

December 11, 2007

# Nestlé Waters North America<sup>1</sup>

## Corrections, Clarifications, and Commentary To

### ECONorthwest Economic Impact Report on the proposed Nestle Waters Bottling Plant, McCloud, CA October 2007

**Commissioned by McCloud Watershed Council  
In collaboration with California Trout and Trout Unlimited  
Funded by the Bella Vista Foundation**

<b>Item</b>	<b>Page</b>	<b>ECONorthwest Economic Impact Report Claim</b>	<b>Corrections, Clarifications, or Commentary<sup>1</sup></b>
1	5	“Most positions at the proposed Nestlé facility would likely be filled by people who do not currently live in McCloud. Given the wage level and experiences at other facilities, the majority of these positions would not attract new residents.”	When we start interviewing, it is likely that there are many former mill workers who are very qualified to work in a bottled water plant and still live in McCloud. Among them are machine maintenance mechanics, certified pipe welders, electricians, forklift drivers and office administrators. Many lost their jobs in and around 2003 when the Mill began decommissioning equipment and ceasing its production. The statement in the ECONorthwest report that there will be employees coming from other parts of Siskiyou County will be true to some extent. <sup>2</sup> The communities in Siskiyou County, like many rural counties, are interdependent and so employment opportunities in McCloud will benefit the entire region. <sup>3</sup> The support of the business groups in the region such as the Yreka Chamber of Commerce and the Dunsmuir Chamber of Commerce demonstrate county wide support for the project.
2	5	“The projected employment at the facility would amount to approximately one-half of one percent of all employment in the	Where does this estimate come from? It appears to be another error. 2006 statistics indicate the Siskiyou County total labor force consisted of 18,400 residents. <sup>4</sup> A Nestlé Waters North America

---

		county.”	labor force of approximately 240 jobs at full build out represents 1.3% of the total projected labor force in Siskiyou County, almost three times that quoted by ECONorthwest and a significant number when one considers this is just one employer.
3	5	“The facility would likely displace current employment at existing firms and employment that would have materialized in the future.”	Where is the explanation or justification for this statement? Where is the actual evidence that the proposed Nestle project would stifle other local job creation? In fact, a separate and independent economic analysis <sup>5</sup> indicates that in addition to the 240 approximate Nestle jobs at full build-out that the facility will create more than 240 additional indirect jobs. The report also found that at full build out Nestle’s project will bring at least \$23 million in income to residents and businesses in Siskiyou County each year.
4	5	“Demographic changes in McCloud reflect strong national trends, and the jobs and revenues from the proposed Nestlé facility are unlikely to reverse these trends.”	According to the Siskiyou County 2007 Economic and Demographic Profile “analysis of the population by age reveals that in Siskiyou County, like many Northern California mountain counties, a considerable percentage of the population aged 30-39 is leaving the area. The out-migration may be caused by the pull of employment opportunities in more urbanized areas. Further analysis indicates that since 2002, many people who leave the area at this age do not return, leaving the region with a loss of college-aged and college-educated workers.” <sup>6</sup> The ECONorthwest report fails to acknowledge that the changing demographic resulting from the flight of the younger population may be directly related to the absence of sustainable employment in McCloud and in the Siskiyou County area as a whole.
5	5	“Recent growth in McCloud indicates that the natural amenities of the area are important economic assets, as they attract people and firms.”	The project is undergoing a comprehensive environmental review under CEQA and NEPA and will be located on an existing industrially-zoned parcel within McCloud, previously occupied by a high-impact lumber mill. How can the full-time jobs provided at the facility detract from part-time seasonal tourism jobs? The ECONorthwest report fails to explain what type of “recent growth” leads one to the conclusion that “natural amenities of the area are important economic assets, as they attract people and firms.”
6	5	“Depending on the eventual assessed value of a water bottling facility, it might	It is correct that Nestle will be paying approximately \$1 million in annual property taxes to the County. However the assertion that Nestle’s

		<p>generate over \$1 million in property taxes annually. Studies, suggest, however, that large facilities may cause losses of other jobs, firms, and residents in the county—and therefore, the accompanying property taxes.”</p>	<p>job creation will prevent other job creation is speculative and counterintuitive. As other economic impact studies have shown, the proposed Nestle project in McCloud will be the seed for significant job growth in McCloud and Siskiyou County as a whole. The notion that the jobs Nestle creates will somehow inhibit other job growth goes against all modern day theories of economic development. In addition to the direct employment at the bottling plant there will be an estimated 169 indirect jobs at businesses supplying goods and services to the bottling operation, and an estimate of between 72 and 97 new employees in businesses selling to households.<sup>7</sup></p>
7	5	<p>“Should periods of prolonged drought arise in the next 50 to 100 years, MCSD, its ratepayers, and nearby landowners may bear the costs of acquiring new water supplies, including deepening wells or drilling new wells.”</p>	<p>This will be the case if such a scenario occurs whoever is providing jobs in the region. Nestle will be a paying customer of MCSD and will be limited in the amount of water it can purchase. As one of MCSD’s ratepayers Nestle will be subject to any drought restrictions or implications placed on the District’s customers. The Nestle project is undergoing a comprehensive environmental review under CEQA and NEPA and part of the environmental review must help McCloud prepare for potential droughts by having Nestle and MCSD develop a water contingency program. These contingency plans will be fully disclosed and discussed as the environmental review process proceeds. The logical conclusion of the ECONorthwest statement is that McCloud should prohibit ANY new development because any development will require water use above existing levels. Water bottling uses significantly less water than many other industries. For example it takes 1.3 gallons of water to bottle one gallon of Nestle spring water whereas it takes 42 gallons of water to bottle one gallon of beer.<sup>8</sup></p>
8	5-6	<p>“Heavy truck traffic on SR-89 would approximately double at full build-out of the proposed Nestlé facility, and it would be difficult to exclude all truck traffic from traveling through town. Hidden costs of truck traffic include traffic accidents, congestion, air pollution, negative health effects, increased road maintenance, and possibly</p>	<p>Contrary to the statement made in the ECONorthwest report, truck travel patterns will take them outside of the town. Nestle has secured an easement to a private road that would allow truck traffic to be routed around the perimeter of the town, thereby eliminating any need to trucks to travel through town. The statement that “[h]eavy truck traffic on SR-89 would approximately double at full build-out” is an error. Based on the traffic study presented in the Draft EIR/EA, the proposed Nestle plant at full-build-out would only increase</p>

		the need for additional law-enforcement services.”	the number of trucks on Highway 89 by less than 25%. This is equivalent to the number of trucks that previously were on Highway 89 during the peak operations of the McCloud lumber mill. Additionally, Nestle, as a large property tax payer to the county, will be contributing to road maintenance and law enforcement costs through it is estimated \$1 million annual property tax payments.
9	6	“The proposed Nestlé facility would generate wastewater. If Nestlé elects to send the wastewater to the MCSD treatment system, it would consume approximately one-twelfth of the remaining capacity of the system. If Nestlé treats the wastewater on its own site, it may pose a risk of contamination to the area’s groundwater.”	According to the contract with MCSD, if Nestle chooses to send its wastewater to the McCloud treatment system “Purchaser (Nestle) shall reimburse District for the capital costs incurred by District to upgrade and/or expand District’s waste collection and treatment facilities to accommodate the increased waste stream caused by District’s handling of the process waste water from the Bottling Facility.” <sup>9</sup> If Nestle treats its wastewater on-site, Nestle is required to ensure that doing so will “not cause a significant environmental impact” and is required to obtain all the required permits to do so.
10	6	“Although Nestlé would reimburse MCSD for the direct costs MCSD would incur in providing services to Nestlé, other communities have found that a large facility occupies the time of public officials and consumes public resources, which usually are not reimbursed.”	Nestle has reimbursed MCSD for all costs it has incurred related to the proposed Nestle project including staff time and legal expenses. Nestle’s contract with MCSD has provisions to reimburse the District for project costs related to CEQA, litigation, and operations and maintenance.
11	32	The ECONorthwest Report claims that Nestle will be paying MCSD only \$26.40 per acre-foot of water.	The “per-acre-foot” value stated by ECONorthwest neglects to factor in all of the annual payments that Nestle will make to McCloud (and documented in the ECONorthwest report in Table 3). When factoring in Nestle’s \$100,000 a year payment to the McCloud Arrowhead Community Enhancement Program and the exclusivity payments, which start at \$150,000 a year and grow to \$250,000 by the plant's 10th year, Nestle’s minimum estimated per-acre-foot payment to MCSD is in excess of \$187/ac-ft. Because of California Proposition 218, water agencies like MCSD may only apply revenues earned from water-payments to maintenance and improvements to their water system infrastructure. Nestle and MCSD specifically structured the annual payments so that

			the majority of the revenue did not occur as a water payment, but rather as other payments that could be applied to the MCSD General Fund. This allows most of MCSD’s annual revenue from Nestle to be applied to general community service infrastructure upgrades and maintenance rather than being solely restricted to the water-system infrastructure.
12	33	“The average lease price in California was \$80 per acre-foot, and the average sale price in California was \$1,207 per acre-foot (in 2004 dollars). The average lease price across western U.S. was \$86 per acre-foot and the average sale price was \$1,299 per acre-foot (in 2004 dollars).” <sup>10</sup>	Nestle will be a paying customer of MCSD and MCSD will retain all of its existing water rights. The average sale prices quoted in the ECONorthwest report refer to one-time payments that result in a final sale and transfer of water rights from one entity to another. This is another serious error. MCSD made it clear during negotiations that they would retain all of their water rights. As a result, Nestle and MCSD negotiated a pricing structure that reflected a customer relationship in which Nestle will be a ratepayer of the District making ongoing payments to MCSD. There will be hundreds of payments over the life of the contract.

<sup>1</sup> Nestle – Nestle Waters North America; MCSD – McCloud Community Services District; CEQA – California Environmental Quality Act; NEPA – National Environmental Policy Act; EIR/EA – Environmental Impact Report/Environmental Assessment.

<sup>2</sup> “The Potential Economic Effects of the Proposed Water Bottling Facility in McCloud” prepared by ECONorthwest, page 43

<sup>3</sup> Siskiyou County Economic Development Council

<sup>4</sup> Siskiyou County 2007 Economic and Demographic Profile, Center for Economic Development, Chico, CA, Page 38.

<sup>5</sup> Economic Impact of Nestle North America on the Siskiyou County Economy Effects of water Bottling Plant Operations, 11/17/2007, Center for Economic Development, Dr. David E. Gallo

<sup>6</sup> Siskiyou County 2007 Economic and Demographic Profile, Center for Economic Development, Chico, CA, Page 1

<sup>7</sup> Economic Impact of Nestle North America on the Siskiyou County Economy Effects of water Bottling Plant Operations, 11/17/2007, Center for Economic Development, Dr. David E. Gallo

<sup>8</sup> Eshleman, K., Drinking Water Research Foundation study summary; Coca-Cola Company; Environmental Protection Agency (EPA)

<sup>9</sup> Section 6.3.2(iii) of the contract between Nestle Waters North America and MCSD

<sup>10</sup> Howitt, R. and K. Hansen. 2005. “The Evolving Western Water Markets.” Choices. 20:1 (1st Quarter), pp. 59-63. Retrieved June 29, 2007, from <http://www.choicesmagazine.org/2005-1/environment/2005-1-12.pdf>