



# 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**

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## ***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 ft<sup>2</sup> 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