

**Oregon Water Trust**  
**Proposal to OWRD Water Supply and Conservation Initiative**  
**March 14, 2008**

**1. Kacy Curtis Markowitz, Oregon Water Trust**

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**3. Project Overview (a brief description of the project in three sentences or less)**

Oregon Water Trust (OWT) has started the process of evaluating the applicability of a water bank in Jackson County as a mechanism to effectively reallocate water to meet current and future domestic needs of the community and the flow of local streams. OWT will build on our successful efforts and continue developing the Jackson County Water Bank by: a) leasing water rights instream, b) developing an operational plan for the water bank and c) helping to staff and advising a local organization to begin making water bank transactions. We are requesting \$20,000 of financial support from the OWRD Water Supply and Conservation Initiative specifically for the planning and development of a Water Bank Operation Plan through collaboration with a broad group of local stakeholders.

**4. Description of the water supply limitations your community is facing.**

Jackson County is a fast-growing area where commercial and residential developments are displacing farms that historically have most of the rights to local water. New development, though, is also dependent on an adequate water supply for municipal water distribution and thus, provides an opportunity to reallocate existing water so that both stream health and municipal needs can be met while stabilizing the declining patron base of local irrigation districts.

At present, the Medford-area cities have two choices for water rights, either stored water behind Lost Creek Reservoir or the water rights from "soon-to-be developed" farm ground. Lost Creek water delivered for municipal use would come down the relatively large Rogue River and provide little environmental benefit to the Rogue. Alternatively, water from the farms could be provided for municipal use by one of the three local irrigation districts either down Little Butte Creek or Bear Creek to the Rogue River, where it would be pumped and treated at the Duff Treatment Plant. This delivery of water for municipal purposes would enhance needed streamflows in Little Butte and Bear Creeks, which historically have had low flows and poor water quality. A constraint is the amount of water available through development of farm ground is dependent on the rate of development and may be unreliable in the future. Another constrain on this option is whether the flow from Bear Creek can be treated at Duff. This needs to be determined.

The two primary streams to benefit from the project, Little Butte and Bear Creek, are both impaired by low summer stream flow and poor water quality which limit their ability to support fish, wildlife and people. Currently these streams are often closed to human contact during summer months due to high bacteria counts. Improvements to stream flow and water quality can help make them accessible again. These streams are on the Oregon Department of Environmental Quality's 303d list and do not meet the standards of the Clean Water Act. The poor quality water discharging from Little Butte during summer months degrades the raw water supply pumped from the Rogue River at the Duff Treatment Plant which increases the cost of treatment. The poor quality water discharging from Bear Creek degrades the Rogue River, a world-famous salmon and trout stream.

Water banking refers to an institutionalized process designed to facilitate the efficient reallocation of water to new uses, including stream flow restoration. A water bank allows water right holders to "deposit" existing underutilized water rights for "withdrawal" by other users in need of valid water rights such as for instream flow restoration or municipal use. At present the water market and transfer of local water rights is proceeding without planning and coordination and stream health is not a primary consideration. Using Oregon's existing water laws, OWT will keep working with local irrigation districts, municipalities, and other environmental groups to create a regional water bank that will coordinate, plan for, and provide significantly improved flows and water quality in threatened waterways, while delivering sufficient water for irrigation, municipalities and other users.

**5. Project description, including a) scope of work, b) methods proposed, c) background, d) schedule, e) estimated outcomes and benefits.**

In 2008, we will continue leasing irrigation and municipal water rights instream to add 10 cfs to Bear and Little Butte Creeks which are key salmon and steelhead streams in the upper Rogue Basin. This provides us additional experience working with local landowners, irrigation districts, the local watermaster, the Bureau of Reclamation, and the Oregon Department of Fish and Wildlife. This work keeps water instream while we work on formation of the water bank. Together, these instream leases of water rights constitute an informal water bank.

With OWRD funding, OWT staff could move forward with local partners on forming the water bank and establishing a formal operation plan by the fall of 2008. An Advisory Expert Committee was created by OWT in 2007 and is using the document titled *Analysis of Water Banks in the Western States* to become familiar with water banks and to use as a guide in the development of an operation plan. Some of the key considerations in forming a water bank include: 1) the appropriate structure of the water bank, 2) long-term strategic policies and daily operations, 3) education and training needed to encourage participation, 4) the geographic area of

service, 5) the types of water rights that can participate, 6) pricing structure, and 7) selection of a bank administrator. These issues and others will be addressed during the planning process.

A \$20,000 grant from the Laird Norton Foundation has funded us to this point. The operation plan will get us to the next level on this project where OWT will be looking for a major funding source to help with start-up and operational costs of the water bank, assuming that it's a viable, well-supported concept.

We intend to have bi-monthly meetings with our Advisory Expert Committee and local partners to evaluate different banking structures and determine the most appropriate function and structure of a regional water bank. The details of the water bank will be drafted into an operation plan for broad community feedback and eventual adoption. We will enlist the services of a consulting firm experienced in forming or running a water bank to assist the committee at critical junctures of the process. OWT staff will conduct two or more presentations to the broader community as the plan develops. One target audience will be the 22-member stakeholder group known as WISE (Water for Irrigation, Streams and Economy) that is working on water conservation in the county. The second audience for such a presentation is the Jackson County Natural Resource Advisory Committee and/or the Regional Problem Solving Policy Committee. OWT will host a regional water conference in the fall of 2008 to bring together all interested parties and present the plan for the Jackson County Water Bank.

We will work with local partners to determine which local organization is best suited and willing to house and operate the water bank. The current candidates include: the Jackson County Soil and Water Conservation District, Jackson County, the Rogue Valley Council of Governments and the Medford Water Commission. OWT intends to serve as a technical advisor to the organization that houses the water bank. By the end of the project year, in spring 2009, OWT will assist with making the first "deposits" into the formally-established water bank.

OWT staff will monitor stream flow in Bear and Little Butte Creeks to insure water is being delivered and protected instream according to agreements and instream leases and to provide baseline data for future efforts.

Finally, OWT will share lessons learned through the process of developing the Jackson County Water Bank with partners in Oregon and across the region at a CBWTP Qualified Local Entity regional meeting. We hope to encourage others to look into the feasibility of forming water banks in their states.

Outcomes expected from this project are:

- The water bank will be accepted by the community as a beneficial mechanism for meeting future water needs for a variety of uses including stream flow restoration.

## OWT Proposal—Water Supply and Conservation Initiative

- A broad based group will develop the operational plan for the water bank.
- A local entity will be identified and agree to manage the water bank.
- That entity will adopt an operational plan for the water bank which recognizes instream flow restoration as a primary goal.
- Instream leases totaling 10 cfs will be in place in Little Butte and Bear Creeks in 2008 and commitments for leases of 15 cfs will be secured for the 2009 summer season.
- Substantial funding for continued operation of the water bank will be identified and preliminary contact made, assuming the concept gets a go ahead by partners and local entity.
- Project results and lessons learned will be disseminated to partner agencies including the Montana and Washington Water Trusts.

### **6. Description of the involvement of other stakeholders, agencies, and citizens in this project (letters of support are encouraged).**

Developing the Jackson County Water Bank involves a wide range of community partners. We have assembled an Advisory Expert Committee of local water experts to develop the Jackson County Water Bank plan. This group includes Bob Hunter of WaterWatch of Oregon, Craig Harper with the Rogue Valley Council of Governments, Hollie Cannon the owner of Water Right Solutions, the District Manager of the Rogue River Valley Irrigation District, and OWT board member Ed Olson, a retired engineer and former manager of the Medford Water Commission. We will add two additional committee members from key stakeholder groups. Ideally, representatives of Oregon Water Resources Department (OWRD) and Oregon Department of Fish and Wildlife (ODFW) will assist in the formation of the water bank operational plan by lending their expertise and advice.

Other partners include individual water right holders, the City of Eagle Point, Oregon Department of Fish and Wildlife, Oregon Water Resources Department, the US Bureau of Reclamation, and the local watershed councils. For the Jackson County Water Bank to function successfully, these partners need to be informed about the water bank planning effort, contribute to its development and formation, and understand how it will benefit the streams and the community.

### **7. Description of the involvement of local government representatives in this project (letters of support are encouraged).**

Craig Harper is the Natural Resources Program Manager for the Rogue Valley Council of Governments. As you will see from his letter of support, RVCOG represents a broad group of government entities. Craig has been and will continue to be a key member of the project's expert committee.

**8. Description of how the project will address or provide benefits to region-wide water supply issues (including a description of the geographic area served by the project and a map showing the geographic limits of your planning project).**

A water bank may prove to be an efficient mechanism for moving water and meeting growing needs for municipal water through delivery down the tributary streams Little Butte and Bear Creek rather than relying on stored water behind Lost Creek Reservoir. The unallocated municipal water behind the reservoir is currently utilized by ODFW to help meet flow goals in the Rogue River both above and below the Duff Treatment Plant. If the water bank can provide incentives for cities to use irrigation district water first when it becomes available through development, the reservoir water will continue to be available to ODFW.

**9. Describe how these efforts may also address or benefit other watershed issues facing your community such as water quality, land-use changes, and the effects of climate change.**

The process of forming a water bank and adopting an operational plan that has the support of local stakeholders including State agencies, irrigation districts, environmental groups and municipalities will bring forward issues and opportunities that have gone ignored. Stream flow improvements and water conservation practices initiated by a water bank can help meet local Clean Water Act and Endangered Species Act requirements which are increasingly putting pressure on local communities, the irrigation districts, the Bureau of Reclamation and others.

This project is significant to the land-use changes in Jackson County because the water bank can be designed to directly address the transfer of water rights from agricultural to municipal use. The water bank provides efficient transfers of water rights while ensuring stream flow is a primary consideration.

Climate change may reduce the summer flow currently available to the streams. By increasing flow in the target streams in the next decade or two, you build more resilience into the system so that impacts of climate change are less severe. For example, a stream that currently has a summer flow of 5 cfs may drop to 0 cfs due to climate change. But if flow is increased to 15 cfs on the front end, climate change may still impact the stream, but not as much.

OWRD OWSCI Budget 2008  
 Jackson County Water Bank

**We are requesting that OWRD fund a portion of the operational costs only.**

Operations

Senior PM Salary/Benefits	\$ 20,850.00
Assistant PM Salary/Benefits	\$ 7,780.00
Executive Director Salary/Benefits	\$ 4,550.00
Travel	\$ 1,500.00
Meeting Costs	\$ 1,500.00
Monitoring Costs	\$ 10,910.00
Consultant	\$ 5,900.00
Publication Costs	\$ 2,000.00
Advisory Committee In-kind Time	\$ 4,000.00
Indirect	\$ 5,350.00
<b>Total Operations</b>	<b>\$ 64,340.00</b>

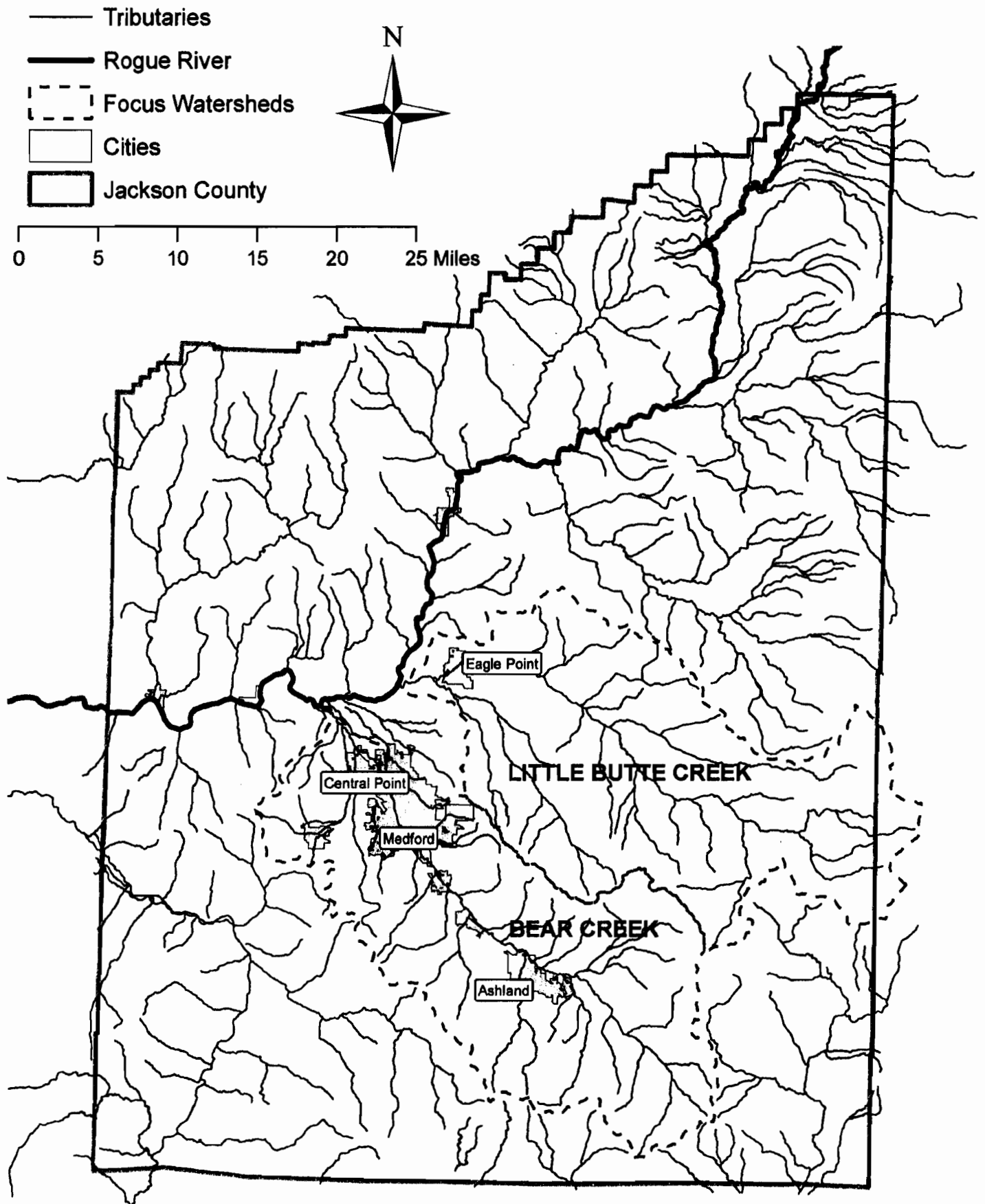
Acquisitions

Donated water rights	\$ 22,000.00
Municipal Leases	\$ 12,000.00
State Lease Review fees	\$ 1,570.00
<b>Total Acquisitions</b>	<b>\$ 35,570.00</b>

**Total Project Cost \$ 99,910.00**

<b>Funders</b>	<b>Amount</b>	<b>Secured/Pending</b>
Flintridge Foundation	\$ 2,000.00	secured
M.J. Murdock Charitable Trust	\$ 4,910.00	secured
Laird Norton Family Foundation	\$ 30,000.00	pending
Donated water rights	\$ 22,000.00	pending
<b>OWRD OWSCI Grant</b>	<b>\$ 20,000.00</b>	<b>pending</b>
In-kind Time	\$ 4,000.00	pending
Carpenter Foundation	\$ 10,000.00	pending
OWEB	\$ 4,000.00	pending
OWEB Monitoring	\$ 3,000.00	pending
<b>Total</b>	<b>\$ 99,910.00</b>	

# Jackson County Water Bank Project Area





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[www.medfordwater.org](http://www.medfordwater.org)

March 14, 2008

Debbie Colbert  
Administrator, Field Services Division  
Oregon Water Resources Department  
725 Summer St., NE, Suite A  
Salem, OR 97301

RE: Letter of support for Oregon Water Trust Water Bank Proposal.

Dear Ms. Colbert,

The Medford Water Commission is very supportive of the Oregon water Trusts proposal to explore the feasibility of developing a Water Bank here in Jackson County. Some preliminary work has begun and there is interest from the stakeholders in this region. If a Water Bank could be established here, it would provide a valuable water management tool either for implementation of the WISE Project (still a ways off, but in progress) or as an option for stakeholders to trade, buy, sell or share water resources.

The Oregon Water Trust proactively pursues improving in-stream flows, is innovative and is great at working with all stakeholders on water issues. They are professional and deliver.

Please consider their request a high priority for this region.

Thank you for your time and consideration on this matter.

Sincerely,

Robert C. Jones, RG, CEG, CWRE  
Geologist



March 14, 2008

Debbie Colbert  
Administrator  
Field Services Division  
Oregon Water Resources Department  
725 Summer St., NE, Suite A,  
Salem, OR 97301-1271

RE: Letter in Support of Oregon Water Trust's Proposal to OWRD Water Supply and Conservation Initiative

Dear Ms. Colbert:

WaterWatch strongly supports OWRD Water Supply and Conservation Initiative funding for Oregon Water Trust's Jackson County Water Bank proposal. The Oregon Water Trust has already assembled a diverse group of local stakeholders that have been working on the development of this innovative water management concept. The Oregon Water Trust has demonstrated that it has the ability to bring groups together, and the expertise to facilitate and develop this important water management program for Jackson County.

The water bank that is contemplated offers a unique opportunity through cooperative and transactional processes to address the growing municipal water needs of the City of Medford and other communities in the Little Butte Creek and Bear Creek Watersheds in a manner that could enhance streamflow and water quality in these important salmon and steelhead spawning streams, while providing greater financial security to local irrigation districts so they can continue to serve lands that remain in agricultural production.

This is one type of forward looking planning that the OWRD Water Supply and Conservation Initiative should be seeking to encourage and support.

Please fund the Oregon Water Trust Jackson County Water Bank proposal.

Sincerely,

Bob Hunter  
Staff Attorney  
WaterWatch



Natural Resources Department  
**Rogue Valley Council of Governments**

(541) 664-6674 · FAX (541) 664-7927 · www.rvcog.org

March 13, 2008

*The Rogue Valley Council of Governments is a voluntary association of these local governments and special districts in our region:*

- Jackson County
- Josephine County
- City of Ashland
- Town of Butte Falls
- City of Cave Junction
- City of Central Point
- City of Eagle Point
- City of Gold Hill
- City of Grants Pass
- City of Jacksonville
- City of Medford
- City of Phoenix
- City of Rogue River
- City of Shady Cove
- City of Talent
- Applegate Valley Rural Fire Protection District No 9
- Jackson Soil & Water Conservation District
- Rogue Community College (RCC)
- Rogue Valley Sewer Services (RVS)
- Rogue Valley Transportation District (RVTD)
- Southern Oregon Regional Economic Development, Inc. (SORED)
- Southern Oregon Regional Communications (SORC)
- Southern Oregon University (SOU)

Debbie Colbert  
Administrator  
Field Services Division  
Oregon Water Resources Department  
725 Summer St., NE, Suite A,  
Salem, OR 97301-1271

The Rogue Valley Council of Governments (RVCOG) would like to offer our absolute support for the Oregon Water Trust's *Jackson County Water Bank* grant proposal.

RVCOG has worked with OWT and a team of partners for the past few years to develop a Jackson County Water Bank. The Water Bank has shown great promise to improve water quality conditions and water supply availability in the Rogue River Basin. We have made excellent progress, and but we need continuing support to finish our work and get the Water Bank up and running.

The Rogue Basin is a vital stronghold of salmonid spawning and rearing for the entire West Coast, and provides vital water supplies that are used for drinking water, industrial uses, recreation and irrigation. For those and other reasons the vitality of the Rogue River Basin is important to citizens throughout Oregon. The Jackson County Water Bank project will help ensure the health of the Rogue.

RVCOG will contribute to the project through planning and public outreach assistance, and will provide at least \$2,000 worth of in-kind support for this project.

RVCOG and our member jurisdictions strongly encourage OWRD Water Supply and Conservation Initiative funding for this important project.

Sincerely,

*Craig Harper*

Craig Harper  
Natural Resources Program Manager

Progress Report to the Laird Norton Foundation  
*Creating a Jackson County Water Bank*  
Submitted By Oregon Water Trust  
February 1, 2008

## **Background**

In April of 2007, the Laird Norton Foundation provided a grant of \$20,000 to the Oregon Water Trust to support the exploration and formation of a Jackson County Water Bank in the Rogue River Basin. OWT believes a water bank can be a useful mechanism for improving stream flow in Bear Creek and Little Butte Creek as a direct result of continued growth in the Medford area. OWT's plan is to: 1) seek donations of water rights and convert them to instream use through the State instream leasing program; 2) facilitate the local cities to utilize available irrigation district water delivered down tributary streams to meet both municipal demand and instream needs for water.

OWT planned to convene an advisory committee of local water experts to develop a conceptual Jackson County Water Bank after evaluating the technical, legal, and logistical hurdles. The conceptual plan was scheduled to be presented to a broad group of local stakeholders in the fall of 2007 for critique and feedback after which an operating plan would be developed by April 2008.

## **Progress to Date**

In 2007, OWT secured 496 acres of donated water rights within the three local irrigation districts for instream lease in the project area. This resulted in 3.78 cubic feet per second (cfs) of additional stream flow in Little Butte Creek, 0.23 cfs in Antelope Creek (a tributary to Little Butte), and 1.04 cfs in Bear Creek. In 2005 and 2006 OWT paid to lease similar water rights instream. However, the market now shows that people will donate their unused irrigation water rights for instream use on a temporary basis to put them to beneficial use. Processing these instream leases brought into focus some important water right ownership issues between the irrigation districts and patrons. Learning from this experience has prepared project partners to deal with similar situations in the future. The irrigation districts - Rogue River Valley, Medford and Talent - are supportive of the leasing program since it puts the water rights to a beneficial use and helps improve the local streams.

The Jackson County Water Bank advisory committee met four times during 2007 to consider the feasibility of forming a water bank in Jackson County to help facilitate re-allocation of water resources in a way that benefit stream health while also meeting the growing needs of municipalities. The advisory committee consists of five local water experts led by OWT's Senior Project Manager, Steven Parrett. The members are: 1) Bob Hunter, a staff attorney for WaterWatch of Oregon, 2) Hollie Cannon, a water right consultant and former manager of the Talent Irrigation District, 3) Ed Olson, a semi-retired Engineer and former manager of the Medford Water Commission, 4) Craig Harper, the Water Resource Manager at the Rogue Valley Council of Governments, and 5) the district manager of the Rogue River Valley Irrigation District. Oregon Water Resources Department staff and other invited guests also contributed to the meetings. The general consensus among participants is that a Jackson County Water Bank is definitely an important strategy to pursue in meeting stream flow goals and other water resource needs in the county. The committee believes strongly that the water bank should be locally operated by an existing organization. The committee is making progress toward a conceptual

water bank plan but will require several more work sessions to determine the best structure and mandate for the water bank.

In August, OWT met with representatives of the Bureau of Reclamation and NOAA-fisheries to inform them of our efforts to develop the water bank and in leasing water instream. The agency feedback was positive and both agencies may consider the water bank as a recovery action for future obligations under the Endangered Species Act.

On October 1, 2007, OWT submitted a *Draft Preliminary Report of Findings* to the Bullitt Foundation which has funded some of the project (see attached report). Since the October report, OWT has presented information about the project to two large stakeholder groups in the county. On November 21, OWT staff presented information about the project and the work of the advisory committee to the WISE (Water for Irrigation, Streams, and Economy) Project Advisory Committee which includes representatives from 20 local stakeholder groups working to initiate better water management in the region. On December 12, OWT staff presented information about the water bank project to the Bear Creek TMDL (Total Maximum Daily Load) working group responsible for addressing water quality issues in the Bear Creek watershed. Both groups were interested in the potential of a water bank in Jackson County to help them meet their goals.

In late January, OWT signed a letter of intent from the City of Eagle Point to lease instream 1.25 cfs of municipal water rights the city owns within the Rogue River Valley Irrigation District. These rights cannot be utilized for municipal purposes until the fish screens on the intake structure at the Duff Water Treatment Facility have been upgraded. However, OWT and the City of Eagle Point have worked with the Oregon Water Resources Department to make the rights valid in the interim period for instream use. OWT has committed to pay one-half of the irrigation district fees for two years to lease the rights in Little Butte Creek from stream mile 16 to the confluence with the Rogue River. This arrangement creates a great opportunity to demonstrate how a water bank can be utilized to improve stream flow and water quality.

The next scheduled water bank advisory committee work session will take place on February 19, 2008, in the Medford area. OWT plans to begin tackling the specific details of how the Jackson County Water Bank should operate, who should operate it, how will it be funded etc. This may take several more work sessions to accomplish and draft the conceptual water bank plan.

OWT has partnered with Bear Creek Watershed council to monitor flows in the Neil Creek tributary of Bear Creek to investigate the flow restoration opportunities. One solution to the low flow problem is a water trade that could be facilitated through the water bank.

In late January, OWT received \$5,000 from the Flintridge Foundation to help fund the formation of the Jackson County Bank. Please see attached statement of Laird Norton Foundation funds expended and cost share expended.

## **Conclusions**

By the end of April, OWT expects to meet most of the objectives of the current grant. A conceptual water bank plan will be prepared and available for input from a broad group of local stakeholders. However, gathering that input and preparing a more formal water bank operating plan may take an additional eight to twelve months. Once the operational

plan is completed, OWT will be ready to work with a local entity to seek start-up funding and launch the Jackson County Water Bank.

