

Milestone 4

Transactions: Putting Ink to Paper

A market transaction is the formal documentation of the deal terms: the who, what, where, when and how water is going to move between parties. Transactions can take many different forms. Most market transactions will contain several key elements, such as defining the property that is being transferred, pricing terms, timing and locations of delivery, annual administration, and governance issues.

To organize the various options available for water transactions, the Project Team divided water transactions into two components.

Water Marketing Methods

Water Marketing Methods define various structures for matching willing lessors and lessees. Most Water Marketing Methods are completed through direct negotiation between parties. This is often preferred because it provides maximum flexibility to negotiate deal terms and because there is no need to involve multiple parties and introduce complexity. Alternative marketing types, such as auctions or requests for proposals, can provide price perspectives (if that is uncertain) or can increase the level of competition.

Water Marketing Transaction Types

Water Marketing Transaction Types define the “terms” of the transaction. Transaction Types refer to the paper documentation and contracting that occurs to document the terms of a deal. Simple examples include a water lease to temporarily transfer a water supply or a purchase and sale agreement to permanently convey water rights.



MARKETING METHOD	DESCRIPTION	BENEFITS	CHALLENGES
Response to Request for Proposal	An organized process to solicit proposals from interested parties to purchase water rights. The process typically involves a public notice of availability, a request for proposal, and a selection process.	1. Provides certainty of supply. 2. Provides a market-based price for water. 3. Provides a transparent and competitive process.	1. Higher upfront cost. 2. More regulatory scrutiny on transfer. 3. Finding willing partners.
Auction	An organized process to solicit proposals from interested parties to purchase water rights. The process typically involves a public notice of availability, a request for proposal, and a selection process.	1. Provides certainty of supply. 2. Provides a market-based price for water. 3. Provides a transparent and competitive process.	1. Higher upfront cost. 2. More regulatory scrutiny on transfer. 3. Finding willing partners.
Request for Proposal (RFP)	An organized process to solicit proposals from interested parties to purchase water rights. The process typically involves a public notice of availability, a request for proposal, and a selection process.	1. Provides certainty of supply. 2. Provides a market-based price for water. 3. Provides a transparent and competitive process.	1. Higher upfront cost. 2. More regulatory scrutiny on transfer. 3. Finding willing partners.
Public Notice	An organized process to solicit proposals from interested parties to purchase water rights. The process typically involves a public notice of availability, a request for proposal, and a selection process.	1. Provides certainty of supply. 2. Provides a market-based price for water. 3. Provides a transparent and competitive process.	1. Higher upfront cost. 2. More regulatory scrutiny on transfer. 3. Finding willing partners.
Request for Proposal (RFP)	An organized process to solicit proposals from interested parties to purchase water rights. The process typically involves a public notice of availability, a request for proposal, and a selection process.	1. Provides certainty of supply. 2. Provides a market-based price for water. 3. Provides a transparent and competitive process.	1. Higher upfront cost. 2. More regulatory scrutiny on transfer. 3. Finding willing partners.
Request for Proposal (RFP)	An organized process to solicit proposals from interested parties to purchase water rights. The process typically involves a public notice of availability, a request for proposal, and a selection process.	1. Provides certainty of supply. 2. Provides a market-based price for water. 3. Provides a transparent and competitive process.	1. Higher upfront cost. 2. More regulatory scrutiny on transfer. 3. Finding willing partners.
Request for Proposal (RFP)	An organized process to solicit proposals from interested parties to purchase water rights. The process typically involves a public notice of availability, a request for proposal, and a selection process.	1. Provides certainty of supply. 2. Provides a market-based price for water. 3. Provides a transparent and competitive process.	1. Higher upfront cost. 2. More regulatory scrutiny on transfer. 3. Finding willing partners.
Request for Proposal (RFP)	An organized process to solicit proposals from interested parties to purchase water rights. The process typically involves a public notice of availability, a request for proposal, and a selection process.	1. Provides certainty of supply. 2. Provides a market-based price for water. 3. Provides a transparent and competitive process.	1. Higher upfront cost. 2. More regulatory scrutiny on transfer. 3. Finding willing partners.
Request for Proposal (RFP)	An organized process to solicit proposals from interested parties to purchase water rights. The process typically involves a public notice of availability, a request for proposal, and a selection process.	1. Provides certainty of supply. 2. Provides a market-based price for water. 3. Provides a transparent and competitive process.	1. Higher upfront cost. 2. More regulatory scrutiny on transfer. 3. Finding willing partners.
Request for Proposal (RFP)	An organized process to solicit proposals from interested parties to purchase water rights. The process typically involves a public notice of availability, a request for proposal, and a selection process.	1. Provides certainty of supply. 2. Provides a market-based price for water. 3. Provides a transparent and competitive process.	1. Higher upfront cost. 2. More regulatory scrutiny on transfer. 3. Finding willing partners.



WATER TRANSACTION TYPE	DESCRIPTION	BENEFITS	CHALLENGES
Sales	The permanent transfer of a water entitlement.	1. Provides certainty of supply. 2. Provides a market-based price for water. 3. Provides a transparent and competitive process.	1. Higher upfront cost. 2. More regulatory scrutiny on transfer. 3. Finding willing partners.
One-Year Lease (Rent)	The temporary transfer of a water entitlement for a one-year period with the option to renew the lease.	1. Provides certainty of supply. 2. Provides a market-based price for water. 3. Provides a transparent and competitive process.	1. Higher upfront cost. 2. More regulatory scrutiny on transfer. 3. Finding willing partners.
Multi-Year Lease	The temporary transfer of a water entitlement for 2 or more years, with 2 to 20 years as typical terms.	1. Provides certainty of supply. 2. Provides a market-based price for water. 3. Provides a transparent and competitive process.	1. Higher upfront cost. 2. More regulatory scrutiny on transfer. 3. Finding willing partners.
Purchase Option Agreement	A contract to provide a buyer with the ability to purchase a water entitlement at a defined price guaranteed for a set period of time.	1. Provides certainty of supply. 2. Provides a market-based price for water. 3. Provides a transparent and competitive process.	1. Higher upfront cost. 2. More regulatory scrutiny on transfer. 3. Finding willing partners.
Exchange	The transfer (temporary or permanent) of water entitlements between parties with each party providing a supply and receiving a supply.	1. Provides certainty of supply. 2. Provides a market-based price for water. 3. Provides a transparent and competitive process.	1. Higher upfront cost. 2. More regulatory scrutiny on transfer. 3. Finding willing partners.

