

Who will pay for the Big Chino

Pipeline?

What if Prescott put on a party for potential annexation areas, and no one showed up?
More to the point: What if Prescott builds the Big Chino Pipeline, but there are no impact fees from annexations to support it for many years, or ever?

The City does not need Big Chino water to serve growth within its existing limits. That's because currently Prescott has more than twice the amount of water in its portfolio than is needed to build on all city lots not having water rights. Since Big Chino water is not needed to provide for growth within the city, the only potential growth that would need Big Chino water would occur in annexation areas.

Only if potential annexation areas agree to take the water and are required to pay impact fees will there be a guarantee that Prescott can sell the water. Absent this assured financing and the possibility that the project becomes a "pipeline to nowhere," Prescott's citizens could be left holding a gigantic "bag."

Prescott is allocating 20% of the cost of the project to current citizens for safe yield, and citizens are paying that share through their current water rates. Eighty percent of the cost is to be paid by growth. The Citizens Water Advocacy Group (CWAG) believes this allocation is reasonable.

The potential annexation areas include two large tracts:

1. About 10,000 acres owned by Cavan Real Estate Investments east of US 89.
2. About 14,000 acres west of US 89, of which the vast majority is owned by either the Deep Well Ranch or the Arizona Land Department (State Trust Lands).

These lands do not have the assured water supply legally necessary for construction of subdivisions. If these areas were annexed, Big Chino water would provide the necessary water for about 13,000 homes on about 10,000 acres, substantially increasing the value of those lands. If the increase in value were as little as \$30,000 per acre, the value of the 10,000 acres would increase by \$300 million. Because the owners of these lands are looking at a substantial financial gain it is only fair that they, not us, take an appropriate amount of risk and guarantee payment for the pipeline.

Until now, the city has determined that the 80% that should be paid by growth will come from impact fees. However, if some or all of the potential annexation areas are not annexed, where will the needed money come from? Prescott can solve this dilemma by approaching the potential annexation area owners with a proposal: If you want the water, you need to guarantee the payments. If none of the owners will guarantee the payments, we won't proceed with the pipeline for now.

Consider the problem we face if we build the pipeline before getting such commitments! We will have monthly bills to repay either investors or bondholders. Prescott, meaning us, will have to pay even though the water isn't used by anyone. These landowners will

have us over the proverbial water barrel. Prescott will be begging them to agree to be annexed and to start building homes. Landowners could force Prescott into pre-annexation development agreements on terms favorable to themselves and detrimental to residents.

If a private investor comes forth to build and operate the pipeline without requiring guarantee of the 80% from ratepayers or taxpayers, then there is much less risk for our citizens (and there would be almost no risk if we also have an enforceable mitigation plan as CWAG calls for).

If Prescott is intent on building the pipeline, now is the time to find out who wants to use Big Chino water and make sure they commit to pay for it. Prescott and Prescott Valley are rushing this project – they are talking about contracting for the construction in a few months. Their schedule brings considerable risk for current residents. We won't need Big Chino water for many years. We need to slow down and make sure we do this right.

Howard Mechanic is Chair of the Public Policy Committee of the Citizens Water Advocacy Group