



June 19, 2018

Report to the Mississippi Legislature

A Financial Viability Review of the Pat Harrison Waterway District: Follow-Up to Report #614

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Synopsis

The Pat Harrison Waterway District owns eight parks/campgrounds and seven boat ramps and maintains seven dams in southeastern Mississippi. The district also leases a park and water storage space from the U.S. Army Corps of Engineers. Although the district has approximately \$6.5 million in unrestricted reserves, uncertainty in the current funding environment creates concerns about its continuing viability.

Revenue

The Pat Harrison Waterway District derives funding from a combination of ad valorem tax collections contributed by its member counties, fees generated by its recreational facilities, and miscellaneous revenue sources, such as interest income and timber sales; however, timber sales are periodic and interest income has been declining since 2008. The district also receives one-time exit fees when member counties withdraw.

The district collected approximately \$2.17 million in ad valorem tax revenue in FY 2017, and its gross revenue from parks totaled approximately \$2.59 million in FY 2017. However, when factoring in operational expenses, including both district office costs and maintenance costs, the parks realized a net loss of approximately \$530,000 in FY 2017.

Expenditures

Major expenditures for the district include the operations of its parks and recreational facilities, Works Projects Grant program allocations to member counties, and other long-term liabilities. In FY 2017 the district expended approximately \$2.2 million to operate, staff, and maintain its parks. When factoring in park revenues and district office and maintenance costs, the parks operated at a net loss of \$529,809 for that fiscal year. In addition, the district approved \$399,335 in Works Projects Grant program allocations for 21 projects in FY 2017.

The district had \$57,324 in long-term liabilities due in FY 2017. As of June 30, 2016, the district owed \$140,982 in principal and interest to the Corps of Engineers over the next three fiscal years.

As of June 30, 2016, the Pat Harrison Waterway District had cash reserves totaling \$8,483,505, which included \$1,905,349 in cash set aside to pay counties upon the completion of county works projects. Also at the close of FY 2016, the district held \$6,578,156 in unrestricted cash reserves to support future operations.

If the district were to experience a loss comparable to that of FY 2017 (\$530,000) on an annual basis, based on its current cash reserve, it would exhaust the reserve after 18.5 years.

Long-Term Sustainability

Along with the potential for operating losses, the Pat Harrison Waterway District faces other environmental threats to its long-term sustainability.

The district's 10 remaining member counties' ad valorem tax collection revenues range from \$59,000 to \$435,000; thus, the financial impact could be quite significant depending upon the county exiting. With five counties having already departed, FY 2018 ad valorem tax collections will be down 18% compared to FY 2017 and 36% (\$1,000,000) compared to FY 2011.

Declining ad valorem revenues places increased pressure on parks to become self-sufficient. Furthermore, the unknown cost to manage and operate two proposed lake developments—the Pascagoula River Drought Resiliency Project in George County and the Smith County Recreational Project in Smith County—represent a potential increase in expenditures.

In addition, certain provisions in Chapter 222, *Laws of 1962* give prior owners or their heirs the right to reacquire property previously purchased or otherwise acquired from them. This right could effectively impair the district's ability to bundle several tracts together for sale because the heirs of a small portion of such land would have the right to purchase the property back from the district.

NOTE: The information contained in the response that follows was self-reported. It has not been independently reviewed or authenticated in whole or in part. The response describes actions taken by the agency to address the conclusions and recommendations included in PEER Report #614.

6081 US Highway 49
Hattiesburg, MS 39401



Telephone
(601) 264-5951

PAT HARRISON WATERWAY DISTRICT

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District-at-Large

Hiram Boone
Executive Director

Mr. James A. Barber
Executive Director
PEER Committee
P. O. Box 1204
Jackson, MS 39215-1204

Dear Mr. Barber:

The Board of Directors has reviewed the Peer Committee's recommendations of their report "*A Financial Viability Review of the Pat Harrison Waterway District*" (December 18, 2017) and following are the actions that have been taken:

1. We attempted to have the Legislature amend MISS. CODE ANN. Section 51-15-118 (1972) to require member counties who choose to exit the Pat Harrison Waterway District (PHWD) to do so with an effective date of the fiscal year-end, June 30 and such legislation was rejected.
2. Also, legislation presented to reevaluate PHWD policies and impose a deadline by which member counties must complete approved Works Projects Grant program projects and request reimbursement from the district and stipulate that if they fail to do so, the funds will be returned to the PHWD's Works Projects Grant program to be disbursed in the following year, was not passed.
3. The Pat Harrison Waterway District has an active and ongoing Memorandum of Understanding with the University of Southern Mississippi to develop a marketing plan, update the district's website, obtain feedback from park patrons, and increase the district's social media presence. We have also contracted with an independent agent, Hospitality Consultants, to work closely with USM to further the marketing of our parks to increase the volume of guests per year.
4. Legislation was passed at the last Regular Session to allow the Pat Harrison Waterway District to expand its membership by allowing former member counties of the Pearl River Basin Development District (PRBDD) to become members of PHWD. As of this date, we have reached out to Harrison,

Hancock and Franklin Counties and have had several meetings explaining the benefits they would receive by becoming members of PHWD. We will continue our efforts to increase our membership by meeting with Boards of Supervisors of these counties as well as others formerly with PRBDD.

The Board of Directors of the Pat Harrison Waterway District appreciates the PEER Committee's recommendations and trust the above actions taken are satisfactory to the Committee at its June 2018 meeting.

Sincerely yours,


Hiram Boone
Executive Director

cc: Don Pittman, President of PHWD Board of Directors
PHWD Board of Directors

PEER Committee Staff

James A. Barber, Executive Director

Legal and Reapportionment

Ted Booth, General Counsel
Ben Collins
Barton Norfleet

Administration

Alicia Russell-Gilbert
Deborah Hardy
Gale Taylor

Quality Assurance and Reporting

Tracy Bobo
Kelly Saxton

Performance Evaluation

Lonnie Edgar, Principal Analyst
David Pray, Principal Analyst
Jennifer Sebren, Principal Analyst
Kim Cummins
Matthew Dry
Samuel Hearn
Matthew Holmes
Taylor Mullins
Sarah Williamson
Julie Winkeljohn
Ray Wright

Performance Accountability

Linda Triplett, Director
Kirby Arinder
Debra Monroe-Lax
Meri Clare Steelman