



MEMORANDUM

Project No.: 160006

July 15, 2016

To: Mike Hermanson – Spokane County Environmental Services

cc: Rob Lindsay – Spokane County Environmental Services

From: Carl Einberger, LHG, Aspect Consulting, LLC
Dan Haller, PE, Aspect Consulting, LLC

Re: **Summary of Policy Advisory Group Meeting #2 (6/23/16)**
Little Spokane Water Banking Feasibility Study – Phase II

Background

Spokane County (the County), in conjunction with Stevens and Pend Oreille Counties (WRIA 55 Tri-Counties), is establishing a water bank to address existing and potential regulatory constraints on existing and new water use, in Water Resource Inventory Area (WRIA) 55, the Little Spokane Watershed. Considerable uncertainty exists regarding the future legal, regulatory, and policy environment that regulation of water resources in WRIA 55 will be subject to. In response to this uncertainty, the WRIA 55 Tri-Counties are developing a water bank to provide more certainty to existing and new water uses in the basin.

As part of this process, the County has convened a Policy Advisory Group (PAG) to allow interagency and stakeholder coordination and evaluation of alternatives for water banking in the watershed. Aspect Consulting LLC (Aspect) has been engaged by the County to evaluate the feasibility of setting up a water bank (Phase I) and is now providing consulting services for implementing the water bank (Phase II), including coordinating and moderating ongoing PAG meetings for the County.

Overview of Meeting Agenda

The second PAG meeting for the water bank implementation phase occurred on June 23, 2016, at the Riverside Fire Station (Spokane Fire District 4). The following agenda was included in the meeting:

- Water Bank Seeding/Procurement Update
- Status of Pending Grant Applications
- Pending Tri-County Resolution on Water Bank Participation
- PAG input on Business Rules/Pending Water Bank Decisions/Additional Resolutions
- Example Mitigation Certificate
- Business Rules – Next Steps

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- Public Outreach Planning/Schedule

Aspect prepared a PowerPoint presentation to guide the meeting discussion (attached).

PAG Attendees

A list of PAG members present at PAG Meeting #2 follows:

Nancy McLaughlin, Spokane County Commissioner
Karen Skoog, Pend Oreille County Commissioner
Wes McCart, Stevens County Commissioner
Mike Hermanson – Spokane County Environmental Services
Rob Lindsay – Spokane County Environmental Services
Mike Lithgow, Pend Oreille County Community Development
Keith Stoffel, Department of Ecology
Ty Wick, Spokane County Water District #3
Susan McGeorge, Whitworth Water District
Charisse Willis, Stevens PUD
Ken Merrill, Kalispel Tribe Natural Resources Department

Gene St. Godard of WNR Group, and Bob Eugene, Pend Oreille County citizen, also attend the meeting.

Dan Haller and Carl Einberger of Aspect attended in their roles as the County's consultants on this project. Dan served as the moderator of the meeting, and Dan and Carl led portions of the meeting discussion.

Meeting Summary

Key topics addressed in the discussion are summarized below, and additional information can be found in the attached presentation:

- The meeting opened with a water bank seeding update. In this regard, a network of water professions is being consulted, including county conservancy board members. Potential engagement of a real estate agent is also under consideration, and a blend of market opportunities and target acquisitions from previous ranking being explored.
- Spokane County was recently notified that the application submitted under the Bureau of Reclamation's Drought Resiliency Project Grant Program was approved for the requested amount of \$275,000. This will fund development of a coupled groundwater/surface water model for the basin to support the scientific management framework of bank.
- Spokane County, on behalf of the WRIA 55 Tri-Counties, recently submitted a grant request to the Washington Department of Ecology's (Ecology's) Office of the Columbia River (OCR) to provide \$250,000 water service contract to support establishment of a WRIA 55 water bank through funding of bank seeding. Of this total, \$225,000 would be returned to OCR over time as purchases of mitigation certificates from the water bank proceed. The remaining \$25,000 would be used to support due diligence efforts prior to water right purchases.

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- An initial resolution on bank establishment is pending with the WRIA 55 Tri-Counties individual Board of County Commissioners (BOCCs). Key language includes:
 - Now therefore, be it resolved by the Board of County Commissioners of (Spokane/Stevens/Pend Oreille) County, Washington, that the Board does hereby agree to proceed cooperatively in forming a Tri-County (Spokane, Stevens, and Pend Oreille Counties) water bank for WRIA 55, including development of business rules and contractual mechanisms to support establishment and operation of the water bank.
- An overview of the need for water bank business rules was provided to the PAG, with the primary goal of this PAG meeting to obtain feedback for drafting of initial business rules. A detailed discussion of business rules followed. A summary of initial recommendations made by Aspect to the PAG follows:
 - Agree upon central accounting entity for bank management.
 - Initial recommendation for discussion: *Spokane County will serve as the central accounting entity*
 - An Oversight Board for the bank should be established
 - Initial recommendation for discussion: *The Board will consist of one member from each county, along with one rotating commissioner*
 - Will the counties use a interlocal agreement or other mechanisms to support the overall bank management structure?
 - Initial recommendation for discussion: *An interlocal agreement will be the mechanism for Tri-County bank management*
 - Will administrative costs be discounted or is full cost-recovery the goal?
 - Initial recommendation for discussion: *Full cost-recovery will be incorporated into mitigation credit pricing*
 - Will counties seek to balance bank debits within each county with the percentage of funding provided by each county for bank seeding?
 - Initial recommendation for discussion: *The bank goal should be to balance bank debits consistent with funding levels, except for short term 'loans'.*
 - Who is the water bank going to sell to initially?
 - Initial recommendation for discussion: *The bank will focus on voluntary exempt well mitigation only, with a case by case decision for other uses.*
 - Establish goals for water bank longevity
 - Initial recommendation for discussion: *The bank should focus on smaller mitigation packages to allow for great bank longevity*

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- Should water metering of bank users be mandatory?
 - Initial recommendation for discussion: *Metering will not be required, but a contingency of 15% will be added to mitigation quantities*
- Water use efficiency: Will requirements be in place that limit mitigation to new construction with modern, water efficient construction?
 - Initial recommendation for discussion: *Assuming the water bank is limited to new exempt well use, construction standards are already in place in county codes.*
- Establish mitigation packages that will be offered:
 - Initial recommendation for discussion: 3 packages will be offered that can be used in combination (all include 15% contingency for no metering requirement):
 - Package A - indoor use: 275 gal/day + 15% contingency (316 gal/day)
 - Package B - outdoor use: 500 ft² of irrigated landscape (26 gal/day assumed) + 15% contingency (30 gal/day)
 - Package C - stockwater (12 gal/day per head assumed) + 15% contingency (14 gal/day)
 - No allowances will be included for seasonal occupancy.
- Preventing speculation through mitigation certificate expiration period.
 - Initial recommendation for discussion: *Parity with expiry clause on building permits. Subdivisions will not be included at this time, given the long development time frame, and will be integrated into the process over time.*
- Are there priority areas for bank service?
 - Initial Recommendation for Discussion – *Supply side driven, beyond that to be established by future business rules*
- What tributary basin water limitations will be established?
 - Initial recommendation for discussion: *Preference is for portability and flexibility. Tributary and downstream mainstem use should both be allowable from tributary bank seeding.*
- Discussion of individual business rules was followed by outline the next steps to establish the rules:
 - The agreed upon business rules will be incorporated into draft resolution language for consideration by the WRIA 55 Tri-Counties BOCCs.

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- A briefing will be provided to county commissioners on business rule recommendations and why they are proposed for adoption
- The goal will be to adopt business rules through county resolutions in late-summer or early fall of 2016.
- The meeting closed with a discussion of public outreach options, including mailings, workshops, websites, and appropriate timing for initiating this process.
- Open discussion among the PAG was conducted over the course of the meeting. Key discussion points focused on establishment of business rules. Based on these PAG discussions, it is Aspect's understanding that the overall consensus of the PAG suggested the following business rules for potential adoption. These will be reviewed by the WRIA 55 Tri-Counties' BOCCs and may be modified before adoption:
 - Central water bank accounting of mitigation credits and debits will be conducted by Spokane County Environmental Services.
 - An Oversight Board will be convened for the water bank to make decisions regarding ongoing financial and operational procedures. The Oversight Board will consist of one commissioner each, or another BOCC designee, from the WRIA 55 Tri-Counties.
 - A Technical Advisory Group will be convened to address technical decisions regarding bank management and to provide recommendations to the Oversight Board. The Technical Advisory Group will be composed of representation from each of the WRIA 55 Tri-Counties.
 - An interlocal agreement will be used to establish mechanisms for WRIA 55 Tri-County cooperation to support water bank management.
 - Pricing for mitigation credits will be established with the goal of full cost-recovery for bank expenses, including staff time. Individual counties participating in the water bank reserve the right to subsidize mitigation credit costs at their discretion with the understanding that the bank will be reimbursed at full cost.
 - A goal of the water bank is to obtain sufficient water to meet demand in all of the WRIA 55 Tri-Counties. In this regard, management of the water bank will seek to match initial bank seeding with where growth will actually occur, which may not be limited to the county of origin for bank seeding. The water bank will be managed with the goal of providing each county access to water from the bank.
 - Individual county decisions on management of bank assets (mitigation certificates) will be commensurate with the level of county investments in bank seeding. The water bank will initially focus on voluntary exempt well mitigation only. Case-by-case decisions on other uses will be granted to each county according to their level of investment in bank seeding associated with the applicable mitigation certificates. The water bank will sell to both new and existing homeowners with exempt wells. New subdivisions that require mitigation in excess of the permit exemption will not

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be included during the initial stages of bank operation, but may be added at a later date.

- Initially, a single mitigation package will be offered to provide voluntary exempt well mitigation. The mitigation package will provide water for household indoor use, outdoor use for watering of 500 square feet of landscaping, and stockwater for three heads of stock. The mitigation package quantities associated with these uses will be established by the Technical Advisory Group and approved by the Oversight Board.
- Water use metering will not be required of water bank users. Mitigation packages will be of sufficient size to address potential overuse of water.
- In order to limit speculation, mitigation certificates will expire in a period of three years if water is not put to beneficial household use (there is inconsistency among the counties in expiry periods for building permits, and this is the shorter of the time periods).
- Initial geographic areas to be served by the water bank will be based on the availability of water bank seeding opportunities. A goal of water bank management will be to maximize portability and flexibility of mitigation use from the bank within watershed tributaries and the mainstem of the Little Spokane River.

Attachments:

Attachment 1 – Phase II PAG Meeting #2 PowerPoint Presentation

S:\Little Spokane Water Bank Phase II - 160006\PAG\LSWB PAG Phase II Meeting 2 summary.docx



WRIA 55, Phase II PAG Meeting #2

Little Spokane River Basin Water Bank Feasibility Study

June 23, 2016

Presented by



PAG Meeting #2 Agenda

- Water bank seeding/procurement update
- Pending grant applications
- Pending initial Tri-County resolution on water bank participation
- PAG input on Business Rules/pending water bank decisions/additional resolutions (**PAG action required**)
- Example mitigation certificate
- Business Rules – Next Steps/Schedule
- Public outreach planning/schedule

Bank Seeding Update

- Internal network of water professionals being consulted
- Realtor options being vetted
- A blend of market opportunities and target acquisitions from previous ranking being explored

Pending Grant Applications

- Status update on Bureau of Reclamation grant funding (decision in June or July)
- Status update on OCR grant request letter for bank seeding

Initial Resolution on Bank Establishment

- Pending before each county's BOCC
- Key Language: NOW THEREFORE, BE IT RESOLVED by the Board of County Commissioners of (insert county name) County, Washington, that the Board does hereby agree to proceed cooperatively in forming a Tri-County (Spokane, Stevens, and Pend Oreille Counties) water bank for WRIA 55, including development of business rules and contractual mechanisms to support establishment and operation of the water bank.

Looking Ahead: Business Rules - Next Steps

- **Primary goal of this meeting: Obtain PAG feedback for drafting of initial business rules.**
- **PAG input will be used to build in business rules to follow-up draft resolution language**
- **Provide briefing to county commissioners on business rule recommendations and why they are proposed for adoption**
- **Determine public feedback timing on draft bank resolution adoption procedures**
 - **Draft Resolution**
 - **Public Survey**
 - **First Public Meeting**
 - **Final Resolution Adopted**
- **Schedule goal: late-summer or early fall business rule resolution adoption**

Business Rule #1

- **Agree upon central accounting entity for bank management**
 - **Will one county take this role and serve as the ‘central banker’?**
 - **If so, what county and department will take this role on?**
 - **Need to quantify administrative costs and cost sharing mechanisms.**
- **Initial recommendation for discussion: *Spokane County will serve as the central accounting entity***

Business Rule #2

- **An Oversight Board for the bank should be established**
 - **Purpose of the board includes: addressing changes in bank operation, business rules, grant applications, and other bank decisions**
 - **Will representatives from other entities be included?**
 - **How will voting representation be handled?**
 - **Procedures and rules for the Oversight Board will need to be established**
- **Initial recommendation for discussion: *The Board will consist of one member from each county, along with one rotating commissioner***

Business Rules #3 and #4

- Will the counties use a interlocal agreement or other mechanisms to support the overall bank management structure?
- Initial recommendation for discussion: *An interlocal agreement will be the mechanism for Tri-County bank management*
- Will administrative costs be discounted or is full cost-recovery the goal?
 - Will this be used to manage users costs with goals of similar hookup fees to local purveyors, for example?
- Initial recommendation for discussion: *Full cost-recovery will be incorporated into mitigation credit pricing*

Business Rule #5

- **Will counties seek to balance bank debits within each county with the percentage of funding provided by each county for bank seeding?**
 - If so, this needs to be a component of bank accounting
- **Initial recommendation for discussion: *Yes, the bank goal should be to balance bank debits consistent with funding levels, except for short term 'loans'.***

Business Rule #6

- **Who is the water bank going to sell to initially?**
 - **Domestic use/exempt well mitigation only?**
 - **Interruptible users?**
 - **Industry?**
 - **Agriculture?**
 - **Stockwater?**
 - **All or a subset of above?**

- **Initial recommendation for discussion: *Voluntary exempt well mitigation only – with a case by case decision for other uses***

Business Rules #7

- **Water bank longevity**
 - **How long does the PAG see this bank operating?**
 - **Mitigation packages can be tailored to longevity goals.**
 - **Smaller packages will allow for greater bank longevity.**
- **Initial recommendation for discussion: *The bank should focus on smaller mitigation packages to allow for great bank longevity***

Business Rules #8 & #9

- **Should water metering of bank users be mandatory?**
 - No regulatory imperative currently exists to mandate this
 - If a metering is a condition of bank use, should the water bank be managed at 'bank-level' vs. 'customer-level'.
 - Customer over or underuse becomes less important if variance can be aggregated at bank level
- **Initial recommendation for discussion: *Metering will not be required, but a contingency of 15% will be added to mitigation quantities (discussed in Business Rule #10)***
- **Water use efficiency: Will requirements be in place that limit mitigation to new construction with modern, water efficient construction?**
- **Initial recommendation for discussion: *Assuming the water bank is limited to new exempt well use, construction standards are already in place in county codes.***

Business Rule #10

- **Establish mitigation packages that will be offered:**
 - **Domestic use:**
 - Will the bank allow indoor use only, or will lawn or other small-scale irrigation be allowed?
 - Assuming irrigation is allowed, will lawn size limits will be established?
 - Will multiple mitigation packages be offered? For example, an indoor use package and an indoor/outdoor package
 - Clarify that no exceptions for seasonal occupancy are allowed?
 - Will an average county evapotranspiration rate be used for any irrigation quantities, and lawn assumed?
 - **Other mitigation packages tailored to interruptible users, industry, etc?**

Business Rule #10 (continued)

- **Initial recommendation for discussion: 3 packages will be offered that can be used in combination (all include 15% contingency for no metering requirement):**
 - **Package A - indoor use: 275 gal/day + 15% contingency (316 gal/day)**
 - **Package B - outdoor use: 500 ft² of irrigated landscape (26 gal/day assumed) + 15% contingency (30 gal/day)**
 - **Package C - stockwater (12 gal/day per head assumed) + 15% contingency (14 gal/day)**
 - **No allowances will be included for seasonal occupancy.**

Business Rule #11

- **Preventing speculation through mitigation certificate expiration period.**
 - **Determine period for mitigation certificate to be active**
- **Initial recommendation for discussion: *Parity with expiry clause on building permits (is this consistent among the counties?). Subdivisions will not be included at this time, given long development time frame, and will be integrated into the process over time.***

Business Rule #12

- **Are there priority areas for bank service?**
 - **In part, this will be likely be driven by bank seeding opportunities**
 - **Are there subbasins that the counties would like particular emphasis on for bank establishment?**
 - **The bank will likely begin operation in only portions of the watershed.**

- **Initial Recommendation for Discussion – *Supply side driven, beyond that future business rules***

Business Rules #13

- **Tributary basin water limitations**
 - **Will bank debits associated with bank seeding in tributaries be restricted to tributary subbasin use only?**
 - **Will downstream use along mainstem be allowed from tributary seeding?**
- **Initial recommendation for discussion: *Preference is for portability and flexibility. Tributary and downstream mainstem use should both be allowable from tributary bank seeding.***

Business Rules - Next Steps

- **Build in business rules to follow-up draft resolution language**
- **Provide briefing to county commissioners on business rule recommendations and why they are proposed for adoption**
- **Determine public feedback timing on draft bank resolution adoption procedures**
 - **Draft Resolution**
 - **Public Survey**
 - **First Public Meeting**
 - **Final Resolution Adopted**
- **Schedule goal: late-summer or early fall business rule resolution adoption**

Public Outreach

- **Mailings/Questionnaire: Inform public of project goals and gauge interest in participating**
 - Inform general public
 - Targeted contacts: bank operations, field work access
- **Workshops**
 - First meeting (date TBD) to inform public on water banking process and rationale for implementation
 - Second meeting (Spring 2017) to provide more details on bank structure and opportunities to participate
- **Timing decisions:**
 - Can affect water market pricing

Example Survey Topics

- **Goal is a post-card/one-page survey that can be easily returned, with an introductory letter.**
 - **Participation in a voluntary bank questions (whether)**
 - **Price point questions (how much)**
 - **Bank operator questions (who)**
 - **Bank business rule questions (how)**
 - **Bank operation options (where)**

Open Discussion

