



Water Supply Bank

2013 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 parties desiring to lease and rent water rights, 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 lessors receive 90% of this rental payment. 10% of the rental fee is retained by IDWR to cover the cost of Bank operations. A water right is protected from forfeiture while it is in the Board's Bank.

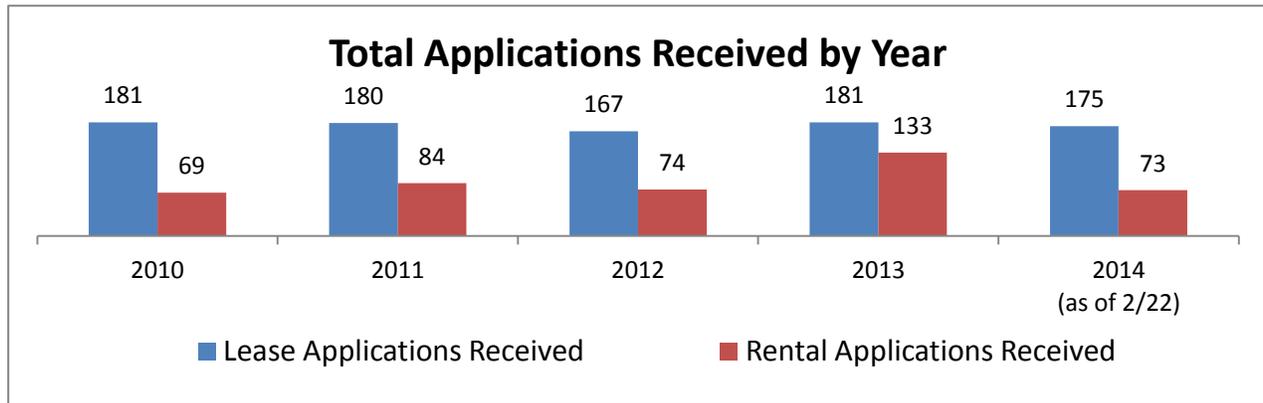
2013 Accomplishments

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.

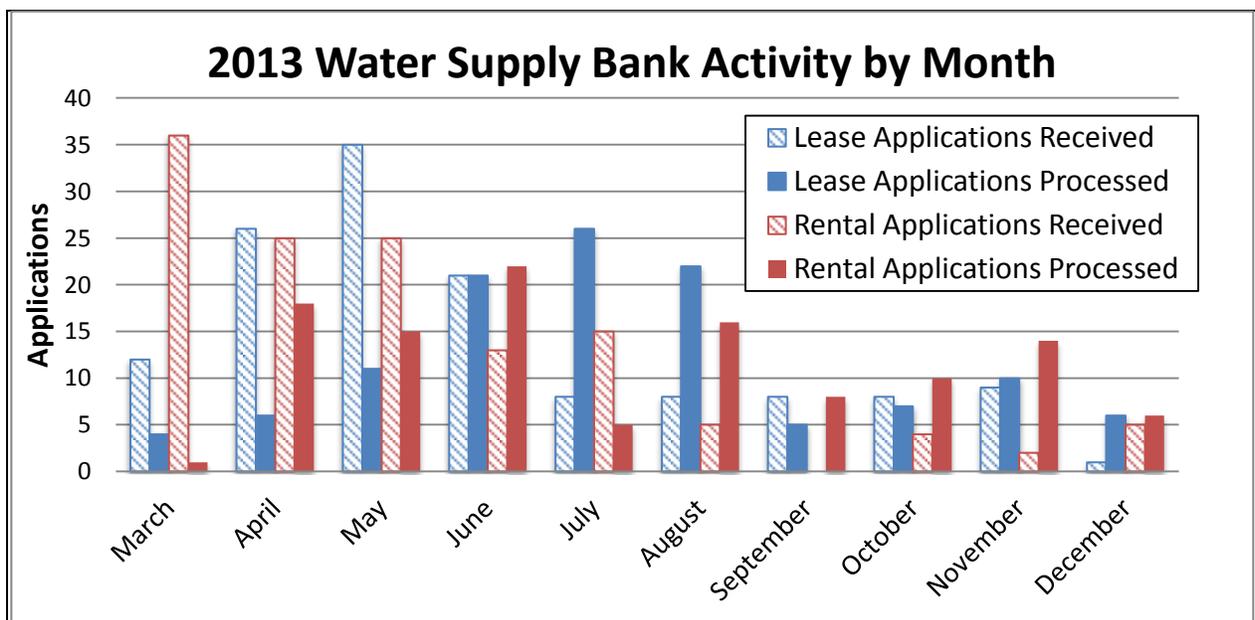
In addition to increased leasing and rental activity, the human resources of the Water Supply Bank grew as well. The Water Supply Bank Coordinator position has been moved into IDWR's Planning Bureau to assist the Board in managing the Water Supply Bank program and a Senior Water Resource Agent (Lead 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 various administrative activities in the Board's Bank. The Board's Bank is well positioned to grow even more active in 2014.

2013 Activity Summary

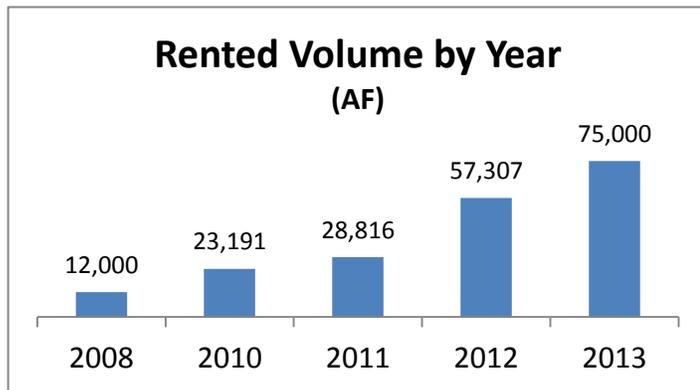
Increased interest in renting water from the Board's Bank is notable by the greater number of rental applications received in 2013. In total, 133 rental applications were received last year, an increase of 180% over the 74 received in 2012. Lease applications were up slightly as well. In all, 314 applications 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.



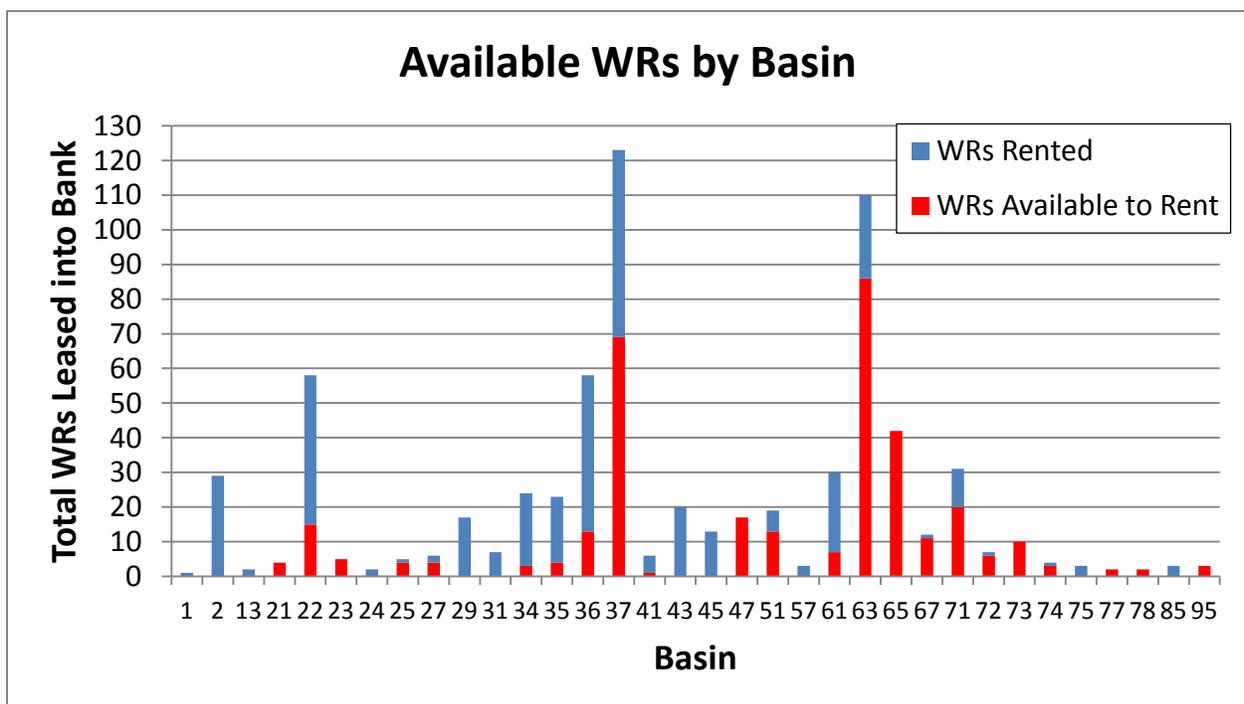
Considering 2013 applications, the time series graph below shows that spring was the busiest time for Bank staff, coinciding with prioritization for establishing summer rental agreements. Generally, administrative activity in the Bank closely matched application volumes.



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.

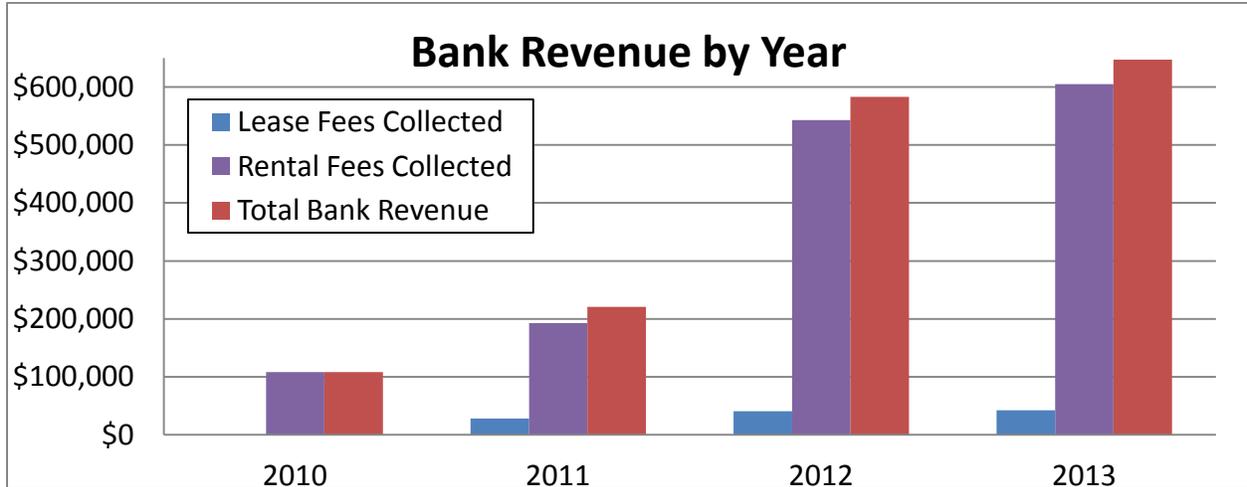


While the total volume of water rented through the Bank increased last year, it is worthwhile noting the location where rental transactions are most active. Some basins have little to no participation in the Water Supply Bank whereas others are highly active. Notably, Basins 22 (Teton County), 36 (Southern 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.

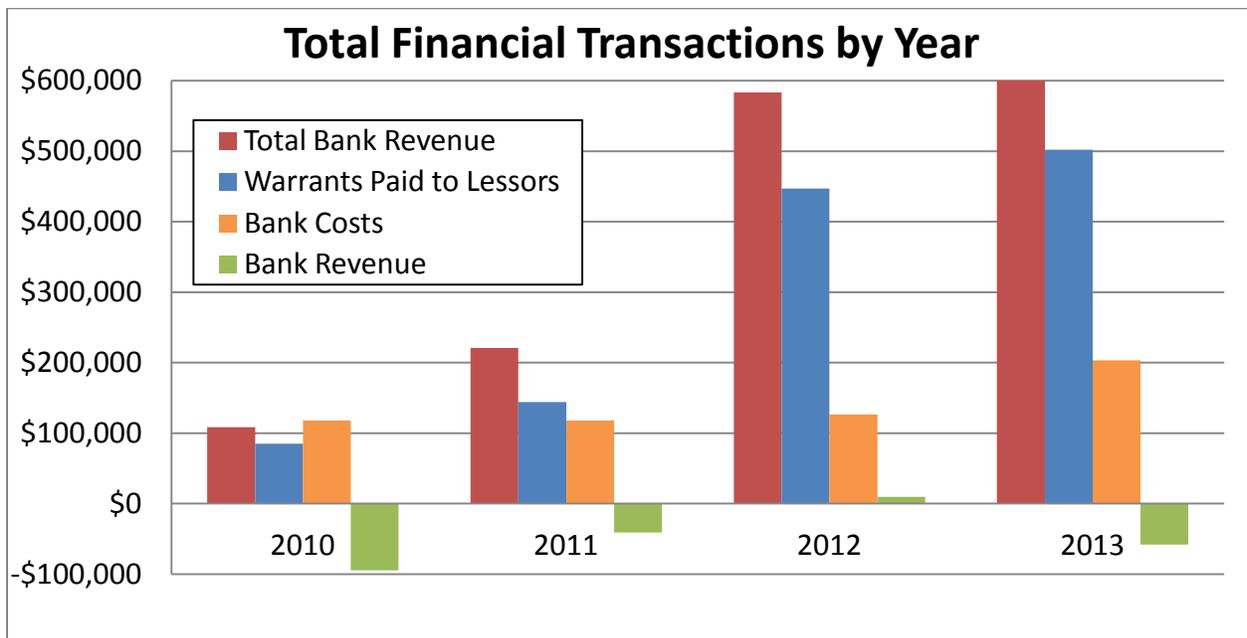


2013 Financial Summary

The Water Supply Bank generated more revenue than ever in 2013. Both lease and rental revenues were up, as were warrant payments, which payments made to lessors for the rental of their water rights. 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, continues to increase as well.



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 into 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 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
	308	306	347	
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