The Role of the Private Sector in Water Transfers

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Greenstone

- Formed in 2010; Offices in San Diego and Phoenix

- Composed of water, real estate and farming professionals

- Financial capital provided by institutional investors

- Purpose: To work with local governments, businesses, and developers to develop incremental, reliable, and sustainable water supplies in the Western United States.
Greenstone is actively investing in the water sector.

- Understanding (or trying to understand) the unique investment characteristics of each geographic region
- Looking for local governments interested in working with a private water development company
- Reviewing projects that make sense
Geographic Areas of Interest
Our Investments

To this point, we have completed about a dozen transactions of which most are characterized as:

- Various types of stored groundwater credits
- Farms with perpetual surface rights or groundwater rights
- In addition to water rights, other projects considered include: Off-stream storage, Underground water storage facilities, and Pipelines
Our Value Add

- Project concepting/development
- Ability to aggregate assets
- Mitigation understanding and experience
- Financial capital
- Ability to take private sector risks
Institutional Investors

Institutional Investors

Investment Goals of Endowment Funds and Pension Funds:

- Invest in assets not well correlated to the stock market
- Avoid the risk that invested funds will be lost
- Obtain a long-term portfolio return commensurate with risks
  - Rule changes
  - Over budget
  - Time value of money

Investors’ perception: Water has an asymmetric return profile
Expect More Private Investment In The Water Sector.
Suggested Policies

Create Geographic Areas Within Your State Where Water Can Be Traded With A High Degree of Certainty And Streamlined Manner.
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Write a policy statement that embraces private investment in water (i.e. there is an opportunity for profit).

- We have all heard both sides of this argument…

**Bottom Line:** If the private sector is going to invest in water, the public sector must embrace the thought that the private investor should make a profit.
Mike Schlehuber
Chief Executive Officer

• **Career in water**
  • Began as a hydrogeologist for an environmental consulting firm in Southern California in the late 1980s
  • Joined Vidler Water Company in 1997 and worked to acquire and develop water assets in Arizona, California, Colorado and Nevada
  • Following Vidler, worked briefly at Cadiz before joining Summit Global Management as Managing Partner charged with acquiring and developing water assets throughout the western United States and Australia
  
• **Worked 7 years in public finance putting together numerous bond financings for local governments**
  • Gained an appreciation for the challenges faced by local governments in providing services to their constituents while under financial constraints

• **Credentials**
  • B.S. in Geology from the University of Notre Dame in South Bend, IN
  • M.S. in Geological Sciences from the University of California at Riverside
    • Master of Science thesis, a study of the hydrogeology and geochemistry of the San Jacinto Basin, was published in the *Journal of Hydrology*
  • M.B.A from Duke University in Durham, NC
  • Earned the designation of Chartered Financial Analyst from the CFA Institute