

Las Vegas Sun

J. Patrick Coolican:

Addiction to growth has left water authority in financial straits

By [J. Patrick Coolican](#) ([contact](#))

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Breaking news! There is no free lunch!

OK, this is actually not news to most of you. But that's the take-away from the [Southern Nevada Water Authority's](#) troubled finances and [need to raise water rates to pay its significant obligations](#).

In fiscal year 2005-06, the water authority had revenue of \$371 million. In fiscal year 2010-11, revenue dropped to \$210 million, a loss of 43 percent, or \$160 million.

How did this happen?

It's simple: The water authority took in \$188 million in regional connection charges — what everyone paid to hook up to the pipe — in 2005-06 but just \$10.8 million last year.

That connection revenue has collapsed because growth has stopped.

Of course, you might say, why were we relying so heavily on such a volatile revenue stream? After all, did we really think the growth would continue forever?

There are two answers. The first is that, yes, we did believe the growth would continue forever. Although there were voices of reason — most of them elsewhere — there was a common, fanciful belief that Southern Nevada would continue its red-hot, recession-proof growth.

More important, as Patricia Mulroy, general manager of the water authority, told the Sun's editorial board this week, "Growth was to pay for growth."

The idea was that people who live here shouldn't have to pay for the immense costs of building water infrastructure for the onset of new residents.

So, new investors paid for the original investors. Oops. I mean, new residents paid for the original residents. Like a Ponzi scheme.

This wasn't just the policy when it came to paying for water infrastructure, however. Much of our community

became addicted to growth in this way. Lucrative [Bureau of Land Management](#) land auctions helped pay for schools, parks and environmental programs. We needed new residents because they helped push up real estate transfer taxes as well as huge sales tax receipts on construction materials.

Growth would pay for growth. Pure folly.

If someone else — some newbie — was going to pay the enormous capital costs of building a city, what incentive was there to think hard about how to build a real economy? Or whether unfettered sprawl was really the best option?

Now the bill has come due and there are no new investor/residents on the horizon to pay it. We all have a little Bernie Madoff and his victims in us.

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