

Elected Officials Proceeding Cautiously on Pipeline

Written by Lauren Millette

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Prescott and Prescott Valley leaders are cautiously weighing their options in whether or not they should proceed with building a \$171 million pipeline to import water from the Big Chino Sub-basin.

They have grappled with how to handle water advocates in the public sector for several years and municipal staff from both communities have spent countless hours poring through reports, analyzing data and working with Arizona Department of Water Resources officials to determine whether building a pipeline is the wisest way to reach the state mandate of safe yield.



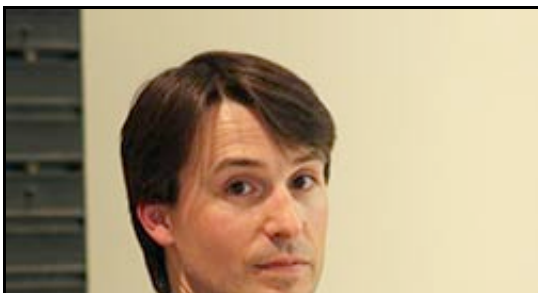
The Joint Council meeting last week was well attended.

They have brought in legal consultants specializing in water sustainability to examine whether lawsuits threatened by Salt River Project and the Center for Biological Diversity are a risk worth taking.

And now, they have brought in financial expertise to examine details on whether the project is a risk worth taking.

Council members and their key staff met last week to discuss alternatives for financing the project; primarily whether they should secure a revenue bond or enter into a public-private partnership where the private sector supplies financing for the project.

They talked about financial risk versus value. They discussed the history of how they arrived to the point they are today. And they approached several concerns they have with kit gloves.



Prescott Mayor Jack Wilson is adamant he will not sign-off on sending out requests for proposals (RFP's) from investment firms expressing interest in a public-private partnership until two issues are addressed: A feasibility study outlaying financial, legal and technical elements of the deal and sufficient information indicating litigation will not ensue if the proposed pipeline project moves forward.



Alistair Sawers of RBC Capital Markets

"We need to do a matrix after a thorough analysis of these elements and unless we do both, we're not on the same page," Wilson said. He told Prescott eNews since the meeting he is concerned about sinking taxpayer money into a project that could be halted midway due to litigation or investing in a project that Prescott and Prescott Valley officials eventually realize they

cannot afford to finish.

Prescott Valley Town Manager Larry Tarkowski says the two municipalities "already have invested \$30 million on a feasibility study and based on that report, the next component will be a financial analysis in the RFP process.

"Once we're able to get our arms around the financial elements, then we can do a financial analysis," he said. "We really don't have those answers until we get that information from the proposers."

Tarkowski pointed out public-private partnerships are not a new concept to the City of Prescott, which has successfully gone down this road with the Chino Valley Irrigation District, purchase of Watson and Willow lakes and other ventures.

He said 13 international financing companies have shown interest in a public-private partnership for the project, five of them are considered to be the top financing firms in the world. He cautioned that if the elected officials here drag their feet too long in making a decision those companies will ride off into the sunset with their assets never to be seen again in this area.

Yet, Wilson is sticking to his guns and says this will not intimidate him into making a rash decision.

"Pandering to the top five financial firms in the world does not impress me," he said. "Taking care of the taxpayers of Prescott does."

Financial representative Alistair Sawers of RBC Capital Markets made a [PowerPoint presentation](#) on public-private partnerships to council members last week regarding various concepts, global markets, the U.S. water project sector and the current infrastructure finance market to try to educate them on how such a financing mechanism works.

He responded to Wilson's concern with, "You actually need a feasibility study and to define the project before they'll (financing firms) actually give your a price."

Prescott Councilman Jim Lamerson says he's troubled by the public-private partnership mechanism for



Prescott Mayor Jack Wilson

other reasons.

"I don't want to compromise the right Prescott has to pump into the Big Chino aquifer," Lamerson said. "The right that the (Prescott Active Management Area) AMA was given to transport water could be lost if a private investment firm decides to supply water outside the Prescott AMA.



Larry Tarkowski, Prescott Valley Town Manager

"Since SRP challenged that Prescott Valley doesn't have the authority to pump water once we're pumping, we should pay attention to whether we're willing to take on further challenges from them. If we enter into a public-private partnership, we may compromise our ability to pump at all."

Lamerson says he also is concerned that a private investment firm will not disclose all the financials involved in the project and taxpayer money could be at risk.

"You have to measure your ability to accept risk and evaluate the value and part of our value is our ability to pump," Lamerson said. "I'm committed to our relationship with Prescott Valley and the

door's still open for Chino Valley to be part of this. But I'm being cautious. I see a part of a PPP for transporting water as raising greater concern. I'd like to know where our legislators are on this. This decision will ultimately affect 85,000 residents."

International investment consultant [John Sellers](#) has worked with Prescott and Prescott Valley staff for a couple months to bring them up to speed on financing options and compiled a power point presentation with staff from both communities to help educate both councils on a variety of essential aspects of public-private partnerships. (View [John Sellers' presentation](#).)

He was scheduled to present the report at the Oct. 1 joint council session on the issue but declined to proceed after seeing changes Monday in the initial agenda that now included the RBC Capital Markets presentation by Sawers.

"I was not in a very compromising mood Monday afternoon," he told Prescott eNews. "I was not miffed that they were bringing in another financial consultant after six weeks of work with both staffs but the third P in public-private partnerships is a partnership which does not impose their will on another partner.

"It's a two-year cycle and you better get the partnership right, that's where the Stockton (Calif. water infrastructure project) deal went bad," Sellers said. They (Stockton elected officials) proceeded against the will of the public. They never got a coalition and the public partnership element was missing."

The public-private partnership water and wastewater project ended up failing after millions of dollars were invested and litigation brought on through referendum stomped the brakes on the project and council's decision was rescinded.

Sellers said he also was dismayed to get a communication from Europe Monday prior to seeing the revised agenda for the joint council session regarding an article in Project Finance Magazine telling the world about the public-private partnership in the Greater Prescott area before council decides whether go this route.

"No successful partnership I know uses unilateral decision making," he said. "That applies equally well for the government parties. I also want to apologize to all Council members as I did e-mail them all well ahead of the meeting so they would know I'm very available to help subject to some ground rules.

"Despite these minor hiccups, I would like to congratulate EVERY council member for having the courage to move the project forwards at a very difficult time for the country when leadership is not exactly abundant. There are many issues yet to be resolved but obviously they understand Americans know not to get stuck on the beach at Iwo Jima."

Prescott Councilwoman Mary Ann Suttles says before the councils proceed further she thinks council members need more in-depth education on the pros and cons of a public-private partnership.

Prescott Valley Councilwoman Mary Baker said plenty of information has been provided to council members to do their homework and make a decision while top investors are interested in the project. However, she and council members for both communities agreed that meeting again in the next three weeks will provide a comfort level that might be necessary to get both councils on the same page.

Sellers says he has not given up on the two councils but they need to decide if they are willing to work toward a public-private partnership and can agree to work together in ironing out their differences. In the process of sending out requests for proposals, the prickly details will be worked out, he said, but only if they first agree to a set of rules to proceed.

"The Big Chino Project is an opportunity to build an international showcase and attract quality jobs to an area that's already a great place to live," Sellers points out. "I think it's an incredibly brave way to take the sustainability issue on but there is no room for petty squabbling or arrogance.

"If they take too long trying to figure out which way they want to go on this, those top international financial institutions will have moved on to other places where there is agreement to move forward and take calculated risks. What it's going to take is a clear reporting structure and a solid team structure. The towns are at great risk if they do not have this."

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