

# The Daily Courier

Saturday, June 29, 2013

## Talk of the Town: Prescott's hidden million-dollar subsidy

By Howard Mechanic

Saturday, June 29, 2013

At a [Prescott City Council](#) meeting in May, many council members indicated concern, frustration and even outrage at continuing city subsidies for the Antelope Hills Golf Courses. Since then, many Letters to the Editor and commenters at [dcourier.com](#) have debated the pros and cons of golf course subsidies from the city's general fund (about \$240,000 this year). However, at no time has a much larger city subsidy been mentioned - an over \$1 million hidden city subsidy to Antelope Hills.

Antelope Hills, like other purchasers of the city's effluent (treated wastewater), buys effluent at approximately 11 percent of the price for potable water. How does this compare to the effluent rates other cities charge? Irving Ranch Water District (California) sells effluent for irrigation purposes at 90 percent of the potable rate. In Tucson, the price ranges from 73 to 95 percent, depending on the circumstance. In recent studies, consultants for Las Vegas and San Diego determined that 84 percent and 75 percent, respectively, were appropriate rates.

Some cities use pricing to encourage the use of effluent. However, Prescott doesn't need to incentivize the use of effluent because Prescott can recharge to groundwater all the effluent it produces. In exchange, the city can pump an equal amount of potable water for new homes or, preferably, leave the water in the ground and thereby help us reduce our large overdraft.

Like Prescott, Goodyear, Arizona can recharge all the valuable effluent they produce. Consequently, they see no need to encourage the sale of effluent -- especially considering installation of expensive "purple pipe" is necessary to deliver the effluent. Therefore, Goodyear doesn't discount effluent at all.

Prescott's effluent rate was established more than 15 years ago, before our area was declared out of safe yield and before effluent was recognized as valuable. Since that time, the city has not conducted a detailed study to determine an appropriate price for effluent.

Because Prescott's Water and Wastewater Fund is an "enterprise fund," it is intended to be self-supporting. Because users of treated effluent are getting a low rate, the rest of us are paying more. If the city raises the price of effluent to a reasonable level, the rest of us will see less in future increases.

In fiscal year 2011, Antelope Hills paid \$221,690.39 for 789.27 acre-feet of effluent. If they were charged a rate more reflective of its value- say 77 percent of the potable rate - they would have paid over \$1.5 million for water. Thus, they are getting a subsidy of around \$1.3 million per year in addition to the general fund subsidy of approximately \$240,000.

Some people have brought up the fact that Antelope Hills' competitors, such as Prescott Lakes Golf Course, have long-term effluent contracts. They say Antelope Hills would be at a competitive disadvantage if their effluent rate was raised. There are two reasons this argument is not compelling.

First, the contracts for Prescott Lakes and the other large users have clauses that allow the city to require the users to "reimburse the city for any increased cost of treatment." Despite the fact that Prescott has initiated a \$110 million upgrade to its sewage treatment system, Prescott has not required those large

users to cover their share of the increased costs.

The Citizens Water Advocacy Group (CWAG) opposes subsidies for water, but we do not take positions on other subsidies. If the public and City Council want to continue part or all of the current annual \$1.5 million Antelope Hills subsidies, the city could send Antelope Hills a check each year and require enhanced water conservation on the courses. Such a cash subsidy is preferable to a subsidy for water. That's because underpricing of water directly undercuts our conservation efforts. When water is priced appropriately, conservation increases. If it is vastly subsidized, users have much less reason to conserve.

City officials have been saying for years that the rate for effluent should be reevaluated as part of the next long-term water management plan. However, development of the plan hasn't begun and is already three years overdue.

Prescott has conducted potable water rate studies several times during the last decade without waiting for a new management plan. There is no reason to wait further before studying effluent rates.

Prescott should promptly institute a study on the appropriate price for effluent. If not, how many more years will we give away million dollar subsidies?

Submit your comments and questions to [info@cwagaz.org](mailto:info@cwagaz.org).

Prescott Creeks' Ann-Marie Benz will discuss water quality at the July 13 CWAG meeting. Details at [cwagaz.org](http://cwagaz.org).

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

## Related Links:

---

">Content © 2013

">Software © 1998-2013 **1up! Software**, All Rights Reserved