Our Water. Our Future. Our Choice.

The purposes of the District include planning for and facilitating the long-term conservation, development, protection, distribution, management and stabilization of water rights and water supplies for domestic, irrigation, power, manufacturing, municipal, recreational and other beneficial uses, including the natural stream environment, in a cost-effective way to meet the needs of the residents and growing population of Cache County.
www.cachewaterdistrict.com

CACHE WATER DISTRICT BOARD OF TRUSTEES
MEETING MINUTES
March 2, 2020

The Cache Water District Board of Trustees convened for a regular meeting on February 3, 2020 at 5:30 p.m. in the Cache County Historic Courthouse Council Chambers,199 North Main Street, Logan, Utah.

MEMBERS OF THE BOARD IN ATTENDANCE:

Jonathan W. Hardman – South Council District
Max Pierce – North Council District
Jared Clawson – At-Large Position
Kirt Lindley – At-Large Position
Jeannie F. Simmonds – Logan #1 Council District
Scott Clark - Logan #2 Council District
Don Baldwin – Agricultural Representative
David Erickson – At-Large Position

MEMBERS OF THE BOARD ABSENT:

Herm Olsen – Logan #3 Council District
Shaun Dustin – Southeast Council District
Bret Randall – Northeast Council District

OTHERS IN ATTENDANCE:

Nathan Daugs (Manager), Ann Neville (TNC), Keith Shaw, Wayne Wurtsbaugh (Audubon Society), Chris Slater (J-U-B), Lisa Welsh (USU), Jim DeRito (Trout Unlimited), Chad Brown (Franson Civil Engineers), Mike Wilson (CRS Engineers), Joanna Endter-Wada, Debbie Zilles

CALL TO ORDER

The meeting was called to order by Chairman Hardman at 5:30 p.m.
Consideration for the minutes from February 3, 2020 and agenda for March 2, 2020.

ACTION: Motion by Mr. Clark to approve the agenda and the minutes as submitted. Seconded by Ms. Simmonds. Motion approved unanimously.

PUBLIC COMMENT

None

FINANCIAL REPORT

Ms. Simmonds said, as of the end of January, the District had $ 387,675.31 in the bank. Altabank is now charging $3.00 per month for paper statements.

-See Attachment 1-

Mr. Clawson arrived at 5:36 p.m.

CALENDAR EVENTS

- Mar. 16-18 – Utah Water Users Annual Conference - St. George, Utah
- Mar 20-21 – Home & Garden Show (host a booth)
- Mar 31 – Northern Utah Annual Water Conference @ the County Convention Center
- Apr 8 – Bear Lake Advisory
- Apr 21 – Bear River Commission

MANAGER'S REPORT

2020 WATER BILLS UPDATE:

S.B. 26 – Water Banking Amendments (Rep. Hawkes & Sen. Iwamoto) – Passed 2/12/20.

S.B. 51 – Secondary Water Requirements (Sen. Anderegg) - Passed the Senate and is on the third reading in the House. Exempts counties from the 3rd-6th class.

S.B. 52 – Agricultural Water Use Amendments (Sen. Anderegg) – Will likely not go through this year.

Ms. Simmonds asked if there are any direct impacts to Cache County. Mr. Daugs said he does not see any negative effects. H.B. 166 Water Shed Councils *73.10g-303 (1) the Bear River Watershed, comprised of the portions of Box Elder, Cache, Rich, and Summit counties that drain into the Bear River or Great Salt Lake;* will provide another group to interact with to discuss water issues, which will be beneficial. Long term, metering will be good for Cache County, there needs to better way to measure water. Mr. Erickson pointed out that water is being metered and he has some concern that this bill may be too intrusive. Well water and river tributaries are metered by commissioners. Mr. Daugs said it will be good to have more accurate information to know what is actually being used. The details will need to be worked out.

APPOINT RECORDS OFFICER

Mr. Daugs explained that in order to meet state law and provide annual training, a Record's Officer must be appointed. He recommended that this assignment be given to the Treasurer, as part of his/her duties.

MOTION: Mr. Clawson moved to assign the Record's Officer duties to the Treasurer. Mr. Erickson seconded the motion. Motion approved unanimously (8-0).

Aye: Baldwin, Clark, Clawson, Erickson, Hardman, Lindley, Pierce, Simmonds
Nay:
Absent: Dustin, Olsen, Randall

SUBCOMMITTEE MEETING SCHEDULE

Subcommittees will begin meeting quarterly. It was determined that the third Monday of each month works well. Mr. Daugs will begin scheduling those meetings and provide a schedule at the next meeting (Action Item)

HOME & GARDEN SHOW BOOTH VOLUNTEER SIGN-UP (March 20-21)

Mr. Daugs will be there both days. Mr. Lindley and Mr. Hardman offered to help. Mr. Daugs will send out a reminder for participation from 1:00-8:00 p.m. on Friday and 10:00 a.m. – 6:00 p.m. on Saturday.

SLOW THE FLOW CAMPAIGN

A new agreement, for the next five years, needs to be signed. The cost is ~$10,000 for participation. This is a statewide campaign effort to reduce water use and help the public understand the benefits of water and conservation. Mr. Clawson expressed concern with protection for storage water. Mr. Clark agreed that there is a gap between water rights and conservation that needs to be bridged, especially protecting ag water. Education is an important element. Mr. Daugs said cities are protected, however water law will change over time to address this concern. Mr. Hardman said the key benefits from this include advertising, public outreach and rebate programs.

MOTION: Ms. Simmonds moved approve participation in the Slow the Flow statewide campaign for the next five (5) years. Mr. Clawson seconded the motion. Motion approved unanimously (8-0).

Aye: Baldwin, Clark, Clawson, Erickson, Hardman, Lindley, Pierce, Simmonds
Nay:
Absent: Dustin, Olsen, Randall

UPCOMING NORTHERN UTAH WATER CONFERENCE

There will be a presentation on the Bear River Development, Rep. Hawkes will present on the Great Salt Lake and smaller sessions will include a water update from the NRCS. Water Banking was addressed last year so it was decided to revisit that issue again next year.

ELECTIONS

Those up for re-election include:

- David Erickson – At-Large Position
- Scott Clark - Logan #2 Council District
- Jared Clawson – At-Large Position
- Jeannie Simmonds – Logan #1 Council District
- Max Pierce – North Council District

Don Baldwin is appointed by the County Council.

The filing period is March 13-19, 2020.

VEHICLE DISCUSSION

Ms. Simmonds has done some research for a potential vehicle lease. Logan City purchases vehicles under a state contract, the agreement is that the dealership purchases the vehicles back annually. A small SUV would be an initial outlay of $37,000-40,000. When vehicles are turned back in, it is usually for $1,000 less than the purchase price. The maintenance is taken care of. She will do more research about the state procurement process. Current mileage reimbursement annually is approximately $6,000. Long-term this will be a more cost-effective approach. Mr. Daugs will present a vehicle policy for review next month and Ms. Simmonds will research more information. (Action Item).

PRESENTATION – WATER BANKING STUDY (USU)

Joanna Endter-Wada provided the presentation. See - **Attachment 2** -

ADOURN

The meeting adjourned at 7:10 p.m.

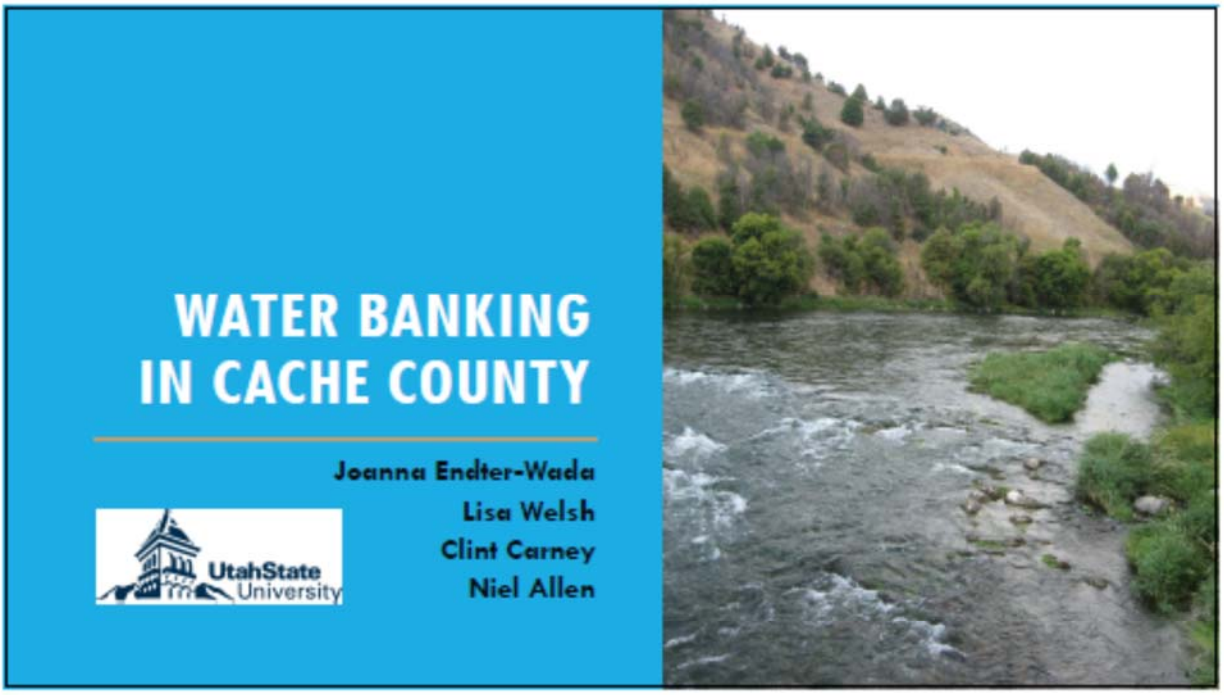
-Attachment 1-

6:04 PM
03/02/20
Accrual Basis

Cache Water District
Profit & Loss Budget vs. Actual
January through December 2020

	Jan - Dec 20	Budget	% of Budget
Ordinary Income/Expense			
Income			
Cache County	0.00	275,000.00	0.0%
Total Income	0.00	275,000.00	0.0%
Gross Profit	0.00	275,000.00	0.0%
Expense			
Office			
Bank Charges	3.00		
Insurance and Bonding	0.00	5,000.00	0.0%
Office Furnishings	60.00	2,500.00	2.4%
Office Supplies	232.74	2,000.00	11.6%
Publications	0.00	4,500.00	0.0%
Rent	5,400.00	6,000.00	90.0%
Technology	0.00	3,000.00	0.0%
Vehicle	0.00	15,000.00	0.0%
Total Office	5,695.74	38,000.00	15.0%
Outreach			
Conservation	0.00	30,000.00	0.0%
Dues	0.00	2,500.00	0.0%
Sponsorships	0.00	3,000.00	0.0%
Training	0.00	6,000.00	0.0%
Website	0.00	2,000.00	0.0%
Total Outreach	0.00	43,500.00	0.0%
Personnel			
Salary and benefits	2,563.66	130,000.00	2.0%
Travel and Mileage	295.80	15,000.00	2.0%
Total Personnel	2,859.66	145,000.00	2.0%
Professional Fees			
Attorney Services	0.00	30,000.00	0.0%
Audit	0.00	7,000.00	0.0%
Financial Services	18.00	10,000.00	0.2%
Total Professional Fees	18.00	47,000.00	0.0%
Project funding			
ASR Studies	0.00	24,999.96	0.0%
Bear River Development	0.00	5,000.04	0.0%
Cloud Seeding	6,370.00	52,000.00	12.3%
Secondary Irrigation	0.00	24,999.96	0.0%
Seepage Loss Studies	0.00	2,500.00	0.0%
Water Master Plan	6,224.00	10,000.00	62.2%
Water Studies			
Water Banking	0.00	10,000.00	0.0%
Water Studies - Other	0.00	50,000.00	0.0%
Total Water Studies	0.00	60,000.00	0.0%
Total Project funding	12,594.00	179,499.96	7.0%
Total Expense	21,167.40	452,999.96	4.7%
Net Ordinary Income	-21,167.40	-177,999.96	11.9%
Net Income	-21,167.40	-177,999.96	11.9%

-Attachment 2-



STUDY BACKGROUND

Purpose:

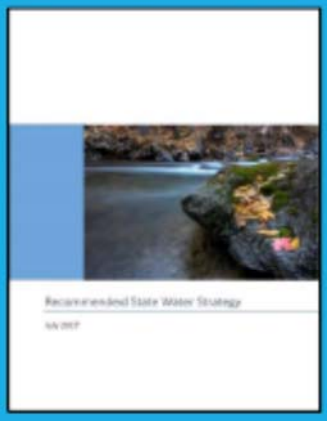
Provide information to the CWD on how a water bank in Cache County could be designed and structured, and under what rules and procedures it could be operated to successfully meet the needs of water users in Cache County.

CACHE WATER MASTER PLAN

5-year action plan for 2020-2024 that articulates some important county-level water management goals.

Water banking as one of the eight focus areas to:

- Protect water rights and supplies
- Bank water rights
- Provide adequate reliable irrigation supplies
- Improve understanding of environmental water needs



State water challenges and eleven key policy areas:

1. Role of water **conservation and efficiency**
2. **Developing water supplies** to meet increasing demands
3. Water for **agricultural lands and food production**
4. Preserving **natural systems**
5. Protecting and sustaining the **quality of Utah's water**
6. Plans, funds and innovation regarding **water infrastructure**
7. Impacts of weather and **changing climate**
8. Optimizing water resources to **sustain the economy and quality of life** in Utah
9. Frameworks for **modernizing Utah water law & policy**
10. **Role of policy makers** at all levels of government
11. Roles for **science, technology, and innovation**

Discussion of water banks in this Recommended State Water Strategy:

3. Water for agricultural lands and food production

3.5. Create mechanisms that help agricultural water users contribute to improving water quantity and quality management

4. Preserving natural systems

4.2 Expand tools to protect instream flows (and lake levels)
4.5 Facilitate development of environmental water markets

9. Frameworks for modernizing Utah water law & policy

9.5 Facilitate temporary transfers of water
- tool to increase efficiency in use of existing water supplies under prior appropriation

9.6 Allow water right holders to subordinate water rights
- through voluntary arrangements to mitigate groundwater basin overdraft
- helps make transactions and costs of water more transparent
- water right holders can make their unused water available for other uses

POLICY DESIGN THEORY (SCHNEIDER AND INGRAM)

"… policy must serve multiple goals of solving problems, reflecting interests, being accountable, serving justice and engaging and enlightening citizens."

Water banking is one item in a larger discussion of Utah's challenging water future that has become increasingly public.

"… policies are not simply the random and chaotic product of a political process … public policies have underlying patterns and logic, and the ideas included in policies have real consequences."

Much forethought is needed to design water banking institutions and how they will interact with other existing institutions (e.g., irrigation companies).

"… policy is constantly evolving…."

Water banking will require flexibility and adaptability over time.

"… policies fit into contexts….the analysis of designs requires acute sensitivity to context"

Water banks have and will continue to vary in response to diverse contexts and needs.

"… policy designs should be evaluated separately and independently from the processes that produced them"

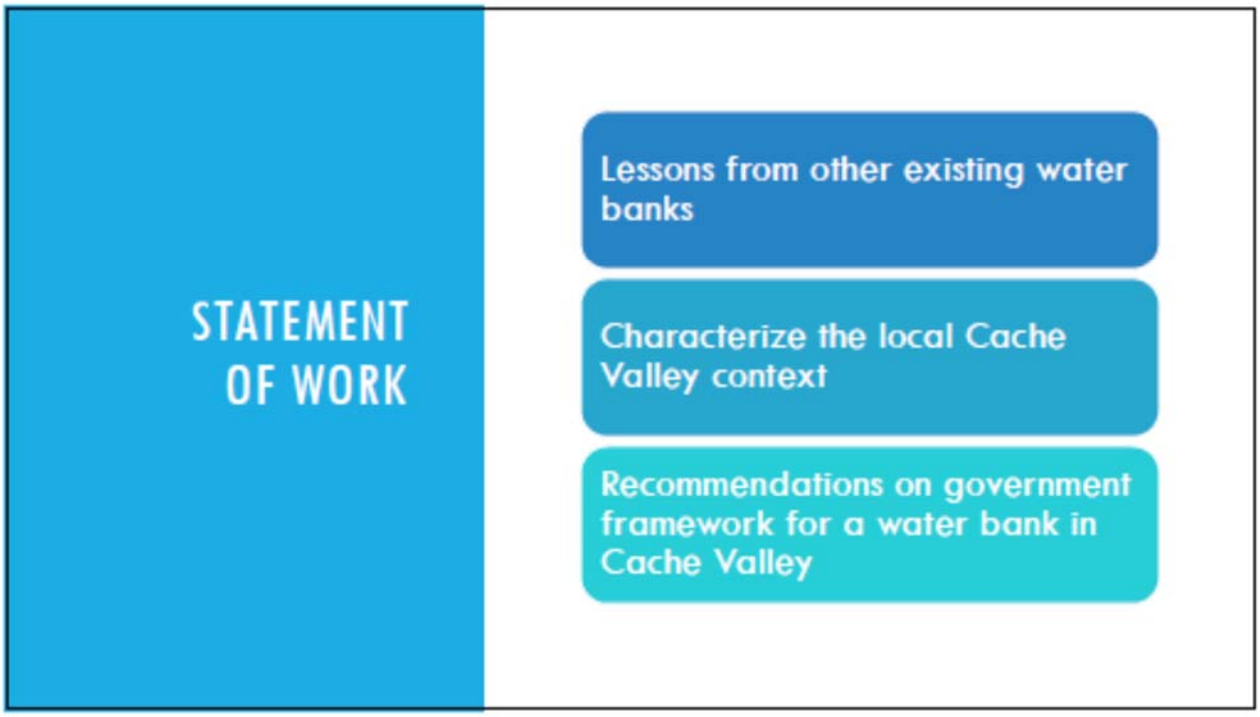
What will be their measures of success?

We suggest it will be how well they achieve the first point above.

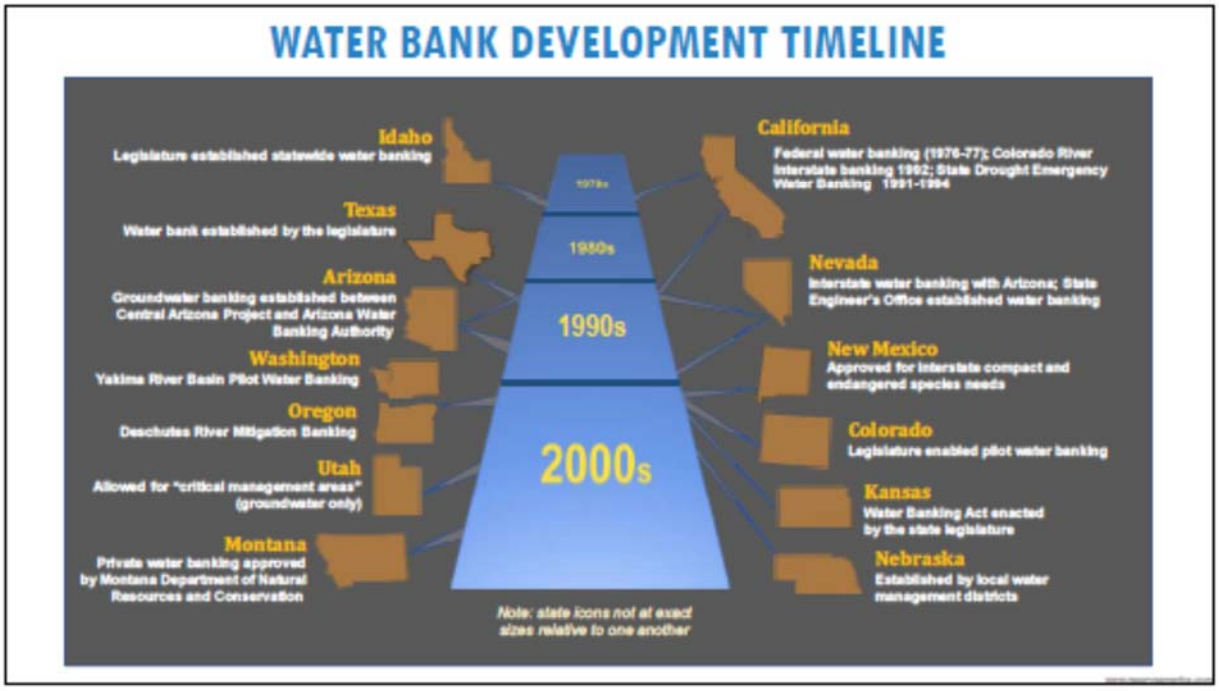
POLICY DESIGN THEORY (SCHNEIDER AND INGRAM)

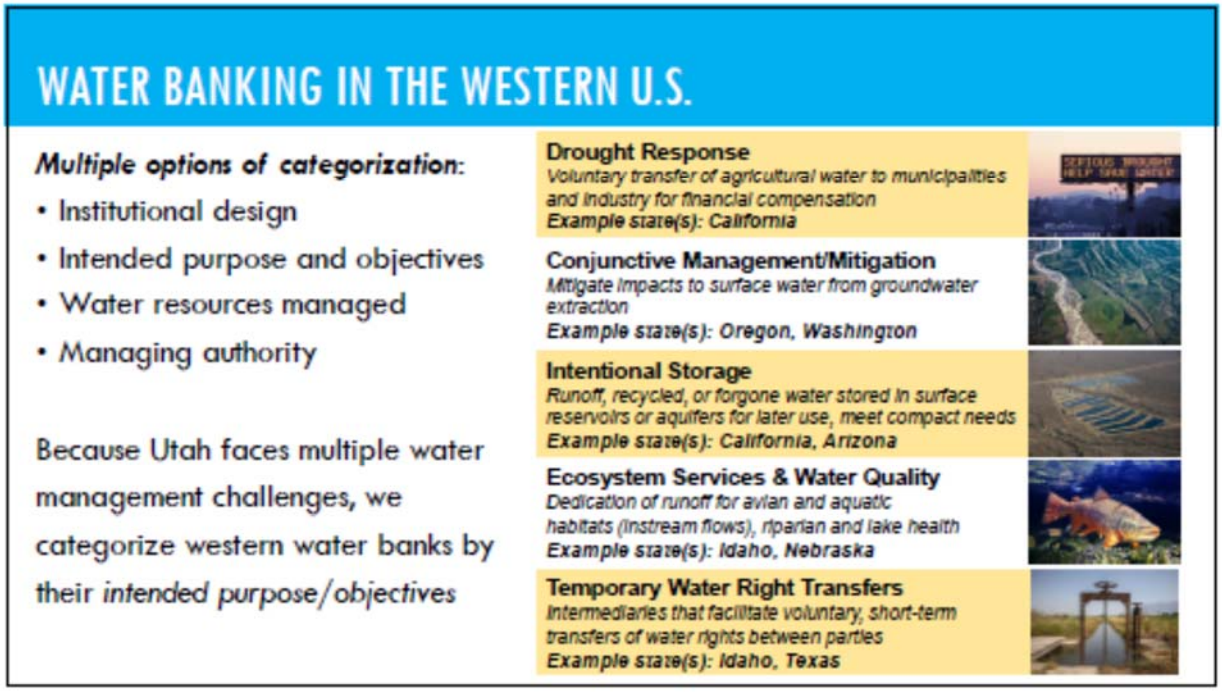
Issues that people proposing water banks will need to address:

- Target populations (recipients of benefits and burdens)
- Goals or problems to be solved (values to be distributed)
- Agents and implementation structures
- Rules (that guide or constrain action)
- Rationales (that explain or legitimate the policy)
- Assumptions (logical connections that tie the other elements together)


STATEMENT OF WORK
Lessons from other existing water banks
Characterize the local Cache Valley context
Recommendations on government framework for a water bank in Cache Valley


LESSONS FROM OTHER EXISTING WATER BANKS


WATER BANK DEVELOPMENT TIMELINE
Idaho
Legislature established statewide water banking
Texas
Water bank established by the legislature
Arizona
Groundwater banking established between Central Arizona Project and Arizona Water Banking Authority
Washington
Yakima River Basin Pilot Water Banking
Oregon
Deschutes River Mitigation Banking
Utah
Allowed for "critical management areas" (groundwater only)
Montana
Private water banking approved by Montana Department of Natural Resources and Conservation
1970s
1980s
1990s
2000s
California
Federal water banking (1976-77); Colorado River interstate banking 1992; State Drought Emergency Water Banking 1991-1994
Nevada
Interstate water banking with Arizona; State Engineer's Office established water banking
New Mexico
Approved for interstate compact and endangered species needs
Colorado
Legislature enabled pilot water banking
Kansas
Water Banking Act enacted by the state legislature
Nebraska
Established by local water management districts
Note: state icons not at exact sizes relative to one another


WATER BANKING IN THE WESTERN U.S.
Multiple options of categorization:
• Institutional design
• Intended purpose and objectives
• Water resources managed
• Managing authority
Because Utah faces multiple water management challenges, we categorize western water banks by their intended purpose/objectives
Drought Response
Voluntary transfer of agricultural water to municipalities and industry for financial compensation
Example state(s): California
Conjunctive Management/Mitigation
Mitigate impacts to surface water from groundwater extraction
Example state(s): Oregon, Washington
Intentional Storage
Runoff, recycled, or forgone water stored in surface reservoirs or aquifers for later use, meet compact needs
Example state(s): California, Arizona
Ecosystem Services & Water Quality
Dedication of runoff for avian and aquatic habitats (instream flows), riparian and lake health
Example state(s): Idaho, Nebraska
Temporary Water Right Transfers
Intermediaries that facilitate voluntary, short-term transfers of water rights between parties
Example state(s): Idaho, Texas

WATER BANKING IN THE WESTERN U.S.

Key lessons from other states

- **Human & Technological Resources** – *Challenges noted in Idaho regarding the capacity to handle the volume of transfer requests in a timely manner and handle quality control when working with water rights. Financial and human resources investments are critical; capacity to monitor and measure in the field is also critical.*
- **Economics** – *Water banks in Idaho are regulated in terms of price, but new banks must decide how water pricing and administrative fees will be structured, and how the bank will be funded to operate effectively.*
- **Participation** – *It has been suggested that transparency, along with a consistent and predictable lease/rental process, will increase the likelihood of water bank participation.*

WATER BANKING IN THE WESTERN U.S.

Key lessons from other states (cont.)

- **Water Bank Responsiveness** – *A constant challenge persists in ensuring that water right transfer approvals occur in a timely manner to be effective and impactful for bank participants.*
- **Institutional Rules** – *Water bank rules must be clearly articulated to minimize confusion amongst participants. Attempts at water banking in southeastern Colorado failed because of confusion regarding who could participate and in what ways, what water rights were involved, and a distrust of who and how the water bank was administered.*
- **Water Rights Education** – *Bank operators and participants must have a fundamental understanding of how water rights work under state water law and how the bank handles water transfers.*

CHARACTERIZE THE LOCAL CACHE VALLEY CONTEXT

Semi-structured interviews and discussions to address:

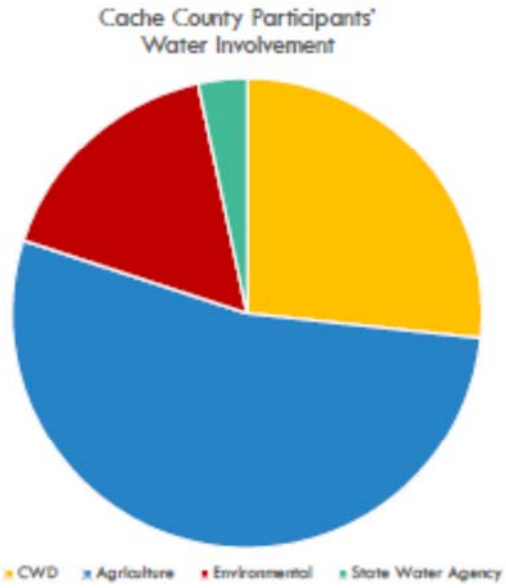
1. motivations, opportunities, and risks behind creating a water bank;
2. options for the structure and operation of a proposed water bank;
3. incentives and conditions needed for water users to participate in a water bank; and
4. visions for a CWD water bank in the near- and long-term futures.

CACHE COUNTY INTERVIEW PARTICIPANTS

67 total interviews

Half from Cache County

Four main types of primary water involvement



GOALS OF WATER BANKING IN CACHE VALLEY

- Maintain access to water
- Gain access to water
- Control access to water

WATER BANKING TO MAINTAIN ACCESS

- A funding source to help canal companies make improvements on their systems, including piping and metering
- A way for water right holders to gain flexibility in their operations without losing their water rights
- A method to encourage conservation and more efficient practices
- A way to put water to beneficial use

"For example, when a farmer switches from flood irrigation to sprinkler irrigation to pivot… each step of that way, he uses less water. But he doesn't get to use the water that he saves for something else. The water right is point of diversion and use and all of that stuff. So [a water bank] enables him to go ahead and make the decisions to get better, to do things that benefit the public without the fear of losing an asset. So it [a water bank] makes those decisions more rational, it seems to me." ~ Interviewee

WATER BANKING TO GAIN ACCESS

- To obtain more water for agricultural operations
- To lease water for instream flows and other environmental uses of water
- To get water to the west side of Cache Valley
- For cities to mitigate the development of additional groundwater supplies

"So let's say that [the State Engineer] never recognizes that instream flow is a beneficial use. But if we own it and if we can bank it and we decide that our storage vault is going to be instream flow, then yeah. I mean, I would rather that the state recognize instream flow as a beneficial use." ~ Interviewee

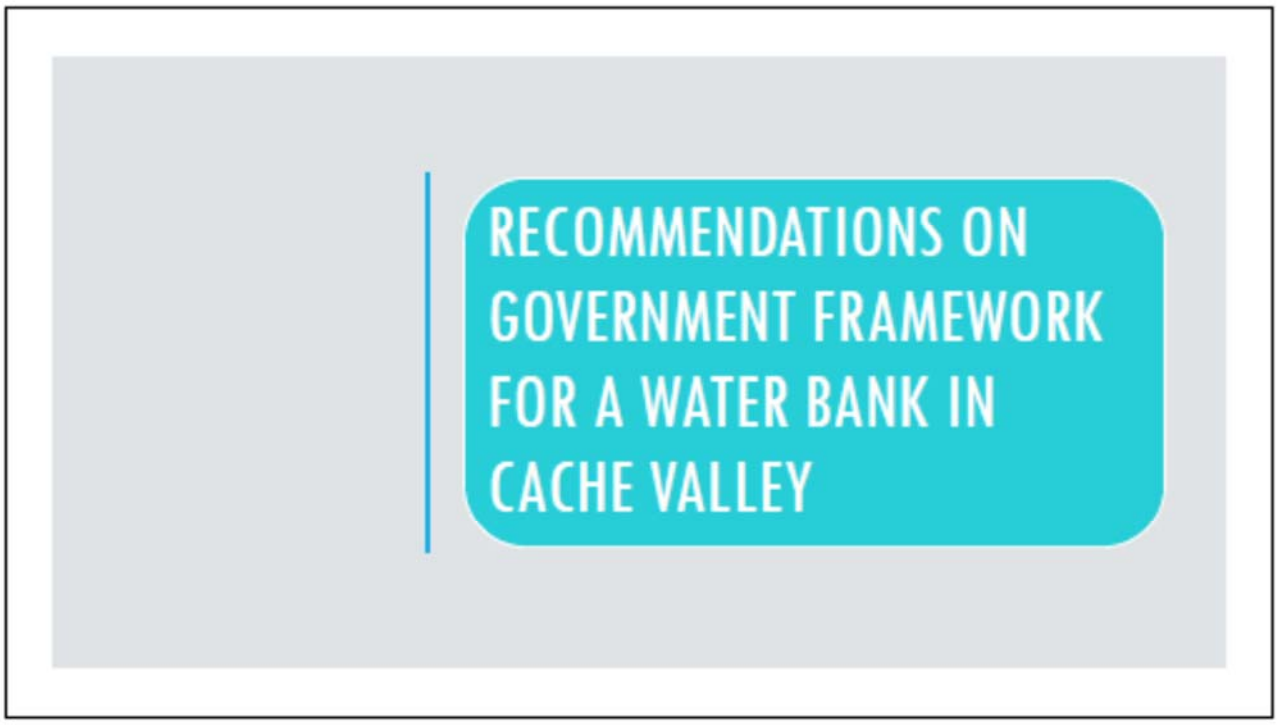
WATER BANKING TO CONTROL ACCESS

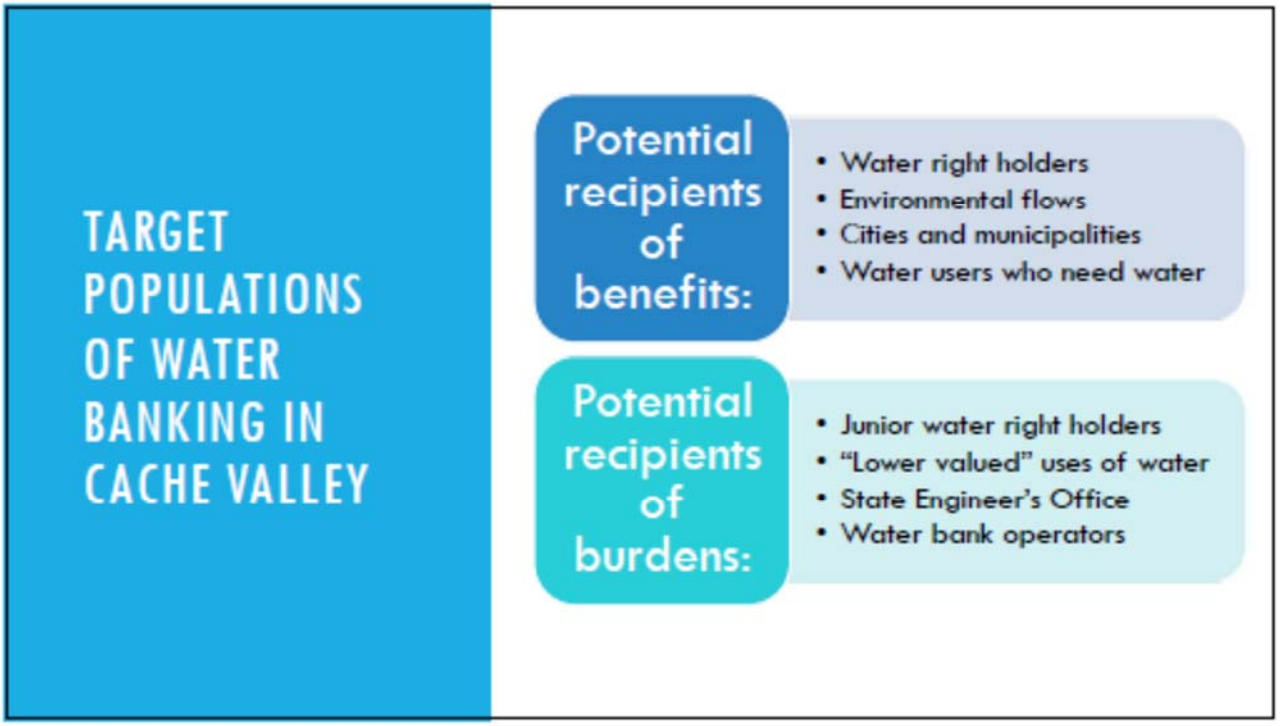
- A way for Cache County to put all rights to water to use so that it is not taken away via forfeiture or flows south of the valley and not made inaccessible when use is needed in the county
- A way for Cache County to protect its Bear River Development allocation in Utah to ensure its own water future

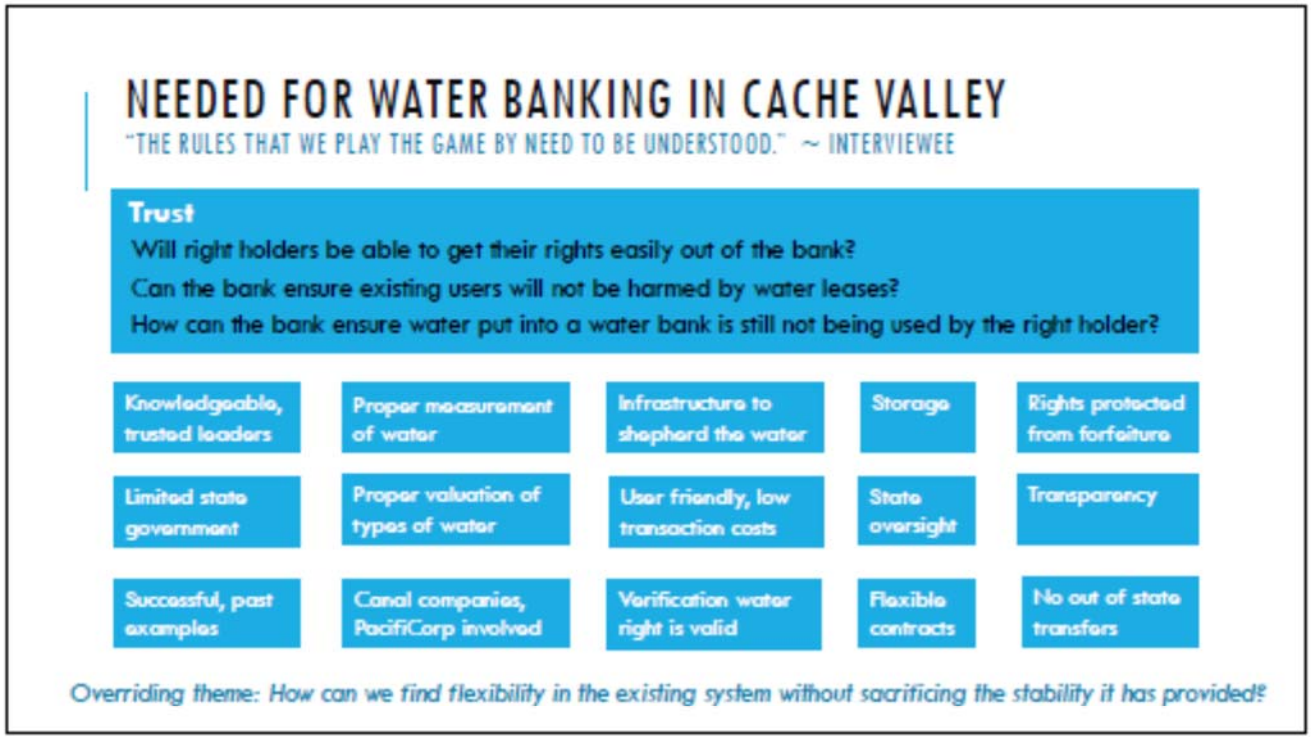
"In other words, we can maintain the 60,000 acre feet we got in the Bear River. We can keep it and develop it as we need it for population growth. Without the water bank, we couldn't do that." ~ Interviewee

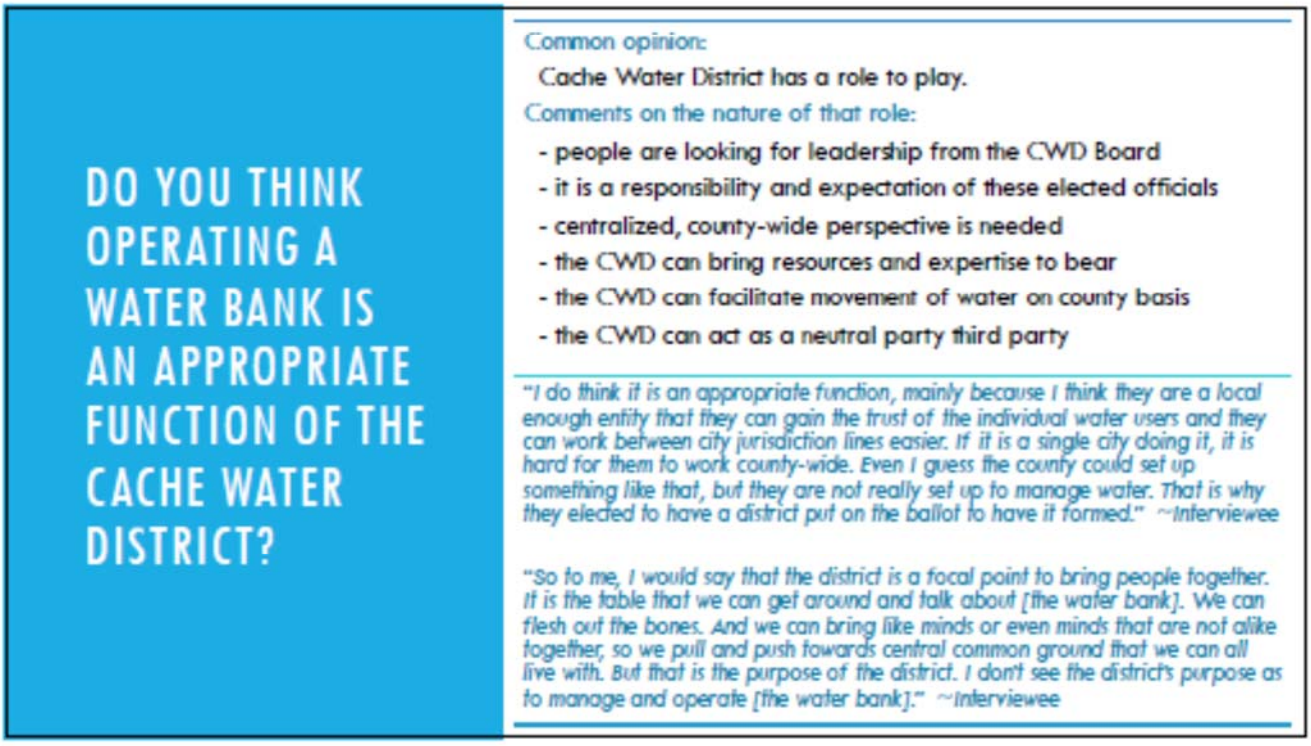
OTHER TOOLS MENTIONED TO MEET THESE GOALS

- Storage
- Conservation
- Instream flow legislation
- Planning
- Increased irrigation efficiency
- Metering
- Improved water delivery systems
- Education
- Collaboration and partnerships with other water users
- Tiered water rates
- Water reuse
- Limits to growth


RECOMMENDATIONS ON GOVERNMENT FRAMEWORK FOR A WATER BANK IN CACHE VALLEY


TARGET POPULATIONS OF WATER BANKING IN CACHE VALLEY
Potential recipients of benefits:
• Water right holders
• Environmental flows
• Cities and municipalities
• Water users who need water
Potential recipients of burdens:
• Junior water right holders
• "Lower valued" uses of water
• State Engineer's Office
• Water bank operators


NEEDED FOR WATER BANKING IN CACHE VALLEY
"THE RULES THAT WE PLAY THE GAME BY NEED TO BE UNDERSTOOD." ~ INTERVIEWEE
Trust
Will right holders be able to get their rights easily out of the bank?
Can the bank ensure existing users will not be harmed by water leases?
How can the bank ensure water put into a water bank is still not being used by the right holder?
Knowledgeable, trusted leaders
Proper measurement of water
Infrastructure to shepherd the water
Storage
Rights protected from forfeiture
Limited state government
Proper valuation of types of water
User friendly, low transaction costs
State oversight
Transparency
Successful, past examples
Canal companies, PacifiCorp involved
Verification water right is valid
Flexible contracts
No out of state transfers
Overriding theme: How can we find flexibility in the existing system without sacrificing the stability it has provided?


DO YOU THINK OPERATING A WATER BANK IS AN APPROPRIATE FUNCTION OF THE CACHE WATER DISTRICT?
Common opinion:
Cache Water District has a role to play.
Comments on the nature of that role:
- people are looking for leadership from the CWD Board
- it is a responsibility and expectation of these elected officials
- centralized, county-wide perspective is needed
- the CWD can bring resources and expertise to bear
- the CWD can facilitate movement of water on county basis
- the CWD can act as a neutral party third party
"I do think it is an appropriate function, mainly because I think they are a local enough entity that they can gain the trust of the individual water users and they can work between city jurisdiction lines easier. If it is a single city doing it, it is hard for them to work county-wide. Even I guess the county could set up something like that, but they are not really set up to manage water. That is why they elected to have a district put on the ballot to have it formed." ~Interviewee
"So to me, I would say that the district is a focal point to bring people together. It is the table that we can get around and talk about [the water bank]. We can flesh out the bones. And we can bring like minds or even minds that are not alike together, so we pull and push towards central common ground that we can all live with. But that is the purpose of the district. I don't see the district's purpose as to manage and operate [the water bank]." ~Interviewee

2020 WATER BANKING LEGISLATION: S.B. 26 AS AMENDED

- Sponsors: Sen. Jani Iwamoto and Rep. Timothy D. Hawkes
  https://le.utah.gov/~2020/bills/static/SB0026.html
- Enacts Water Banking Act as Chapter 31 in Utah's water law code (Title 73)
- Provides for establishment of statutory water banks and contract water banks
- Defines the objectives of water banks
- Specifies procedures for applying to establish a water bank
- Contains provisions for reporting and public notification, meetings, comments
- Trial period until December 31, 2030

S.B. 26 AS AMENDED: OBJECTIVES OF WATER BANKS (73-31-104)

The objectives in creating a water bank are to:

(1) promote:

(a) the optimal use of the public's water;

(b) transparency and access to water markets;

(c) temporary, flexible, and low cost water transactions between water users; and

(d) Utah's agricultural economy by providing access to water resources and income for Utah's agricultural industry; and

(2) facilitate:

(a) robust and sustainable agricultural production while meeting growing municipal and industrial water demands, such as fallowing arrangements;

(b) water quality improvement;

(c) water rights administration and distribution; and

(d) a healthy and resilient natural environment.

S.B. 26 AS AMENDED: HOW A STATUTORY WATER BANK WILL OPERATE

- Section 73-31-202(1)(h)
  Contains six important operational provisions related to how a bank will:
  - determine and fund administrative costs
  - design, facilitate and conduct transactions
  - accept, reject, manage banked water rights
  - accept, review, and approve delivery requests
  - ensure aggregate loaned water does not exceed total banked water
  - resolve complaints
- Important decisions and responsibilities on how to allocate public's water
- The bank is not just a brokerage house but a tool to use financial incentives to move blocks of water to desired and socially beneficial uses

WATER BANK CONSIDERATIONS

1) Prior appropriation doctrine is the basis for Utah water law and how users gain and maintain water access.

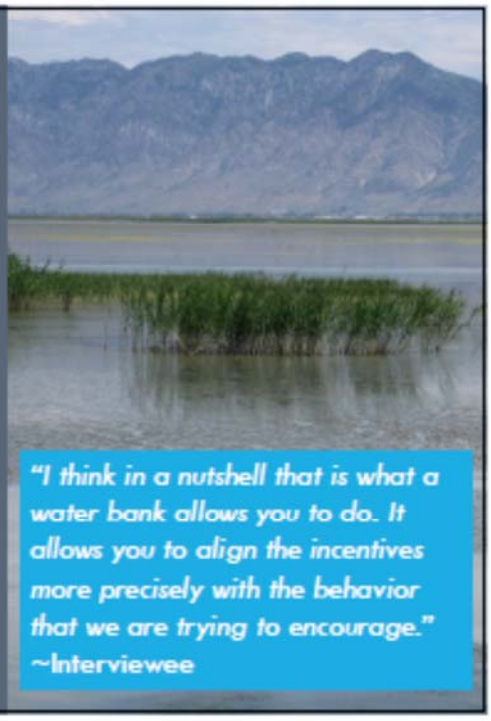
How can water banks honor it while also incorporating other legal doctrines and principles (such as trust considerations in public ownership of water)?

"So in theory [a water bank] should allow for people concerned about the Great Salt Lake [to gain access]. It should allow more water to go where people want to put the money. … There are [other strategies besides water banking], but most of them just get you in trouble in a state like this … To think that prior appropriation is going away would be foolish."
~ Interviewee

WATER BANK CONSIDERATIONS

2) Methods to reallocate water are being debated and studied to meet needs not currently met under existing allocations.

What role will water banks play in helping to meet new needs in a changing context?



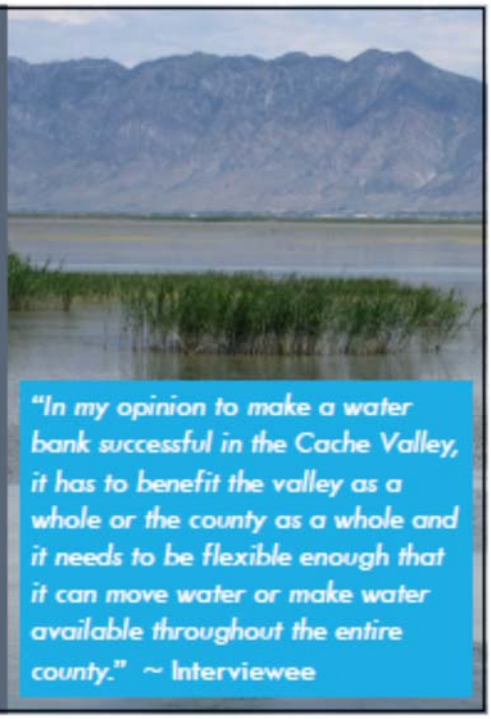
"I think in a nutshell that is what a water bank allows you to do. It allows you to align the incentives more precisely with the behavior that we are trying to encourage." ~Interviewee

WATER BANK CONSIDERATIONS

3) Challenges remain in accessing water: infrastructure, "new" uses, population growth, drought, climate change.

As we address those challenges, whose interests will be served?

How will private and public interests be coordinated?

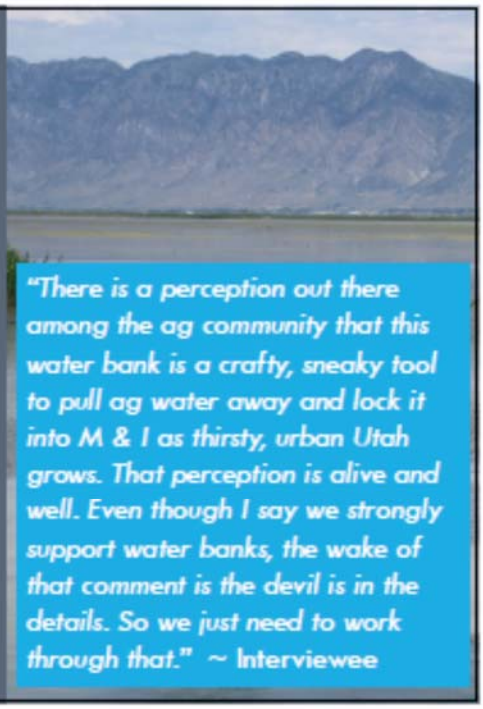


"In my opinion to make a water bank successful in the Cache Valley, it has to benefit the valley as a whole or the county as a whole and it needs to be flexible enough that it can move water or make water available throughout the entire county." ~ Interviewee

WATER BANK CONSIDERATIONS

4) Water banking has the potential to promote more water access in Cache County through greater flexibility while recognizing prior rights and infrastructure that went into developing those rights.

How will water banks address questions of water access:
- who will have it, under what conditions, for what purposes?
- how will access be provided to uses currently without it?

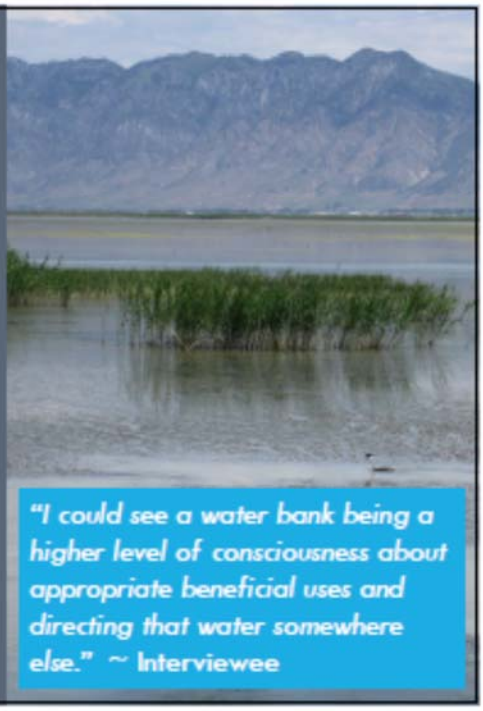


"There is a perception out there among the ag community that this water bank is a crafty, sneaky tool to pull ag water away and lock it into M & I as thirsty, urban Utah grows. That perception is alive and well. Even though I say we strongly support water banks, the wake of that comment is the devil is in the details. So we just need to work through that." ~ Interviewee

WATER BANK CONSIDERATIONS

5) As individual water banks are created in Utah, local water users have the opportunity to decide how they want to reallocate water by carefully thinking through policy design elements.

What will be the process for designing water banks so that the outcomes fulfill the opportunities people hope water banks will provide without experiencing unintended consequences?



"I could see a water bank being a higher level of consciousness about appropriate beneficial uses and directing that water somewhere else." ~ Interviewee