

Comments on Pollack Report on Big Chino Water Ranch Project

The August 2008 report by Elliot D. Pollack & Company on the Big Chino Water Ranch Project has been reviewed. This report was an impact analysis of the proposed project. The analysis incorporated forecasts of community population growth, alternative scenarios of growth based upon assumptions of available water supplies, and opportunity costs from failure to develop the pipeline. Results were quantified in constant 2008 dollars. The report focused on impacts to the City of Prescott and the Town of Prescott Valley. The basic conclusion of the Pollack report is that failure to build the Big Chino Pipeline at an estimated cost of \$174.8 million dollars would result in a total lost economic impact to the two communities of over \$15 billion dollars.

A major concern is that this report is inadequate for decision-making. It represents an optimistic upper bound not likely to be achieved. The report does not include adverse possibilities. Although it may represent a first attempt to get into the ballpark, it is way out in left field and not near home plate.

Specific concerns are enumerated:

1. Major potential cost factors are not incorporated. Particularly legal and environmental costs. The report does acknowledge their absence. These absences contribute to the inadequacy of the report.
2. Feasible alternatives to the pipeline are not evaluated and compared to the pipeline. One significant alternative would be a major emphasis on water conservation. Extra fees for grass lawns or prohibition of lawns with other water use restrictions, and a more vigorous sliding scale for water use by City customers constitute serious reductions of water use and mitigation of impacts.
3. There is no risk analysis in Mr. Pollack's study. This type of analysis would examine the sensitivity of perturbations from assumed values and the resulting impacts. The variance of important factors such as projected population growth and pipeline construction cost estimates should be examined to determine feasible variations for estimating costs and impacts. Predictions of the future and this type of analysis must incorporate uncertainty for good decision-making.
4. A time series dynamic flow diagram of expenditures and receipts should be incorporated into any serious study. Future costs and income should be discounted at a reasonable rate.
5. Infrastructure costs from buildup are not adequately handled. These are costs the local government entities must bear in supplying necessary roads, fire and police protection, schools, parks and recreation, etc. A major ASU study several years ago concluded that for every \$100 in property taxes on residences that governments spent \$125.

This study should be considered at best a preliminary study that provides an optimistic upper bound for the decision-makers. It should be followed up with a pessimistic lower bound and then more comprehensive detailed studies to determine where to base decisions. Only in this fashion can such studies be a useful tool for the decision-makers.

Sidney Moglewer
moglewer@cableone.net
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Mr. Moglewer has been employed as a professional analyst for over 30 years. He has worked for numerous aerospace companies and the Federal Government. His last position prior to retirement was as a consultant to the GAO. He has performed numerous cost-benefit analyses. He has been retired in Prescott for over 20 years.