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Talk of the Town

Column: Big Chino pipeline: Who pays, and when do we vote?

By HOWARD MECHANIC
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With Prescott committing to fund Big Chino Project (BCP) groundwater monitoring, important questions have come to the fore: who is paying for the project, does Proposition 401 require a public vote and, if so, at what point.

The monitoring project will cost almost \$5 million (with Prescott's share about \$1.5 million and the balance from Prescott Valley and [Salt River Project](#)). The monitoring and resultant modeling projects will take nearly ten years, and the pipeline won't be constructed until these projects are completed.

Where will Prescott's \$1.5 million come from? Several years ago, the city established the policy that 80 percent of the project costs would come from growth through water resource ("impact") fees paid at the time of construction. Impact fees ensure that buyers of newly constructed homes pay their full and fair share of the costs of city-provided services.

Twenty percent of the costs would come from current residents through their monthly bills. The thinking was that since most, but an unstated amount, of the Big Chino water would go to serve new growth with a small portion going to reduce our groundwater overdraft, growth would pay for growth.

Several problems have developed with this approach. First, since construction has slowed, the impact fee fund is broke. So instead of current residents providing only 20 percent of ongoing BCP costs (including regular bond payments covering the \$23 million property purchase and interest), we are paying much more of the cost. In return, we are receiving interest-free IOUs from the impact fee fund. This year's budget shows the impact fund's expenditures will exceed its revenues by \$400,000.

These "loans" may seem like a fair solution until we examine a new state law that goes into effect in 2014. The law allows impact fees for "water facilities" but not for real estate. Because part of the Big Chino property costs is for water rights and part for real estate, it appears that only a fraction of the property purchase and interest can be recovered through impact fees.

Additionally, a recent state law specifies that after a home is constructed and impact fees are paid, additional impact fees cannot be assessed to cover future unknown, but likely, costs. These costs would include typical project overruns and, most importantly, significant costs to mitigate the effects of reducing flow in the Verde River. All ratepayers would have to pay these costs;

thus, current residents would subsidize water for new growth.

Another problem is how the BCP is affected by Proposition 401, which Prescott voters passed in 2009. Proposition 401, and now the city charter, requires a public vote on certain projects, such as water projects, that have an estimated cost of over \$40 million. There has been much confusion about whether and when the public will vote on the BCP, partly because Prescott has never acknowledged that the project is covered by Proposition 401.

Proposition 401 specifically applies to any existing project even if expenditures had been made before the Proposition became law. Some officials have stated that since Prescott signed an agreement with Prescott Valley in 2004 obligating Prescott to pursue the project, the public cannot be allowed to vote on the project with a specific proposed financing method because a "no" vote would breach the agreement. This would appear to be equivalent to the absurd position that, irrespective of Proposition 401, Council would breach the agreement if it declined to approve any financing plan presented to it, no matter how poorly designed.

It also should be understood that if the public or Council votes down a specific proposal, the city can return with an improved proposal. Thus, a "no" vote doesn't necessarily kill the plan for a pipeline.

In accordance with the charter, the public must vote before any further taxpayer dollars are spent on purchases of real estate or right of way, construction design plans, construction costs, or any agreement by the city to have another party build or operate the project, or resell water from the project.

The charter also requires a public vote if "feasibility studies" exceed \$5 million. Monitoring the groundwater of the Big Chino can be considered part of these studies. To date, Prescott has authorized less than \$2 million in feasibility studies; thus they have a way to go before such expenses require a public vote.

Prescott should soon address these issues in a transparent and inclusive process to minimize public confusion and to assure fiscal responsibility.

Howard Mechanic is chair of the Public Policy Committee of the Citizens Water Advocacy Group www.cwagaz.org.

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