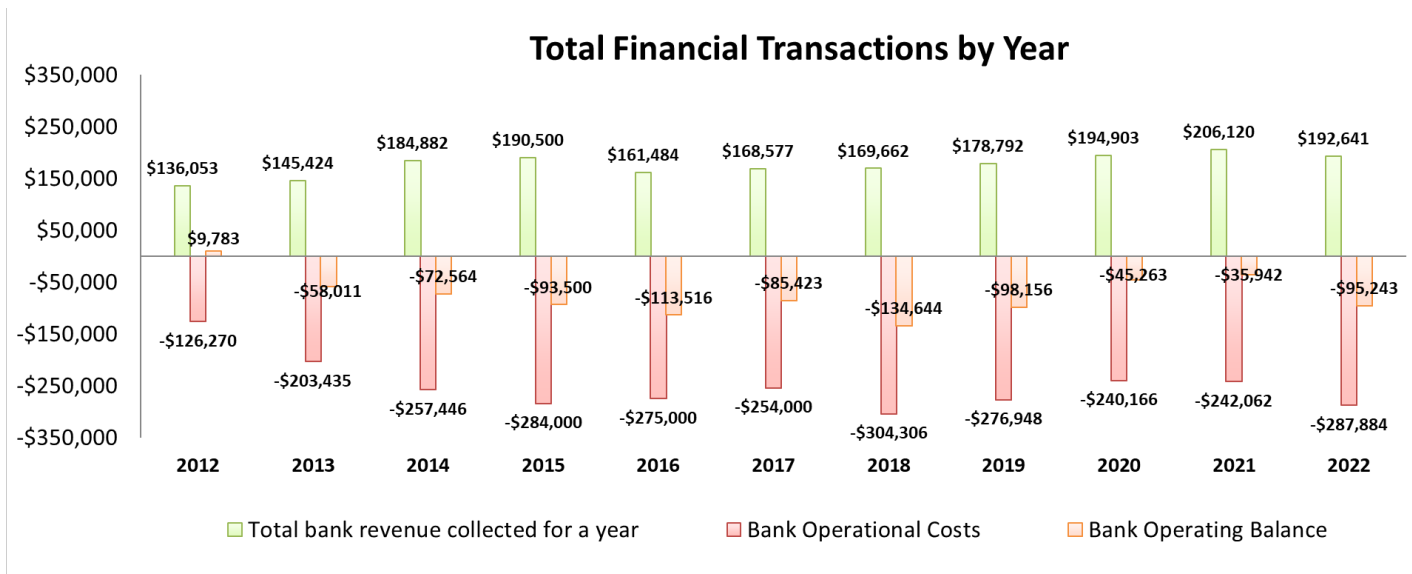


Chart 10. Board’s Bank Operational Finances, 2012-2022

Operational expenses in the form of staff compensation can fluctuate each year due to Department priorities, staff turn-over, training, bringing in more experienced staff with higher pay grades, and assigning certain tasks without considering the skill required and job classification. For example, 2018 had historically high operating costs due to increasing staff when the Water Supply Bank Specialist position was filled in late 2017, undergoing training and overlap with assistance provided by other IDWR staff into the 2018 season. Likewise, there was a reduction in 2019 to operating costs when two supervisors from the water right section who had previously assisted in processing applications and with managing multi-year transactions retired, and there was turnover in the Specialist position. Operating costs rose again 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, with a much higher cost per application processed due to training. 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 2022.



## Operating Costs and Revenue

Operating Costs and Revenue							
	2016	2017	2018	2019	2020	2021	2022
1 Lease Applications Processed	338	176	152	198	201	210	150
2 Hrs billed processing leases	1562	1521	1736	1400	1465	1775	1340
3 % of time for program	25%	28%	27%	25%	22%	28%	18%
4 Hrs per lease application	4.6	8.6	11.4	7.1	7.3	8.5	8.9
5 Total cost to process	\$ 69,864	\$ 72,278	\$ 82,569	\$ 69,678	\$ 52,784	\$ 67,042	\$ 52,448
6 Cost per Application	\$ 207	\$ 411	\$ 543	\$ 352	\$ 263	\$ 319	\$ 350
7 + Lease revenue from applications	\$ 48,750	\$ 56,000	\$ 48,000	\$ 62,500	\$ 66,000	\$ 71,250	\$ 49,250
8 Dollar return per application	\$ 144.23	\$ 318.18	\$ 315.79	\$ 315.66	\$ 328.36	\$ 339.29	\$ 328.33
9 Approved Contracts / Multi-year	380	487	504	678	675	622	593
10 Hrs billed managing leases	538	479	624	490	378	581	368
11 % of time for program	9%	9%	10%	9%	6%	9%	5%
12 Hrs per lease to manage	1.4	1.0	1.2	0.7	0.6	0.9	0.6
13 Total cost to manage	\$ 24,511	\$ 22,762	\$ 29,679	\$ 24,387	\$ 13,619	\$ 21,944	\$ 14,404
14 Cost per contract to manage	\$ 65	\$ 47	\$ 59	\$ 36	\$ 20	\$ 35	\$ 24
15 - Leases - Total Cost	\$ 94,375	\$ 95,040	\$ 112,248	\$ 94,065	\$ 66,403	\$ 88,986	\$ 66,851
16 Leases - Gain/Loss	\$ (45,625)	\$ (39,040)	\$ (64,248)	\$ (31,565)	\$ (403)	\$ (17,736)	\$ (17,601)
17							
18 Rentals Processed	117	122	103	88	105	125	95
19 Hrs billed processing rentals	1641	1575	1727	1650	2396	1912	2633
20 % of time for program	27%	29%	27%	30%	36%	30%	36%
21 Hrs per rental application	14	12.9	16.3	18.8	22.8	15.3	27.7
22 Total cost to process	\$ 73,399	\$ 74,845	\$ 79,662	\$ 82,121	\$ 86,328	\$ 72,216	\$ 103,056
23 Cost per Application	\$ 627	\$ 613	\$ 773	\$ 933	\$ 822	\$ 578	\$ 1,085
24 + Rental revenue from admin fees	\$ 112,734	\$ 112,577	\$ 121,662	\$ 116,292	\$ 128,903	\$ 134,870	\$ 143,391
25 Approved Rentals / Multi-year	52	77	107	184	192	207	224
26 Hrs billed managing rentals	431	383	517	437	789	711	437
27 % of time for program	7%	7%	8%	8%	12%	11%	6%
28 Hrs per rental to manage	8.3	5.0	4.8	2.4	4.1	3.4	2.0
29 Total cost to manage	\$ 19,278	\$ 18,200	\$ 24,590	\$ 21,749	\$ 28,428	\$ 26,854	\$ 17,104
30 Cost per agreement to manage	\$ 371	\$ 236	\$ 230	\$ 118	\$ 148	\$ 130	\$ 76
31 - Rentals - Total Cost	\$ 92,677	\$ 93,045	\$ 104,252	\$ 103,870	\$ 114,756	\$ 99,071	\$ 120,160
32 Rentals - Gain/Loss	\$ 20,057	\$ 19,532	\$ 17,410	\$ 12,422	\$ 14,147	\$ 35,799	\$ 23,231
33 Rental volume annually (acre-feet charged)	76000	66,221	61,890	59,712	65,283	68,997	73,439
34 Dollar per acre-foot average	\$ 1.48	\$ 1.70	\$ 1.97	\$ 1.95	\$ 1.97	\$ 1.95	\$ 1.95
35							
36 Total revenue from leases + rentals	\$ 161,484	\$ 168,577	\$ 169,662	\$ 178,792	\$ 194,903	\$ 206,120	\$ 192,641
37 Total costs of leases + rentals	\$ 187,052	\$ 188,085	\$ 216,500	\$ 197,936	\$ 181,159	\$ 188,057	\$ 187,011
38 Lease/Rental Gain or Loss	(\$25,568)	(\$19,508)	(\$46,838)	(\$19,144)	\$13,744	\$18,063	\$5,630
39							
40 Communication & Coordination (C&C)	\$ 43,746	\$ 34,927	\$ 49,180	\$ 28,618	\$ 16,898	\$ 23,946	\$ 54,248
41 Research & Development (R&D)	\$ 44,327	\$ 30,936	\$ 39,049	\$ 52,259	\$ 42,299	\$ 30,027	\$ 46,733
42 Hrs billed	1969	1386	1855	1625	1643	1429	2580
43 % of time for program	32%	26%	29%	29%	25%	22%	35%
44 - Total C&C and R&D Cost	\$ 88,073	\$ 65,863	\$ 88,229	\$ 80,876	\$ 59,197	\$ 53,973	\$ 100,981
45							
46 Ave annual hrly cost total hrs billed	\$ 44.73	\$ 47.52	\$ 47.56	\$ 49.77	\$ 36.03	\$ 37.77	\$ 39.14
47							
48 - Actual Operating cost of Bank (hrs billed)	\$ 275,000	\$254,000	\$304,306	\$276,948	\$240,166	\$242,062	\$287,884
49 Actual Total Gain or Loss	\$ (113,516)	(\$85,423)	(\$134,644)	(\$98,156)	(\$45,263)	(\$35,942)	(\$95,243)
50 Total Hours Billed	6141	5344	6459	5602	6671	6408	7358

Table 5. Analysis of Costs and Revenue associated with functions of the Board's bank, 2016-2022

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.

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. Filing fees generated \$49,250 in revenue during 2022 for 150 processed lease applications (Table 5, line 7), and cost an estimated \$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 2022 cost approximately \$14,400 in 2022 (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 nearly -\$18,000 during 2022 (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 a processing cost of about \$103,000 to review 95 applications in 2022 (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 cost just over \$17,000 in 2022 (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, priced at \$2.00 per acre-foot during 2022, and returned just over \$143,000 in revenue for new and existing rentals (Table 5, line 24). The total cost of processing and managing rentals was less than the revenue generated in 2022, with a gain of \$23,231 for the year (Table 5, line 32). The administrative fee will increase to a minimum of \$2.30 per acre-foot in 2023, and with an average of 68,000 acre-feet rented over the last five years, revenue from administrative fees is expected to increase another \$20,000 annually in 2023. 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.

Additional operational costs which are not directly or solely incurred from processing or managing leases and rentals but are directly tied to Bank activity is Communications & Coordination and Research & Development, as was shown in Table 1 on page 6. 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**

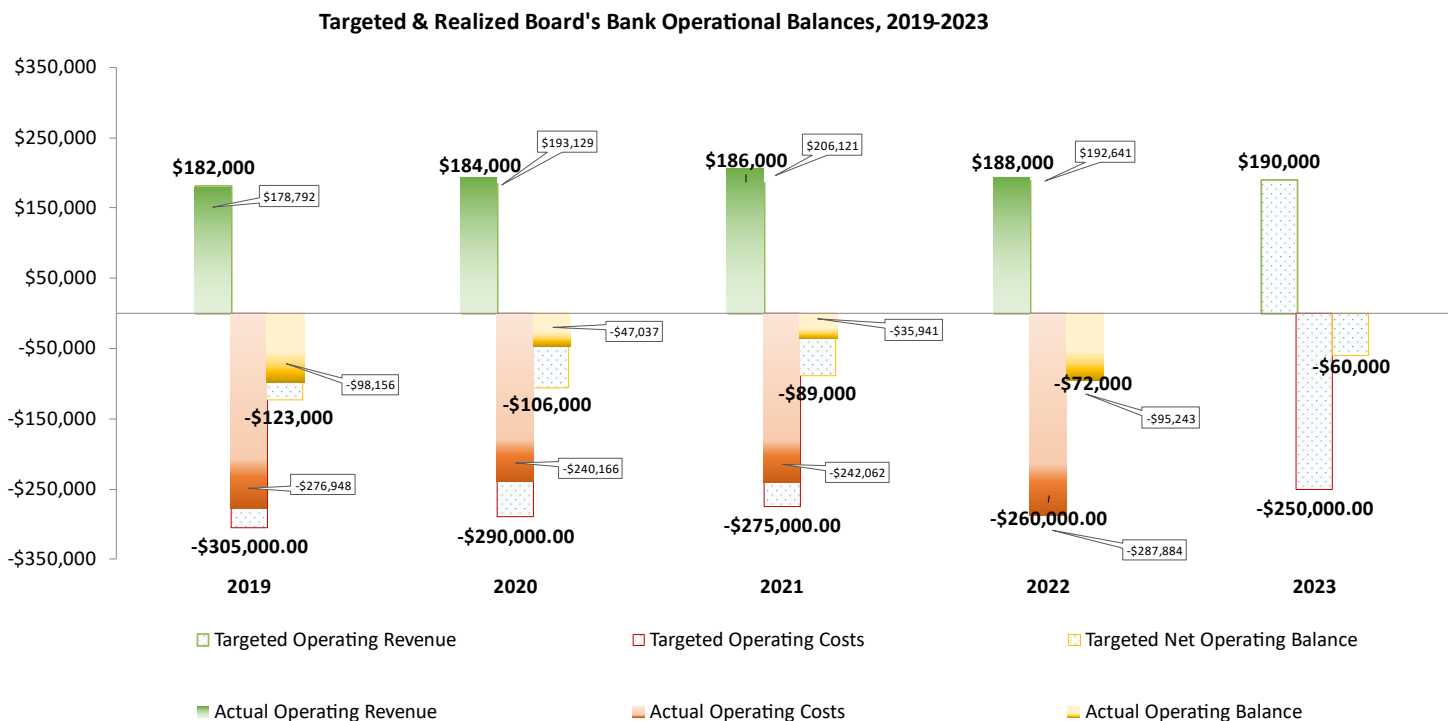
In order to maintain the solvency of the Board's bank, through revenue neutral or revenue positive operations, one or more of the following must occur:

- 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;
- variable rental rates should be explored and 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, and 2022 with callout labels against the targeted operational amounts established in 2018.



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

The revenue generated in years 2019 through 2022 has been near or above the projected targets and operating costs in the first three years were lower than projected, resulting in much lower deficits than projected in years 2019, 2020, and 2021. The deficit in 2022 was 30% higher than the target in large part due to higher operating costs, but also as a result of the lower revenue generated even though the actual revenue was slightly higher than the target of \$188,000. 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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