

The Pearl River Valley Water Supply District: An Overview for Decision-Makers

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Many residential leaseholders and residents of the Pearl River Valley Water Supply District provided the Stennis Institute with documentation regarding the issues faced by residents of the District. The Institute thanks all of the individuals who participated in interviews and provided us with an insight into the perspective of residential leaseholders.

The Institute is thankful for the authorization of this study by the Board of Directors of the Pearl River Valley Water Supply District and the Board of Supervisors in Rankin and Madison County.

We appreciate the members of the Mississippi Legislature, whose concern for their constituents in Rankin County and Madison County prompted the request for this study and we thank them for their continued support for the work of John C. Stennis Institute of Government at Mississippi State University.

This study was conducted by the John C. Stennis Institute of Government at Mississippi State University as a pro bono community service to the citizens of the state of Mississippi.

The opinions expressed in this report are those of the authors and do not necessarily reflect the position of Mississippi State University, the Board of Directors of the Pearl River Valley Water Supply District, or any other governmental entity of the State of Mississippi.

The information contained within this report is intended to provide information for input into the decision-making process; this report is not intended to make policy recommendations.

Background

Historical documents indicate that the need to secure an adequate supply of water for the City of Jackson was identified as early as 1926.¹ At a March 3, 1955 meeting of the Jackson Chamber of Commerce, the need for a secure water supply and the depletion of existing wells and the water table was discussed. The Committee reported that Jackson's water consumption had increased by fivefold from 1935 to 1955, and that the city was using water at a rate of 17 to 22.5 million gallons per day and that water pollution in the Pearl River was becoming an increasing problem.

A study authorized and paid for by the City of Jackson² indicated that the construction of a dam and reservoir would cost approximately \$18 to \$24 million and the annual amortization cost to pay for the project would range between \$970,000 and \$1,280,000 over a forty year period. The study also found that the cost of constructing the dam and reservoir would be the least expensive alternative for providing a reliable water source for the City of Jackson. The study found that a system of wells to provide water for Jackson (assuming population increased to 500,000) would require 132 wells at a cost of \$6.2 million, and that the cost of pipes, right-of-ways, pumping stations, and supporting infrastructure would cost an additional \$6 million, with additional annual power costs of \$105,000. These costs were determined to be prohibitive. An alternative plan

MISSISSIPPI CODE § 51-9-1.

PEARL RIVER INDUSTRIAL COMMISSION CREATED

There is hereby created the Pearl River Industrial Commission, composed of Hinds, Leake, Madison, Neshoba, Rankin and such other counties in the state through which or bordering which the Pearl River runs. The governor shall appoint one (1) member to the commission from each county from a list of three (3) names to be submitted by the board of supervisors in each participating county. The three (3) names submitted by the board of supervisors of Rankin County shall be the names of persons who reside on and are holders or residential leases from the Pearl River Valley Water Supply District which are located in Rankin County. In his appointment the governor shall designate the chairman and vice-chairman of the commission. The board of supervisors in any county through which or by which the Pearl River runs, other than those counties named above, may bring that county in as a member of the commission by resolution presented to the governor; and the board of supervisors in such county may, in its discretion, call an election prior to taking such action, said election to be held as nearly as possible in the same manner other elections are held in the county.

¹ Sorrels, James E., The Pearl River Valley Reservoir Project, Bureau of Governmental Research, The University of Mississippi, 1962 and Lester Engineering Company

² Lester Engineering Company

to finance a water supply for the City of Jackson was required. Implementing the alternative plan for the construction of a dam and reservoir would require widespread support for the project throughout the basin area; “the project was designated the Pearl River Valley Reservoir to eliminate the potential opposition that might develop if the project was too closely identified with the City of Jackson.”³ To implement this strategy required a series of studies and a public relations marketing campaign that would demonstrate the benefits and the economic feasibility of the project.

The Mississippi Legislature created the Pearl River Industrial Commission in 1956. The Commission was authorized and empowered to “*do any and all things necessary or deemed by it advisable to survey the region bordering the Pearl River, to investigate the possibilities of developing such areas from an industrial, irrigational, and recreational standpoint, to attract new industries, and to conserve available water for irrigational and industrial purposes, acting in cooperation with the federal government or any agency thereof and with any other interested groups.*” In February of 1958, Senator Mitchell Robinson and Representative Jim Morrow introduced a bill to create the Pearl River Valley Water Supply District Act in both houses of the Mississippi Legislature; after temporary delays, Senate Bill 1724 passed the Senate by unanimous vote, received favorable consideration in the House and the Mississippi Legislature passed Senate Bill 1724, the Pearl River Valley Water Supply District Act, which authorized the creation of the District on May 5, 1958.

The Legislative intent and declaration of the Mississippi Legislature’s policy in the creation of the Pearl River Industrial Commission and the anticipated creation of the Pearl River Valley Water Supply District is stated in MS Code § 51-9-103 “*as a matter of legislative determination, that the waterways and surface waters of the state are among its basic resources, that the overflow and surface waters of the state have not heretofore been conserved to realize their full beneficial use, that the preservation, conservation, storage, and control of such waters are necessary to insure an adequate, sanitary water supply at all times, to promote the balanced economic development of the state, and to aid in flood control, conservation and development of state forests,*

³ Sorrels, James E., The Pearl River Valley Reservoir Project, Bureau of Governmental Research, The University of Mississippi, 1962.

irrigation of lands needing irrigation, and pollution abatement. It is further determined and declared that the preservation, conservation, storage, and control of the waters of the Pearl River and its tributaries and its overflow waters for domestic, municipal, commercial, industrial, agricultural, and manufacturing purposes, for recreational uses, for flood control, timber development, irrigation, and pollution abatement are, as a matter of public policy, for the general welfare of the entire people of the state.”

The Mississippi Legislature identified the Pearl River Reservoir and the surrounding area as an asset of the state of Mississippi and the people of the state; *“the exercise of the powers granted by this act will be in all respects for the benefit of the people of the state, for their well-being and prosperity and for the improvement of their social and economic conditions”* (MS Code § 51-9-217).

The Pearl River Industrial Commission employed Lester Engineering Company of Jackson, Mississippi and Ebasco Services, Inc. of New York to conduct the engineering and economic feasibility study to construct the dam and reservoir in the Pearl River Basin. Upon completion of the study, the Commission petitioned the Chancery Court of Hinds County to establish the Pearl River Valley Water Supply District. As provided for in Senate Bill 1724, the Board of Water Commissioners, each county within the proposed district, and every municipality with a population of 10,000 or more were party to the proceedings. The Mississippi Legislature identified the Pearl River Valley Water Supply District as the entity assigned this responsibility and granted broad powers to the District to manage, maintain, develop, and preserve this property for the benefit of the state of Mississippi. § 51-9-109 of the Mississippi Code empowered the District to *“acquire, own, rent, lease, or sell land in connection with the recreational or industrial development and use of the project”* to include and be limited to an area of one mile from the shore line of the reservoir at high water. § 51-9-121 enumerated the broad powers of the District, to include the power to *“construct, extend, improve, maintain, and reconstruct, to cause to be constructed, extended, improved, maintained, and reconstructed, and to use and operate facilities of any kind within the project area necessary or convenient to the project and to the exercise of such powers, rights, privileges, and functions;”* and in paragraph V restated the District’s *“right to lease, sell,*

or otherwise dispose of any property of any kind, real, personal, or mixed, or any interest therein within the project area.” The Act also provided the District with the power to acquire, by condemnation, property that was “within the project area not exceeding one quarter mile from the outside line of the 300 foot above sea level contour on each side of the Pearl River,” and authorized the Board of Directors to determine what property was to be acquired.

The Act directed that notices of the hearing regarding the creation of the District should be provided by posting and by newspaper publication in each of the five counties, and expressly provided that it was not necessary to name landowners specifically in the petition. The public notices were addressed to all property owners and qualified electors in the proposed district and commanded them to appear and show cause as to why the District should not be organized and established. Chancellor Stokes V. Robertson of the Chancery Court of Hinds County set July 24, 1958 to begin hearing evidence regarding the feasibility and public purposes of the construction of the dam and reservoir. He found that the creation of the District would meet a public necessity and would be conducive to the public welfare of the State as a whole, and on July 26, 1958 entered a decree that the District should be organized. The Chancery Court of Hinds County then ordered that elections would be held on August 26, 1958 in each of the five impacted counties. According to a report by the *State Times* on August 26, 1958, the final vote for the referendum was as follows:

<u>County</u>	<u>For District</u>	<u>Against District</u>
Hinds	12,877	1,201
Leake	2,600	417
Scott	1,748	601
Madison	1,422	516
Rankin	2,366	316

“Location of the dam will be in the northern part of Hinds and the southern part of Madison Counties. The average height of the dam will be thirty feet; its maximum height will be fifty-nine feet. It will be 16,500 feet long. The normal pool level will be at contour 297 feet above sea level, with a maximum inundation at 300 feet above sea level. Overbank inundation at contour 297 is twenty miles up river from the dam; underbank inundation is fourteen miles further up river. The reservoir will constitute a body of still water for a distance of thirty-two to thirty-four miles north of the dam. Next to the dam the lake will be three miles wide and thirty feet deep, diminishing in varying amounts at point further up river. At contour 297 feet above sea level, 37,000 acres of land will be covered by water in the reservoir. At the maximum 300 feet contour, 43,000 acres will be covered.”

“The entire cost of the project will be borne by the counties in the District and by the State; no federal funds are involved.”

Source: Lester Engineering Company

On September 5, 1958, Chancellor Robertson entered the final decree to create the Pearl River Valley Water Supply District; any party aggrieved by the final order of the court, who was a party to the proceedings, was provided a right of appeal to the Mississippi Supreme Court within 10 days.

Lewis L. Culley, a Jackson Realtor and Dr. Ben N. Walker, Jr., who were landowners in the District, brought suit against the creation of the District on multiple grounds including that Section 11(f) of the Pearl River Valley Water Supply District Act was unconstitutional; their attorney, John C. Sullivan, contended that Section 11(f) would allow the Board of Directors of the District to take lands under eminent domain that were not needed by the District and to later allow the board to resell the land to a private enterprise or to individual persons. On appeal to the Mississippi Supreme Court from the final decree of Chancery Court of Hinds County, the Court held that the Pearl River Valley Water Supply District Act was constitutionally valid and affirmed the decree creating the District (Culley et al. v. Pearl River Industrial Commission, 234 Miss. 788, 108 So. 2nd 390, 1959). Similar, subsequent cases, e.g. Horne et al. v. Pearl River Valley Water Supply District (1964) and Brown et al. v. Pearl River Valley Water Supply District (156 So. 2d 572, 1964), were interpreted by the courts in accordance with the principles laid down in Culley.

The Board of the Pearl River Valley Water Supply District was organized on September 5, 1958, the same day that the Chancery Court issued its decree creating the District.

W. P. Bridges, Sr. was selected as Chairman; J.A. Morrow of Brandon was Vice Chairman; W.A. Huff of Forest was Secretary; and W.E. McIntyre of Brandon was Treasurer. The directors determined to secure a loan of \$276,800 from the Housing and Home Finance Agency in Atlanta to provide preliminary financing to assist in continued engineering work and reservoir planning until bonds could be issued; the board selected Harza Engineering Company of Chicago (MWH Global) at the end of October 1958 and continued its association with Lester Engineering Company of Jackson.⁴

During the early planning of the Pearl River Industrial Commission for the continuation of its activities, the committee had estimated that the assessed value of all property potentially affected by the reservoir was \$365,000 and that property tax revenues to the governmental entities in the impacted counties totaled approximately \$17,000 annually; International Paper Company owned approximately 20,000 acres of timber land within the area and had agreed to sell this land to the Commission on the provision that the project was supported by the majority of people within the five county area. At a meeting in December 1957, Vaughan Watkins, the attorney for the Commission, indicated that the best method for financing the project would be similar to that used for drainage districts, the use of a two mill tax levy similar to that used for port development in Jackson County, and through a contract with the City of Jackson to purchase water. He estimated that a rebate of two mills from the five counties would produce approximately \$450,000 in revenue to support the project and that a special, additional two mill tax would generate an additional \$450,000 in revenue. At a January 1958 meeting between the Water Reserve Committee, the Pearl River Industrial Commission, the City Commission of Jackson and the Hinds County Board of Supervisors, Mayor Allen Thompson of Jackson and the City Commission announced unanimous support for the project and a commitment to provide an annual payment of \$500,000 from City of Jackson Water Department funds for the guarantee of a permanent water supply. When the District Act was passed in 1958, The Mississippi Legislature authorized the District to issue bonds, not to exceed \$25 million in principal amount, to support the

⁴ Harza/MWH Global continues to conduct annual inspections of the Ross Barnett Reservoir Dam as of the date of this report (January 2012).

implementation of the Pearl River Reservoir Project (§ 51-9-133); “*The board of directors of the district is hereby authorized and empowered to issue bonds of the district for the purpose of paying the costs of acquiring, owning, constructing, operating, repairing, and maintaining the projects and works specified herein, including related facilities, and including all financing and financial advisory charges, interest during construction, engineering, legal, and other expenses incidental to and necessary for the foregoing, or for the carrying out of any power conferred by this article.*” The payment of bonds issued by the District were to be secured solely by the pledge of the avails of a two mill ad valorem tax levy in the five counties encompassed within the District, provided for in § 51-9-13; and by the pledge of an additional special tax levy of two mills on the taxable property within the District in the event that its anticipated revenue and funds were insufficient for the payment of the principal and interest on bonds issued by the District (§ 51-9-139).

According to Sorrels (1962), the Board of the District had identified a plan to finance the project from four sources: 1) revenues from the two mill ad valorem tax from all five counties in the District; 2) revenues from the special two mill ad valorem tax levy on taxable property within the District; 3) revenue from a \$500,000 annual payment from the City of Jackson to supply a guaranteed source of water; and 4) revenues from the sale or lease of property within the District and other revenues associated with the operating activities of the District. The Board sought out the services of financial consultants to assist in the structuring of the financing vehicles for the project and reviewed bids from investment consulting firms during the months of October and November of 1958. A fixed rate bid of \$75,000 was submitted by the Leland R. Speed Company and this company was selected by the Board of Directors of the Pearl River Valley Water Supply District to provide investment and financial consulting services; the principal of the firm had also served as a member of the Water Reserve Committee.

The total bond issuance was to be in the amount of \$22,000,000; upon the recommendation of the investment consulting firm, a \$4,400,000 increment bond sale was offered by public auction on December 8, 1959, rather than being sold by sealed bid. According to the *State Times* (December 28, 1959), the bonds were purchased by

the Leland Speed Company, the First National Bank of Memphis, Allen and Company of Jackson and Hamp Jones of Jackson for a bid of 4.4999 percent interest; with no competitive bids being entered at the sale. A subsequent \$8,800,000 bond issue was sold in May 3, 1960 by sealed bid to A.C. Allen and Associates of Chicago. On Tuesday, December 16, 1964 the *New York Times* and the *Wall Street Journal* reported that a \$24,500,000 revenue bond issue by the Pearl River Valley Water Supply District failed to receive acceptable bids; reports indicate that the PRVWSD rejected the only two bids that were received. Some reports attributed the failure of this bond issue to the low 3.65 percent interest ceiling the District had placed on the bonds and other sources indicate that the NAACP boycott of the sale of these bonds was the cause.

In an agreement dated November 18, 1959, the District was to receive \$500,000 from the City of Jackson over the life of the bonded indebtedness. The agreement stipulated the specific obligations of the District to the City of Jackson; these items included the construction of the reservoir and spillway; a satisfactory flow of sanitary quality water, and the installation of an intake structure. The agreement also required the District to perform a study of shoreline development and planning, and directed the District to obtain the maximum benefit from revenues from the shoreline development with the objective of early retirement of the bond issue.

The original master development plan anticipated that after the 5th year of operations, 4,000 residential lots would be leased at \$125 per lot per month and that approximately 20 commercial lots would be leased at \$20 per lot. In 1960, MWH Engineering began construction on the reservoir; it was completed in 1963 and filled to its normal capacity by 1965. The dam is an earth-fill dam that is 23,400 feet in length with a maximum height of 64 feet; elevation at the top of the dam is 308 feet. The principal spillway consists of ten 40– by 21-foot tainter gates with a discharge capacity of 180,000 cubic feet of water per second (U.S. Army Corps of Engineers).



"Pearl River Reservoir Spillway, showing the gate system of control" June 1963 from the Hugh W. Shankle Collection, Mississippi Department of Archives and History

On May 10, 1963, R.M. Hederman, the Publisher of the Clarion Ledger and President of the Pearl River Valley Water Supply District, brought forward a motion to name the reservoir in honor of Governor Ross Barnett; the motion was unanimously approved by the Board of Directors of the PRVWSD.

On May 10, 1963, the District entered into an eight year contract with its first managing broker, Wortman & Mann, Inc., to provide land use planning, marketing and general real estate consulting services. The real estate consultant was the sole and exclusive agent for the leasing of all property. A Master Plan adopted in 1963 by the PRVWSD Board of Directors, laid out a plan that provided for approximately 60 percent of the area below Highway 43 to be leased; of a total of 5,038 acres, 3,002 acres were designated for leasing to private and commercial establishments; 1,397 acres were to be reserved for parks and public use, and the remaining 638 acres were identified as non-developable or wilderness. Above Highway 43 in the upper reaches of the lake, the area was to remain rustic with some cabin sites, camp grounds, and trailer parks. At the recommendation of the real estate consulting firm, the District adopted its method for

conveying lots to homeowners using a renewable, long-term lease vehicle. This method is described as follows: the value of the lot was appraised at market value by the real estate consulting firm; in addition, the estimated total cost of developing streets, sewers, and water within a subdivision was assigned pro rata to each lot within a subdivision (development fee).⁵ The “lessee” (purchaser) then paid the District a “down payment,” or front end payment, which was equal to the pro rata share of the estimated total cost of development, and the appraised market value of the lot was paid over the 60-year life of the lease at an estimated rate of 6 percent of the total appraised value per year. Early leases indicate that the development fee was frequently paid in three installments over a two year period and financed at 6 percent interest. For example, a 1973 lease in Bay Park Subdivision required a development cost of \$3,000 with one-third of this amount (\$1,000) payable upon execution of the lease, a one-third payment (\$1,000) with 6 percent interest twelve months from the date of execution of the lease, and a one-third payment with 6 percent interest twenty-four months from the execution of the lease (the annual lease payment on this specific lease was \$150 dollars per year for 60 years).⁶ Compensation for the real estate consultant was established at a commission rate of seven and one-half percent (a 5% commission fee for selling and a 2.5% commission for managing) of the total value of the development fee plus the property lease. This basic contract with Wortman & Mann remained essentially unchanged until April 8, 1983, with amendments to name specific individuals as the designated agent of Wortman & Mann. On April 8, 1983, the District’s contract with Worman & Mann identified David L. Lane as the designated consultant; on May 9, 1986, a new contract with H.C. Bailey Management Company was negotiated, naming David Lane as the designated consultant.

In compliance with state law, the District procured contracts with real estate consultants without advertising or competitive bid; beginning in 1985, contracts by state agencies for

⁵ The “pro rata” share assigned to each lot was actually greater than the true equal share for each lot and the allocation of the cost of development was designed so that when between 60 to 80 percent of the lots in a particular subdivision had been leased, the entire development cost of the subdivision had been recouped.

⁶ This January 1973 lease for a property in Bay Park Subdivision would indicate that the appraised value of the lot was \$9,000 and that pro rata development costs for this lot were \$3,000. This appraised value of \$9,000 is significantly lower than that provided in the information contained in the June 3, 1992 New Board Member Orientation cited in Table 1, page 13 indicating an appraised value of \$21,600 for a waterfront lot.

consulting services have been required to be reviewed and approved by the State Personnel Director prior to the disbursement of funds (MS Code § 25-9-107). From 1986 through June 1992, all District contracts with real estate consultants were reviewed and approved by the State Personnel Director. In June, 1992, the State Personnel Director, Dr. Robert L. Robinson, and its board members disapproved the District's contract with H.C. Bailey Management Company, stating: "*A review of job descriptions for positions within your agency indicates that there are personnel available who could be assigned to provide the services to be rendered by Bailey Management Company as indicated in the contractual services agreement.*" The State Personnel Director and board members subsequently reversed this decision, and on March 24, 1993 approved a new contract between Eastover Realty Corporation and the Pearl River Valley Water Supply District.

In November 1964, the District's first offering of sites for lease and development was for a lease to Lakeview Marina, Inc. to operate a Marina on the Rankin County side of the lake and a lease with the Jackson Yacht Club on the Madison County shore just above the main dam.

The first single family lots were offered by the District in April 1965 in the Bay Park, Turtle Creek, and Lake Harbor Subdivisions. At this time, residential lots offered by the District were not developed, they were offered with staked corners and rough graded streets with the District contractually bound to complete the streets and utility service after a sufficient number of lots had been leased and economic justification existed to complete development. Early leases during this period stipulated "*the Lessor has agreed to make water and sewerage utilities available to said lot and hard surface the street in front of said lot. The beginning term and effective rental shall be adjusted to the date the sewerage and water line are made available to said lot and ready for use.*" By the end of 1965, 115 lots had been leased and development began on the first single family residential developments. Lots were marketed and leased individually. Undeveloped lots were offered in 1966, 1967, and 1968 with the addition of Forest Point, Arrowhead Point, Twin Harbor, and Tavern Hill.

According to a June 1992, New Board Member Orientation document, the initial offering

price and annual rentals for residential developments were:

Table 1: Development and Annual Lease Fees for Residential Development

<u>Subdivision</u>	<u>Development Fund</u>	<u>Annual Rental</u>
Bay Park		
Waterfront	\$3,750	\$360
Other	\$1,950	\$120
Turtle Creek		
Waterfront	\$3,200	\$360
Other	\$1,600	\$84 - \$120
Lake Harbor		
Waterfront	\$1,300	\$150
Other	\$790	\$75
Forest Point		
Waterfront	\$3,750	\$360
Other	\$1,800	\$120
Arrowhead Point		
Waterfront	\$4,500 - \$6,850	\$600 - \$1,650
Other	\$2,900	\$420
Tavern Hill		
Waterfront	\$7,500 - \$15,000	\$ 900 - \$1,650
Other	\$3,750	\$360

Source: Pearl River Valley Water Supply District, Real Estate Consultant Summary for New Board Member Orientation, June 3, 1992

In 1965, there were 115 lots leased and in 1966, 194 lots were leased. A commission of 7.5 percent was paid on leases; of this amount, five percent was as a selling fee and two and one-half percent was paid as a managing fee.

In 1969, FHA and VA approved the Pelahatchie Bay subdivisions, thereby easing financing and increasing market acceptance of the District's residential developments. At the end of 1969, lots in the Bay Park, Turtle Creek, and Forest Point subdivisions had been almost completely sold and a total of 483 of the 534 residential lots offered for development by the District had been leased.

From 1970 through 1978, additional single family lots were developed in Audubon Point, Audubon Point part II, Glen Cove, Harbor View, Pellahatchie Woods, Sunrise Point, Paradise Point, and an additional 143 interior lots in Forest Point. Starting in 1972 with 143 additional interior lots in Forest Point, demand for residential lots exceeded the

pace with which the District could develop residential lots. In 1973, 174 lots were offered in Glen Cove and Harbor View; there were 630 contracts offered. In July, 1975 there were 1,500 contracts offered for 149 lots in Audubon Point. When 194 lots were offered in Pelahatchie Woods in June 1977 there were 2,100 contracts offered; in September 1978, 2,575 contract offers were received for the 109 lots offered in Sunrise Point and Paradise Point. When duplicate contracts were offered on a single lot, a drawing was held to determine the selected lessee. Over this period the market value of residential lots was increasing. For example, in September 1978, Sunrise Point waterfront lots were receiving annual rentals of \$540 with development fees of between \$24,500 and \$42,000, and water view lots were receiving annual rentals of \$360 with development fees of \$13,000 to \$18,000.

In November 1978, the District changed its policies and procedures for the leasing and development of residential lots; the Board of Directors determined to allow private developers to lease tracts of land at “wholesale” prices, install utilities, streets, and other amenities, and then to subdivide and sell individual lots. In September of 1979, Roses Bluff Subdivision was the first area leased using this new approach. Subsequent developments under this new program were North Bay, Brenhaven, Hanover, Bay Pointe, Fox Bay, Windward Oaks, Northshore Village, and Palisades. As of June 1992, 1,450 residential lots had been developed in the District and all but 50 lots had been leased; of these, 900 lots had been developed by private developers using the “wholesale” developer approach adopted by the District in 1978.

Difficulties between the District and the Hinds County Board of Supervisors began to surface following the Easter Flood of 1979, when the Pearl River rose to a record high of 43.25 feet. A group of victims called the “Wetbacks” contended that the reservoir was partially responsible for their homes being flooded and brought suit to block tax payments from Hinds County to the District; this suit was eventually dropped but drew public attention to the property tax revenues from Hinds County that were supporting the District. The successful development of the area around the reservoir located in Rankin and Madison counties, including a golf course and library being developed in the District, caused dissatisfaction among the Hinds County Board of Supervisors, who

sought an injunction to prevent the District from requesting its annual tax levy and to request that any funds that were “unlawfully” spent by the District be refunded to Hinds County. Hinds County requested the four other counties in the District to join in the law suit; only Leake County participated.

On August 20, 1982, in the case of Hinds County v. Pearl River Valley Water Supply District the District’s accounting methods in the use of property tax revenues for the payment of principal and interest on outstanding bonds were the basis for a chancery court lawsuit. The Hinds County Board of Supervisors and Leake County Board of Supervisors brought suit in the Chancery Court of Hinds County to stop the District from using any state ad valorem tax revenues for any purpose other than to pay, prepay, redeem or retire bonds; the complaining parties sought an accounting from the District on its use of funds, and a return of all funds that had been used for purposes other than bond payments. The complaining parties objected to the District’s use of public funds to finance services to the private residents leasing District property instead of applying these property tax revenues to accelerating the payment of bonded indebtedness. The District contended that its enabling legislation allowed it to use the ad valorem tax revenues to cover the costs and expenses of operating and maintaining the reservoir.

The Hinds County Chancery Court ordered the District to cease using the tax levied in the five-county area of the District for residential services and held that the levy could only be used to retire the bond indebtedness. On appeal (445 So. 2d 1330, 1984) to the Mississippi Supreme Court, the Court partially reversed and remanded, in part, the Chancery Court’s decision. The majority of the judges ruled that the District Law anticipated that the payment of costs and expenses for the operation and maintenance of the project would be paid first, and then the balance applied to the retirement of the bonds using the revenues from the two mill countywide property tax levies authorized under section 51-9-131; and that in the event insufficient funds remained to pay the cost of interest and the retirement of bonds, after all gross revenues (all monies from any and all sources), the District then had authority under section 51-9-139 to assess a (additional) special levy of two mills. The Court also affirmed the Chancery Court’s refusal to order a complete accounting of District funds. The Mississippi Supreme Court

remanded the case to the Hinds County Chancery Court to reconsider the issue of whether or not District funds were being expended in accordance with state law and in compliance with the District's trust indenture.

The District and the Hinds County Board of Supervisors negotiated a final settlement that was affirmed by the Chancery Court on February 26, 1985 and amended on October 28, 1987. The terms of the settlement were as follows:

1. The District was to maintain a budget and accounting system that identified all direct and indirect costs for providing services on residential and commercial leased property to include: utilities, police and security services, fire protection, road and street maintenance, garbage collection and disposal, general maintenance for the primary benefit of lessees, water and sewer services, and meeting facilities;
2. the District shall terminate the services to lessees, unless the District has initiated and implemented action to recover the full costs of such services from charges or assessments paid by the lessees, other than ordinary annual lease payments, or from contributions (in cash or in kind) from other political subdivisions excluding the ad valorem tax levies authorized under Mississippi Code 51-9-131 and 51-9-139; and
3. no special tax levy (51-9-139) could be levied unless and until the District had applied all revenues from all sources (including revenues which the District deposited in its Property Improvement Fund) toward the payment of bond principal and interest; and
4. that Hinds and Leake county's ad valorem tax payments and the City of Jackson's annual contract payment of \$500,000 would terminate after the year ending September 30, 1991.

In December 1984, the PEER Committee was requested to conduct a feasibility study for performing an accounting of all District funds over the period 1961 through 1982. In February 1985, the PEER staff found that an accounting of this nature *"could not be done because of incomplete and missing accounting records and the District's past practices of not identifying expenses incurred to provide municipal and related services"*

to lessees.”⁷

A subsequent study by the PEER Committee in 1986 to examine the compliance of the District with the Hinds County Chancery Court’s judgment found that “*the PRVWSD board and management have not deposited available revenue into the Bond Redemption and Surplus Fund to pay outstanding bonds prior to maturity, as intended by the court order and trust indenture. Therefore, the District is prolonging dependence on its member counties and the City of Jackson for tax support which will expire when all bonds are retired according to schedule in 1999.*”⁸

Tables 2 and 3 provide the basis for the litigation between Hinds and Leake counties and the District. As shown in Table 2, the total tax revenue to the District from all five counties in 1977 was \$2,142,126; this amount, plus the \$500,000 annual payment from the City of Jackson for water would have totaled a payment of \$2,642,126. This compared to expenditures by the District of \$1,382,500 to retire bonds.

Table 2: Ad Valorem Tax Revenues Collected by the District 1977 - 1985

**Pearl River Valley Water Supply District
Schedule of Ad Valorem Taxes Collected from Counties
Fiscal Years 1977 through 1985**

Revenues from two mill levy pursuant to § 51-9-131

State Levy	Hinds	Leake	Madison	Rankin	Scott	Revenues from State Levy to District
1977	\$802,947	\$25,435	\$73,072	\$142,453	\$39,213	\$1,083,120
1978	\$851,673	\$27,198	\$76,212	\$162,452	\$42,352	\$1,159,887
1979	\$895,225	\$28,319	\$88,210	\$176,757	\$43,768	\$1,232,279
1980	\$930,060	\$29,915	\$93,631	\$186,678	\$47,124	\$1,287,408
1981	\$1,016,520	\$30,385	\$102,961	\$210,832	\$52,968	\$1,413,666
1982	\$1,053,546	\$32,447	\$112,047	\$230,042	\$56,846	\$1,484,928
1983	\$1,111,428	\$33,145	\$121,135	\$238,911	\$60,981	\$1,565,600
1984	\$1,182,017	\$34,378	\$124,723	\$264,153	\$75,562	\$1,680,833
1985	\$1,207,286	\$25,736	\$123,349	\$278,289	\$102,841	\$1,737,501
TOTAL	\$9,050,702	\$266,958	\$915,340	\$1,890,567	\$521,655	\$12,645,222

⁷ Feasibility Study for Performing a Complete Accounting of Pearl River Valley Water Supply District for Years 1961 – 1982, March 20, 1985;

⁸ A Review of the Pearl River Valley Water Supply District's Compliance with the Agreed Final Order of the Hinds County Chancery Court Entered February 26, 1985; PEER, May 27, 1986

Revenue from two mill "special" levy pursuant to § 51-9-139

District Levy:	Hinds	Leake	Madison	Rankin	Scott	Revenues from Special levy to District	Total Revenues to District from tax levies
1977	\$794,043	\$28,761	\$72,205	\$128,110	\$35,887	\$1,059,006	\$2,142,126
1978	\$682,014	\$24,556	\$61,891	\$127,592	\$32,873	\$928,926	\$2,088,813
1979	\$714,441	\$25,667	\$70,851	\$139,781	\$33,951	\$984,691	\$2,216,970
1980	\$741,665	\$26,464	\$74,771	\$152,370	\$35,585	\$1,030,855	\$2,318,263
1981	\$790,679	\$26,915	\$84,918	\$168,573	\$42,134	\$1,113,219	\$2,526,885
1982	\$799,268	\$28,995	\$91,192	\$183,542	\$44,057	\$1,147,054	\$2,631,982
1983	\$0	\$0	\$0	\$0	\$0	\$0	\$1,565,600
1984	\$0	\$0	\$0	\$0	\$0	\$0	\$1,680,833
1985	\$0	\$0	\$0	\$0	\$0	\$0	\$1,737,501
TOTAL	\$4,522,110	\$161,358	\$455,828	\$899,968	\$224,487	\$6,263,751	\$18,908,973

Table 3: Pearl River Valley Water Supply District Schedule of Bond Payments 1985 - 1998

**Pearl River Valley Water Supply District
Schedule of Refunding Bonds
Fiscal Years 1985 through 1998**

	Bond Maturities	Interest Maturities	Callable Bonds	Total Expenditures	Bonds Outstanding
1985	\$500,000	\$532,500	\$350,000	\$1,382,500	\$13,350,000
1986	\$500,000	\$500,624	\$350,000	\$1,350,624	\$12,500,000
1987	\$550,000	\$468,750	\$350,000	\$1,368,750	\$11,600,000
1988	\$550,000	\$435,000	\$350,000	\$1,335,000	\$10,700,000
1989	\$550,000	\$401,250	\$350,000	\$1,301,250	\$9,800,000
1990	\$600,000	\$367,500	\$350,000	\$1,317,500	\$8,850,000
1991	\$600,000	\$331,875	\$350,000	\$1,281,875	\$7,900,000
1992	\$650,000	\$296,250	\$350,000	\$1,296,250	\$6,900,000
1993	\$700,000	\$258,750	\$375,000	\$1,333,750	\$5,825,000
1994	\$700,000	\$218,438	\$375,000	\$1,293,438	\$4,750,000
1995	\$750,000	\$178,125	\$375,000	\$1,303,125	\$3,625,000
1996	\$800,000	\$135,937	\$375,000	\$1,310,937	\$2,450,000
1997	\$850,000	\$91,875	\$375,000	\$1,316,875	\$1,225,000
1998	\$850,000	\$45,937	\$375,000	\$1,270,937	\$0

Original Source: Peat, Marwick, Mitchell and Company's Audit Report

Cited from PEER Report A Review of the Pearl River Valley Water Supply District's Compliance with the Agreed Final Order of the Hinds County Chancery Court Entered February 26, 1985; May 27, 1986.

Under the District Act, when the bonds were paid off, the District would no longer receive the property tax revenues from the two mill levies or the City of Jackson's \$500,000 annual payment for a guaranteed source of water. This indicates that the Mississippi Legislature anticipated that the District would become self-sustaining at some future point. The District could only become sustainable through the development of property and the related revenues from leaseholder payments or other fees. In order to achieve this purpose, in the early development phases of the project, it relied upon the property tax levies to make payments on bonded indebtedness, to acquire property, to develop public recreational facilities, and to fund operating and maintenance activities. Early records indicate that the Board of Directors of the District negotiated a contract with a planner to develop a recreational master plan in 1965, and made capital investments of approximately \$7 million in recreational facilities over the period 1965 to 1991. The District utilized two primary funds to facilitate development: the Shoreline Development Fund, which could receive a maximum of \$300,000 in any fiscal year from the revenues of the District. This fund was used for park and recreation development. During the period 1965 to 1980, the majority of funds for the Shoreline Development account were from the ad valorem tax levy; as the District developed, an increasing amount of these funds were derived from lease payments. The other account utilized for development by the District was the Property Improvement Fund. Established in 1966, the Property Improvement Fund was used to fund infrastructure (roads, sewers, and water) for residential and commercial development; the source of these funds were the development fees paid by leaseholders.

It was the Property Improvement Fund that was the main target of the 1982 lawsuit brought by Hinds County against the District. When the Mississippi Supreme Court remanded the case to the Chancery Court for a decision, the future ability of the District to continue development, and to ultimately become self-sustaining, was at risk. The parties reached a settlement on the issues, and the Agreed Final Judgment was silent on the issue and no court ruling specifically related to the Property Improvement Fund exists.

After 1982, the District no longer received revenues from the "special" tax levy (see

Table 2, page 19), resulting in a revenue decline of approximately \$1.1 million annually. The schedule for repayment of bonds had been anticipated to extend through 1998 (Table 3, page 19). The settlement of the suit with Hinds County and the Chancery Court's final judgment required the District to terminate any services to residential and commercial leaseholders unless the District implemented a method to recover and defray all costs associated with services to leaseholders through charges and assessments to be paid by residents, other than their ordinary annual lease payments. As per its agreement, the tax levies from Hinds County and Leake County plus the \$500,000 annual payment for water from the City of Jackson terminated in 1991. The District implemented an early redemption strategy and by 1992, the bonds had been paid off. After 1992, the District received no tax revenues from Hinds, Leake, Madison, Rankin, and Scott counties, as had been provided for in the District Act of 1958.

The 1982 court ruling required a significant change in the operations of the District. It required the District to charge a fee for any service it provided to leaseholders and it required the District to seek alternative revenue sources to offset all management, operating, and maintenance costs. In the future, all development costs, services to leaseholders, *and* public services would need to be funded predominantly by leaseholders and development revenues. One of the first impacts of the 1982 court ruling was the adoption of an escalating lease contract. Prior to July 1983, residential leases were negotiated for 60 years with a fixed term; after the court ruling, new residential leases would include an escalation clause that increased annual payments by 10 percent every five years.

In 1986, the PEER Committee conducted a review of the District's compliance with the Hinds County Chancery Court's order entered February 26, 1985. This study scrutinized the District's accounting methods for the percentage allocation of all costs associated with providing services to leaseholders. At that time, the District "*was billing lessees for water, sewer, and garbage collection on a monthly basis and billing lessees for direct general maintenance expenses and, on a user basis, a portion of operation costs of the community center.*" The report found that lessees were not directly billed for indirect general maintenance or general and administrative expenses, and not billed

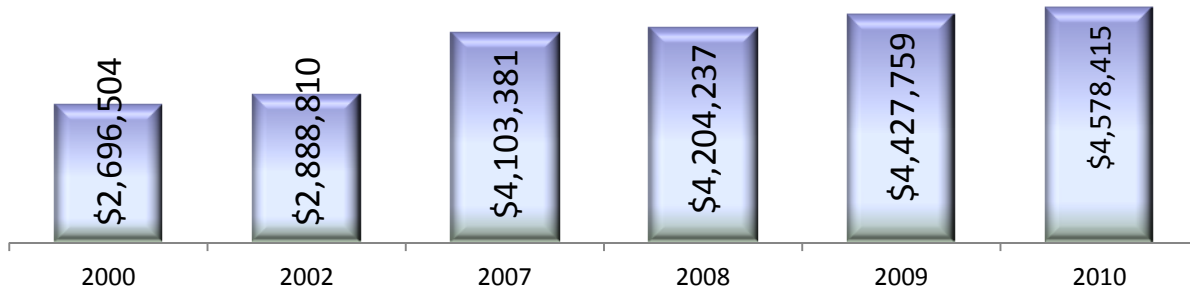
for police protection and road and street maintenance. The report found, and was critical of the District for not billing lessees for the full cost of all services and a proportional amount for general maintenance and administrative expenses, but instead supporting these services through surpluses in collections from leaseholders. The report found that in order to comply with the intent of the final judgment of the Chancery Court, the District must directly bill lessees for all costs of services to lessees.

The District accelerated its redemption of bonds, and with the payoff of bonds in 1992, all tax revenues from Hinds, Leake, Madison, Rankin, and Scott counties authorized under Mississippi Code, Section 51-9-131 and Section 51-9-139 ceased. The obligation of the District to provide a combination of public services and services to the leaseholders of the District continued. These services include:

- to maintain the reservoir dam and monitor water quality;
- to provide a water supply for the City of Jackson, to residents of the District, and the general public;
- to provide and maintain recreational opportunities, including walking trails, campgrounds, boat ramps and marinas, and public parks and picnic areas;
- to provide law enforcement patrol of the reservoir lake and surrounding land areas to include its public spaces, parks, and residential areas;
- to manage approximately 12,500 acres of forest land;
- to cooperate with State and Federal agencies to mitigate flooding;
- to continue with the residential and commercial development of District lands to generate revenues to obtain sustainability of operations;

As a special fund agency, the Pearl River Valley Water Supply District receives no state general funds. Both public services and services to leaseholders are funded predominantly from revenues from residential and commercial leases, fees charged to residential and commercial leaseholders, campground fees, and timber sales; grants and development fees provide additional resources on an intermittent and unreliable basis.

Pearl River Valley Water Supply District
Lease Revenues 2000 to 2010
Source: Mississippi Office of the State Auditor



Historically, the reservoir area became an increasingly desirable residential and commercial area, located in proximity to the Jackson metropolitan area. With growth in residential and commercial development, revenues from lease fees represent an increasing share of all revenues to the District.

According to the Pearl River Valley Water Supply District, as of December 31, 2011, there were 5,748 leases held by the Pearl River Valley Water Supply District; of these 4,475 were in Rankin County and 1,273 were in Ridgeland/Madison County.

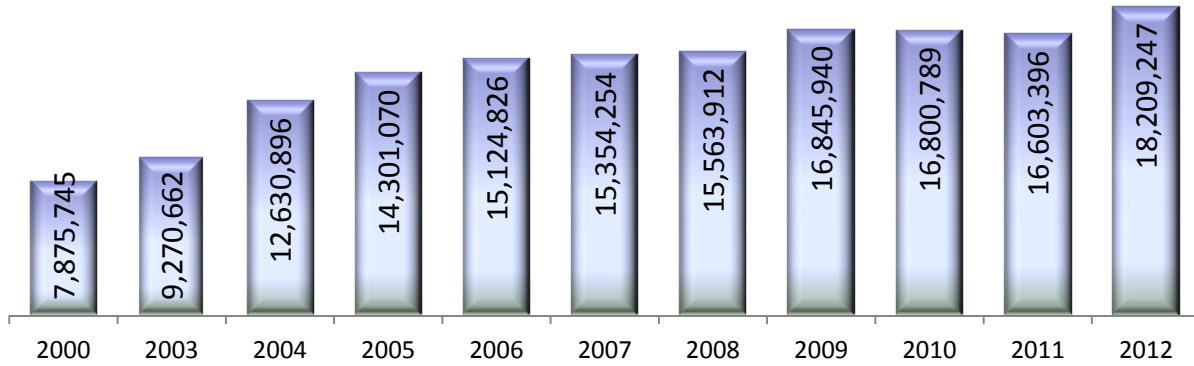
The Pearl River Valley Water Supply District

The Pearl River Valley Water Supply District is a special fund state agency; it does not receive any appropriation by the Mississippi Legislature from the General Fund but is supported entirely from special fund sources, by appropriation, or otherwise; special funds are all revenues and/or income collected by or available for the support of the agency. These funds may be derived from taxes or fees collected by the special fund agency. The Mississippi Department of Finance and Administration is the Fiscal Management Board for all General Fund and Special Fund state agencies. Special Fund agencies may be required to file monthly operating statements or reports, or may be required to file quarterly or annual reports as determined by the state of Mississippi's Department of Finance and Administration. The operating budget of special fund agencies are submitted to the Department of Finance and Administration annually for review and approval; these approved operating budgets authorize the expenditure of

funds by the special fund agency (§ 27-104-9).

**Pearl River Valley Water Supply District
Agency Legislative Appropriation History 2000 - 2012**

Source: Mississippi Department of Finance Administration/Transparency Mississippi



Governance of the Pearl River Valley Water Supply District

The Pearl River Valley Water Supply District is a state agency. By statute, the Board of Directors of the District is comprised of 14 members, selected as follows: Each member of the Pearl River Valley Industrial Commission becomes a member of the Board of Directors of the Pearl River Valley Water Supply District (§51-9-107 [a]). The Pearl River Valley Industrial Commission is comprised of five counties: Hinds, Leake, Scott, Rankin, and Madison; each county submits three nominees to the Governor, who appoints one member from each of these five counties to the Pearl River Industrial Commission (these five appointees also become members of the PRVWSD Board of Directors); the three names submitted by the Board of Supervisors of Rankin County are also required to reside on and hold residential leases from the Pearl River Valley Water Supply District in Rankin County (§ 51-9-1). In his appointment, the Governor designates the Chairman and Vice-Chairman of the Commission. An additional five members of the Board of Directors of the PRVWSD are selected by the Board of Supervisors in the five counties, with each county appointing one additional member to the Board of Directors of the PRVWSD. Four members of the Board of Directors are selected by each of the four state agencies: 1) the Mississippi Commission on Environmental Quality; 2) Commission on Wildlife, Fisheries, and Parks; 3) the Forestry

Commission; and 4) the State Board of Health; each of these state agencies “appoint one director from that department to serve on the Board of Directors of the Pearl River Valley Water Supply District to serve at the pleasure of the respective board appointing him” (§ 51-9-107). The Board of Directors of the Pearl River Valley Water Supply District selects and employs the General Manager of the District.

The District uses committees to manage its activities. Generally, management and operating issues are considered by the appropriate committee and then presented to the full Board of Directors for approval.

The primary committees of the District are:

- The Audit Committee
- The Budget and Finance Committee
- The Executive Committee
- The Forestry Committee
- The Legislative Committee
- The Parks Policy Committee
- The Shoreline Development and Water Quality Committee

The Legislatively Delegated Responsibilities of the Pearl River Valley Water Supply District

The responsibilities of the Pearl River Valley Water Supply District include the management of the Ross Barnett Reservoir and dam and the management of all district lands. The operations of the District are

It is hereby declared, as a matter of legislative determination, that the waterways and surface waters of the state are among its basic resources, that the overflow and surface waters of the state have not heretofore been conserved to realize their full beneficial use, that the preservation, conservation, storage, and control of such waters are necessary to insure an adequate, sanitary water supply at all times, to promote the balanced economic development of the state, and to aid in flood control, conservation and development of state forests, irrigation of lands needing irrigation, and pollution abatement. It is further determined and declared that the preservation, conservation, storage, and control of the waters of the Pearl River and its tributaries and its overflow waters for domestic, municipal, commercial, industrial, agricultural, and manufacturing purposes, for recreational uses, for flood control, timber development, irrigation, and pollution abatement are, as a matter of public policy, for the general welfare of the entire people of the state.

The creation of the Pearl River Valley Water Supply District is determined to be necessary and essential to the accomplishment of the aforesaid purposes, and this article operates on a subject in which the state at large is interested. All the terms and provisions of this article are to be liberally construed to effectuate the purposes herein set forth, this being a remedial law.

Legislative Determination and Declaration of Policy

§ 51-9-103

comprised of both governmental and business operations with extensive responsibilities. Its legislatively delegated responsibilities include:

- **To provide an adequate, sanitary water supply at all times.** The District manages the Ross Barnett Reservoir to provide a water supply for the property managed by the District and the City of Jackson. A primary purpose of the original enabling legislation that created the District was to provide a source of drinking water for the City of Jackson, Mississippi. The District also provides water and sewer services to leaseholders within the District. Currently, the reservoir supplies the O.B. Curtis water treatment plant on Curtis Drive in Ridgeland, Mississippi with water; this facility is the largest water treatment plant in the state of Mississippi with a capacity of 50 million gallons per day. The plant is owned and operated by the City of Jackson. The District maintains and monitors the dam at the reservoir. Water quality is monitored in cooperation with the Department of Environmental Quality and the Mississippi Department of Health. The spillway at the dam is staffed and monitored 24 hours a day, with maintenance staff on-call to respond to emergencies.

The District operates four water distribution and collection systems in Rankin and Madison County; these systems consist of eleven water supply wells, six storage tanks, sewer lift stations, and water distribution and wastewater collection lines.

As of March 2008, water and sewer charges to District leaseholders for up to 3,000 gallons per month are \$12.00 for water and \$12 for sewer; sewer charges are \$3.48 per 1,000 gallons and the charge for water is \$2.91 per 1,000 gallons. Residential sewage fees are not charged for consumption above 15,000 gallons per month. Charges for sewer and water are scheduled to increase five percent per year for each year.

The District also supplies 5 million gallons of water daily from the Ross Barnett Reservoir to the Nissan Manufacturing Plant located in Canton, MS, under a 20 year agreement (from April 28, 2004 to April 20, 2024) that was negotiated between the City of Jackson, the Mississippi Major Economic Impact Authority (MMEIA), and Canton Municipal Utilities to supply water to Nissan, the District receives revenues of approximately \$130,000 annually for the operation and maintenance services for a 30” potable water transmission line and water line contract with MMIA.

Water and sewer operations are a business-type activity of the District. According to the District's audited accounting and financial statements submitted to the Mississippi State Auditor's Office, for the year ending June 30, 2010 the water and sewer operations of the District had an operating loss of \$117,221 (see Table 4 below):

Table 4: PRVWSD Operating Revenues & Expenses Enterprise Fund Year Ended June 30, 2010

Operating Revenues (Enterprise fund only)	2008	2010	\$ Change	% Change
Water Sales	1,304,048	\$1,415,207	\$111,159	8.5%
Tapping fees	32,900	\$18,375	(\$14,525)	-44.1%
Sewer charges	1,261,886	\$1,412,674	\$150,788	11.9%
Pipeline maintenance fees - MMEIA	127,389	\$127,129	(\$260)	-0.2%
Miscellaneous	14,827	\$160,260	\$145,433	980.9%
Mosquito control	178,025	\$0	(\$178,025)	-100.0%
Garbage Collection	15,374	\$0	(\$15,374)	-100.0%
Penalties charges	140,343	\$0	(\$140,343)	-100.0%
Total operating revenues	3,074,792	\$3,133,645	\$58,853	1.9%
Operating Expenses (Enterprise Fund only)	2008	2010	\$ Change	% Change
Salaries, wages and fringe benefits	\$574,476	\$877,133	\$302,657	52.7%
Sewer disposal usage	\$469,463	\$634,899	\$165,436	35.2%
Utilities	\$252,140	\$224,773	(\$27,367)	-10.9%
Repairs and maintenance	\$644,150	\$136,412	(\$507,738)	-78.8%
Depreciation	\$499,948	\$643,335	\$143,387	28.7%
Supplies and materials	\$137,178	\$111,229	(\$25,949)	-18.9%
Professional fees and services	\$199,031	\$162,010	(\$37,021)	-18.6%
Other	\$341,941	\$461,075	\$119,134	34.8%
Total operating expenses	\$3,118,327	\$3,250,866	\$132,539	4.3%
Operating deficit	(\$43,535)	(\$117,221)	(\$73,686)	169.3%

Source: Pearl River Valley Water Supply District, Accountants Reports and Financial Statements, June 30, 2010; Mississippi Office of the State Auditor

In 2008, leaseholder water and sewer revenues were \$2,565,934; over the two-year period from 2008 to 2010, leaseholder water and sewer charge revenues to the District increased by \$261,947 (10.2%). Over the same two-year period, salaries for the operation of the water and sewer business activities of the District increased by \$302,657, an increase of 52.7 percent; the salaries, wages, and fringe benefits attributed to the business activities of the District (water and sewer operations)

represented 18.1 percent of the District's total personnel costs in 2010. From 2008 to 2010, total operating expenses for the District's water and sewer operations increased \$132,539 and the loss from these operations increased by \$73,686. From 2008 to 2010, expenses associated with repairs and maintenance decreased by \$507,738, a decrease of 78.8 percent; this savings was a significant contributing factor to reducing the loss associated with water and sewer operations, but raises questions about deferred maintenance.

Payments from the District to the Madison County Wastewater Authority for services averaged approximately \$12,000 per month; and over the period from November 2011 through January 2012, District payments to the West Rankin Metropolitan Sewer Authority averaged \$37,828 monthly.

Future residential development will generate additional revenues from water and sewer charges and from tapping fees; it will also introduce increased expenditures associated with these services. It can be anticipated that over time, the cost of repair and maintenance of the existing sewer and water systems will increase as this infrastructure ages.

Currently, water and sewer revenues from leaseholders account for 87 percent of the operating expenses of the District's water and sewer operations. Expenses related to Spillway Operations in the amount of \$619,841 are not included in the cost of the water and sewer operations of the District; sufficient revenue sources to provide for the long-term maintenance and repair of the spillway, as well as to support the operation of the District's water systems, is vital to assuring the continued provision of water resources to the City of Jackson, to Nissan, and to meet future, expanding water needs in the region. This will require planning for optimal water valuation and pricing to accurately reflect the cost of supply and the distribution these costs equitably across all users.

- **To provide recreational opportunities.** The District estimates that approximately 2.5 and 2.75 million visitors use the reservoir and recreational facilities that have been developed and are maintained by the District. These recreational facilities serve the public and the residents who live in the region. These facilities include:

Campgrounds (5)

Timberlake Campground (289 Campsites)	Leake County Water Park (42 Campsites)
Goshen Springs Campground (169 Campsites)	Low Head Dam Campground (13 Campsites)
Coal Bluff Campground (63 Campsites)	

Campground facilities include utility services and amenities such as laundry rooms, swimming pools, and playgrounds. Each of the five campsites maintained by the District has a live-in, on-site reservoir patrol officer.

Large Day-Use Parks (4)

Lake Shore Park	Pelahatchie Shore Park*
Old Trace Park	Brown's Landing*

Mini-Parks/Neighborhood Parks (9)

Audubon Point Park (2)	Bay Park
Forest Point Park (2)	Glenn Cove
Harbor View	South Jetty
North Jetty	

Bathhouses (7)

Timberlake (3)	Goshen Springs
Coal Bluff (2)	Leake County Water Park

Pavilions (8)

Lake Shore Park (2)	Pelahatchie Shore Park (2)
Old Trace	Brown's Landing*
Leake County Water Park	Coal Bluff

Picnic Shelters (28)

Old Trace (10)	Pelahatchie Shore Park (5)
Lake Shore Park (6)	Coal Bluff (6)
Low Head	

Disc Golf

Pelahatchie Shore Park (18-hole)
Timberlake (3-hole)

Fishing Piers and Jetties

Rankin Ramp HWY 43	Red Dot Road
HWY 471	South Jetty

Public Marinas (3)

Harbor Walk
Safe Harbor
Sportsman's Marina

Hiking and Walking Trails (23 Miles)

North Shore Multipurpose Trail (4.0 Miles)	Mule Jail Multipurpose Trail (3.5 Miles)
South Shore Multipurpose Trail (4.1 Miles)	Botanical Garden Trail (.75 Miles)
Spillway Multipurpose Trail (3.7 Miles)	Harborwalk Multipurpose Trail (2.1 Miles) proposed

Boat Ramps (33)

Madison Landing	Glenn Cove	Twin Harbors (2)	Pipeline Road (3)
Ranking Landing	Harbor View	Turtle Creek	Safe Harbor
Fannin Landing	Bay Park	Timberlake Campground	Lake Harbor (2)
Brown's Landing	HWY 43	Goshen Springs Campground	Pelahatchie Shore Park
Audubon Point (2)	HWY 471	Coal Bluff Campground	Below Spillway Madison
Forest Point	HWY 13	Leake County Water Park	Below Spillway Rankin
Low Head Dam	Ratliff's Ferry (2)	Waterwood	

Comfort Stations (16)

Old Trace Park	Ratliff's Ferry	Fannin Landing
Pelahatchie Shore Park (2)	Brown's Landing	Below Spillway Rankin
Lake Shore Park (2)	Hwy 43	Low Head
Madison Landing	Leake County Water Park	Below Spillway Madison
Rankin Landing	Coal Bluff	

It is estimated that there are approximately 36,586 boats registered within the District and that approximately 50,000 boats utilize the reservoir lake annually. Boat registrations fees for boats registered within the District are revenue to the Mississippi Department of Wildlife, Fisheries, and Parks. Approximately 50 fishing tournaments are held on the reservoir annually.

The District is authorized under Senate Bill 2988 to borrow money and issue debt not to exceed \$10 million to defray the cost of any revenue-producing public park and public recreation facility owned by the District.

The District employs six Park Managers and seven Park Workers, the total salary and benefit costs for this staff are approximately \$443,527. In 2009, revenues to the District from Campground fees were \$2,116,864; from 2009 to 2010 campground fees declined by approximately \$241,552 to \$1,875,312 in 2010. Expenses attributed to campground operations in the District's audited financial statement for the year ending June 30, 2010 were \$1,652,377, a decrease of \$344,174 from the prior year. This indicates net positive revenue of \$222,935 from campground operations in 2010, assuming all actual costs of campground operations are accounted for; e.g. facility and ground maintenance equipment and related personnel costs, or the cost for utilities associated with campground operations. Reservoir Patrol Officers spend a significant amount of their

time policing the public park areas of the District; these costs do not appear to be attributed on a pro rata basis to the expenses associated with campground operations. The operation of public campgrounds by the District is a significant public service; the campgrounds at the Ross Barnett Reservoir that are managed and maintained by the District are among the finest in Mississippi, offering pavilions, laundry facilities, tennis courts, swimming pools, boat launching areas, bike and walking trails, picnic areas, and playgrounds for public enjoyment.



Figure 1: Public Boat Ramps at Ross Barnett Reservoir (sourced from the PRVWSD website)

Campground rental fees charged by the District for RV and tent sites are generally comparable to the fees charged at state parks managed by the Mississippi Department of Wildlife, Fisheries, and Parks for similar camping accommodations. The MDWFP manages, operates, and maintains 25 state parks, and 19 state fishing lakes. It manages the Natural Science Museum in Jackson and provides an array of educational and training programs within the state of Mississippi. MDWFP employs approximately 570 persons and receives a Legislative appropriation of approximately \$74.5 million annually; approximately \$13.47 million comes from state sources, \$15.55 million comes

from Federal sources, and the balance of revenues are derived from self-generated revenues including fees charged at state parks, revenues from all hunting and fishing licenses, boater registration fees, and wildlife permits. In 2010, the MDWFP licensed approximately 370,000 anglers in the state of Mississippi. At state parks managed by the MDWFP, user fees are charged for the use of facilities (see Table 5 below); in comparison, the Pearl River Valley Water Supply District does not charge entrance fees, or charge fees for trail use, bank fishing, or boat launching.

Table 5: Example User Fees by State Parks and Lakes Administered by the MDWDP

Schedule of Fees Charged at State Parks Managed by the Mississippi Department of Wildlife, Fisheries & Parks	
Example Activity	Fee
General Entrance Fee for Private Vehicles	\$3.00
Daily Trail Use	\$7.00
Daily Fishing from Bank (ages 16 - 64)	\$5.00
Daily Entrance/Boat Launch (ages 16 - 64)	\$7.00
Annual Entrance/Boat Launch Fish/Ski	\$102 per Person/\$150 all persons in boat
Annual Fishing Permit (excluding boat launching fees)	\$52.00
All Game Hunting License (Resident)	\$17.00
All Game Hunting (non-resident, age 19 and over)	\$300.00

According to the audited financial statement of the Mississippi Department of Wildlife, Fisheries, and Parks for the year ending June 30, 2010, revenues from park user fees were \$7,617,793. In 2010, total revenues to MDWFP’s Parks and Recreation Special Revenue Fund 3461 were \$11,706,410 and expenditures were \$16,038,399, representing an operating loss of \$4.3 million. The Mississippi Department of Wildlife, Fisheries, and Parks receives General Fund revenues from the State of Mississippi to bridge the gap between revenues and expenditures in order to provide recreational opportunities to the public.

The “public good” aspect of recreation has long been recognized as an important public policy issue, as evidenced by the long history of government funding and subsidies at the federal, state, and local level to provide public access to parks, forests, and other recreational opportunities. Generally, policy analysts agree that government has an

appropriate role to play in providing public access to parks, forests, and recreation and in assuring social equity of public land recreation opportunities. There is also an appropriate role for government in the protection and conservation of the natural resource base of state parks, forests, and recreational areas. The public policy objective of providing a public good, in the form of access to parks, lakes, and recreational opportunities that are operated and maintained by the Mississippi Department of Wildlife Fisheries, and Parks, provides the justification for the State of Mississippi and the Mississippi Legislature to provide state revenues to bridge the gap between self-generated revenues from fees for services and the expenditures required to operate and maintain public parks and lakes in the state.

The Pearl River Valley Water Supply District manages 31,942 acres of public land; it manages and maintains multiple facilities that provide public access to parks, walking and biking trails, golf courses, marinas, boat launches, fishing piers, hunting and fishing that provide high quality recreational services to the general public. With the exception of campsite fees, the District does not charge entrance fees, trail use fees, bank fishing fees, or boat launching fees for the public facilities and the recreational public services that it manages, staffs, and maintains. All of the revenues that the District uses to provide these public goods are funded by self-generated revenues; it receives no state revenues or monies from the General Revenue Fund from the Mississippi Legislature.

Excluding the business type activities of the District (water and sewerage operations), Leaseholder revenues and Development fees represented 55 percent of District revenues in 2010. This indicates that the District is highly reliant upon revenues from leaseholders to continue to fund high quality public recreational services.

- **Law Enforcement.** The District maintains a staff of reservoir patrol officers. Law enforcement was not among the responsibilities delegated to the District in the District Act of 1958; the Mississippi Legislature passed the Pearl River Valley Water Supply District Security Officer Law of 1978 (§51-9-171 - §51-9-185), which empowered the District “to appoint and commission qualified persons as security officer of the District;” reservoir patrol officers were required to meet the training requirements of the Mississippi Law Enforcement Officers’ Training Academy, were to be full-time

employees of the District and not employed by any privately owned guard or security service (§51-9-175). Reservoir patrol officers have the authority to enforce state, county, municipal, and District laws on the property of the District. Reservoir patrol officers provide law enforcement on all District recreational facilities, to include campgrounds, parks, boat launches, and fishing areas; their primary duty is to patrol the public areas of the District, but they do provide some law enforcement services to leaseholders. Reserve patrol officers also patrol the Ross Barnett Reservoir to enforce fishing and boating regulations and work in cooperation with the Department of Wildlife, Fisheries, and Parks.

The District maintains a fleet of automotive vehicles, vessels, and equipment for law enforcement and emergency response purposes; this fleet of vehicles consists predominantly of six Ford Crown Victorias, four trucks, two patrol vessels, trailers, and miscellaneous equipment. To reduce costs, the District purchases many of its vehicles used at government auctions or uses grant funds.

The District's audited financial statements for the year ending June 30, 2010 submitted to the Mississippi Office of the State Auditor reports expenses related to Policing at \$491,889 as compared to \$622,735 in 2008; a decrease of \$130,846 over the two year period. A review of the District's salary and benefits schedule for 2011 indicates that the District employs 12 Reservoir Patrol personnel; the total salary and benefits for Reservoir Patrol officers was \$524,202. A review and comparison of position descriptions and salaries for these positions indicates that salaries and benefits for Reservoir Patrol officers was equivalent to similar positions and salaries for Public Safety Commission Highway Patrol Officers and for law enforcement officers in municipalities with a population that is similar to that of the District.

The District receives no revenues to support the operations of the Reservoir Patrol; justice court fines, fees, penalties and assessments that are levied against offenders are received by the general fund of the county of jurisdiction, with a very small amount of revenues from the Wireless Radio Communications fund. Mississippi Code §63-9-31 provides for "*an additional surcharge not to exceed \$10.00 to be assessed on individuals upon whom a court imposes a fine or other penalty for each violation of Title*

63, Mississippi Code 1972, except offenses relating to vehicular parking or registration.”

The Mississippi Highway Patrol, law enforcement entities of county and municipal governments, and the Pearl River Valley Water Supply District Patrol are authorized to have access to these funds, which are deposited into a special fund in the Department of Public Safety’s Office of Public Safety Planning; the use of these funds is exclusively restricted for the purpose of funding wireless communications and related computer equipment and computer software; access and use of these funds must be approved by the Mississippi Department of Information Technology Services. Revenues to the District from the Wireless Communication Commission Fund have averaged less than \$15,000.

Law enforcement and public safety services to District leaseholders are predominantly provided by the Rankin and Madison County Sheriffs’ Departments; District leaseholders pay for this service through property taxes assessed on their leasehold property by either Rankin or Madison County.

Given that the District receives no revenues to support law enforcement activities within the District, it appears that revenues from District leaseholders are subsidizing the costs associated with the District providing law enforcement and public safety services on the land and water areas it operates and maintains to provide public access to recreational opportunities.

- **Forest Management.** The District manages approximately 12,400 acres of forest land in Leake, Madison, Rankin, and Scott counties. It has developed a forest resource management plan in cooperation with the Forestry Commission.

The Mississippi Legislature created the Mississippi Forestry Commission in 1926. The Forestry Commission is authorized under state law to enforce laws pertaining to the protection of forest and woodlands in the state, encourage tree planting for the production of wood and other beneficial purposes, to prevent, control, and extinguish forest fires. Under Mississippi Code § 49-19-3, the Mississippi Forestry Commission/State Forester is charged to “*assist and cooperate with any federal or state department of institution, county, town, corporation, or individual, under such terms as in the judgment of the Commission will best serve the public interest, in the preparation*

and execution of plans for the protection, management, replacement, or extension of the forest, woodland and roadside or other ornamental tree growth in the state.” The State Forester is also “*responsible for the protection and management of lands donated, purchased, or belonging to the state or state institutions, and all other lands reserved by the state as state forests.*” The Forestry Commission is organized into four divisions (Forest Management, Forest Protection, Administrative Services, and Personnel). The Forestry Commission has organized the state into six district service areas; each service area is overseen by district office management personnel who report to central office program administrators. MFC district office personnel oversee the activities of MFC county foresters, fire crews, and support staff. The Mississippi Forestry Commission provides management assistance to public boards, agencies, and other public entities that have jurisdiction over approximately 480,000 acres of non-federal public forestlands in Mississippi. In fiscal year 2011, net revenues for the MFC were \$28,028,851, with \$17,237,887 of these revenues provided by the Mississippi Legislature from the General Fund and the balance from self-generated funds. The Mississippi Forestry Commission employed 490 full-time employees and 6 part-time employees, excluding time-limited positions funded by federal grants; total salary expenditures were \$18.9 million.

The forest land managed by the Pearl River Valley Water Supply District lies within the Mississippi Forestry Commission’s Capital District (Rankin and Madison Counties), the East Central District (Leake County) and the South Central District (Scott County). The District’s revenues from timber sales vary widely from year to year. In 2010 timber revenues were \$23,669; in 2009, timber revenues were \$276,758; and in 2008 timber revenues were \$183,732. The District employs a full-time Forester; the salaries and benefits associated with the forest management activities of the District are approximately \$72,800.

The District must maintain compliance with state and federal regulations, utilize best management Forestry practices, enhance wildlife habitat, and fulfill its stewardship responsibility for the management of a state public asset. Within a context of limited available sources of revenue, timber sales represent a potential revenue source for

bridging budget shortfalls. Balancing these objectives represents an ongoing challenge in management decision-making, particularly within the framework of the need to expand residential development in order to generate new leaseholder revenues to achieve long-term financial sustainability.

- **Economic Development.** The Pearl River Valley Water Supply District is delegated authority to promote economic development in the region. It accomplishes this objective through three primary activities:

- 1) The development and maintenance of parks, campgrounds, the Ross Barnett Reservoir water area and related marinas, boat launches, and recreational activities associated with these resources;
- 2) Residential and commercial development of District properties; and
- 3) The economic impact of salaries and expenditures related to the ongoing operation and management of the District.

The Economic Impact of Recreational Activities

It is estimated that between 2.5 and 2.75 million people visit the recreational facilities at the Ross Barnett Reservoir that are operated and maintained by the District; an estimated 36,586 boats are registered within the District and approximately 50,000 boaters use the reservoir lake on an annual basis, there are approximately 50 fishing tournaments that take place on the reservoir annually. The positive economic impact of recreational activities has been widely studied. A comprehensive, in-depth economic impact analysis of the Pearl River Valley Water Supply District is beyond the scope of this report; however, a brief overview of these impacts is contained in the following paragraphs.

The economic impact of recreational activities includes recreation-related visitor spending (in-state and out-of-state) on goods and services and related sales taxes to include sports equipment spending, fuel, food, clothing, supplies, and related services. These activities support business creation and related business income tax revenues, direct recreation sector employment, and related income tax revenues. The Economic Multiplier Effect of these economic activities creates additional indirect and induced effects on the local and state economy. For example, a team of out-of-state anglers

competing in a fishing tournament at the Ross Barnett Reservoir will stay overnight in local hotels, and purchase food, gas and other supplies. Hotel lodging costs will directly increase sales in the hotel sector and the hotel will hire employees and pay their wages and salaries – these are the direct effects. Indirect and induced effects are the secondary impact that results from the initial anglers' spending. The hotel will make purchases from other industries in the region (e.g. business supplies, food, or advertising), and these purchases generate sales, income, and employment for backward-linked direct suppliers to the hotel. In turn, the backward-linked suppliers to the hotel make successive purchases from their suppliers; these purchases, in turn, generate sales, income, and employment for their suppliers – these are the indirect economic effects of the anglers' spending. Induced effects are the sales, income, or jobs that result from the household spending of income earned that can be attributed to the angler's spending – either directly or indirectly. For example, the employees of the hotel, restaurants, and advertising firms spend their salaries in the area and generate an additional round of sales, income, jobs, and related income and sales taxes. Economic multipliers vary by industry; for example, the multiplier effect of spending \$100 for a hotel will be different than the multiplier effect of spending \$100 at a restaurant. The economic impact of visitor spending varies based on the nature of the recreational activity; e.g. fishing tournaments, camping, hiking; whether the visitor is from out-of-state, in-state, or within the county; and multiple other factors. To conduct an accurate economic impact analysis of the impact of the District would require accurate data collection on visitors to the District's recreational facilities and a survey of visitor spending.

The U.S. Army Corps of Engineers' Recreation Economic Assessment System developed by Wen-Huei Chang and Scott Jackson at the Engineer Research and Development Center of the Corps, was used to estimate the economic significance of the recreational activities at facilities managed by the Pearl River Valley Water Supply District. Estimates are based on the assumption of 2.5 million annual visitors annually as reported by the Pearl River Valley Water Supply District; no actual distribution of the recreational segments was available; therefore, researchers at the Stennis Institute developed the following assumptions for the distribution of visitors (Table 6 on page 39):

Table 6: Distribution of Visitors to the Ross Barnett Reservoir and Recreational Facilities managed by the Pearl River Valley Water Supply District

Recreational Segment	SHARE	Annual Visitors
Camp/ Boater	4.0%	100,000
Camp/ NonBoaters	4.0%	100,000
Day Visitor/ Boater	35.0%	875,000
Day/ NonBoaters	45.0%	1,125,000
Overnight/ Boater	5.0%	125,000
Overnight/ NonBoaters	7.0%	175,000

Within 30 miles of the District, sales related to recreational activities in the District are estimated at approximately \$81 million annually; these sales generated approximately \$26,481,000 in labor income and supported approximately 1,232 jobs (see Table 7). State revenues from sales taxes associated with these sales are estimated at \$3,081,171 annually. This indicates average spending per visitor of approximately \$32.40 per visit.

Table 7: District Economic Impacts of Visitor Spending

Sector/Spending category	Sales (\$ Thousands)	Jobs	Labor Income (\$ Thousands)	Value Added (\$ Thousands)
Direct Effects				
Motel, hotel cabin	6,326.95	99	2,757.31	4,472.17
Other Lodging	3,308.95	30	555.69	1,303.17
Restaurants & bars	13,139.63	296	5,126.21	5,783.41
Auto repair	3,143.17	45	588.43	1,351.92
Boat repair and maintenance	4,293.47	61	803.78	1,846.68
Entertainment and recreation	3,321.68	50	1,236.20	2,072.83
Grocery stores	4,045.40	82	1,620.76	2,167.59
Gas stations	6,280.06	97	2,200.80	2,858.74
Sporting goods retail	1,570.30	43	514.77	706.70
Other retail	1,908.80	41	885.78	1,238.44
Wholesale trade	3,393.40	29	1,277.51	2,237.59
Manufacturing	2,492.75	0	78.41	105.16
<i>Total Direct Effects</i>	<i>53,224.57</i>	<i>874</i>	<i>17,645.65</i>	<i>26,144.39</i>
<i>Secondary Effects</i>	<i>27,777.12</i>	<i>358</i>	<i>8,834.92</i>	<i>15,987.45</i>
Total Effects	\$ 81,002	1,232	\$ 26,481	\$ 42,132
Multiplier	1.52	1.41	1.50	1.61

The estimates presented in Table 7 above, may vary significantly based upon actual

visitation levels and the distribution of recreational segments. This information is representative of the economic significance of the District and is not intended to represent a comprehensive economic impact analysis based on actual data.

The Economic Impact of Commercial and Residential Development

The District promotes commercial and residential development using leases as its primary activity; there are approximately 5,748 leased properties managed by the District. Of these, 4,475 are located in Rankin County and 1,278 are located in Madison County. The District has 102 commercial leases that consist of a combination of commercial business leases (restaurants, grocery stores, convenience stores, marinas, gas stations) and easements. Total lease revenues were \$4,578,415, according to the audited financial statement of the District for the year ending June 30, 2010.

The Stennis Institute conducted a socio-demographic and market analysis of the District using data from the U.S. Census Bureau, the Consumer Expenditure Survey, the American Community Survey, and ESRI Business Analyst to develop the following profile of the residents leasing residential property from the Pearl River Valley Water Supply District:

The estimated residential population living on residential property leased from the District is 12,929 and has the potential to increase to 13,560 by 2015. The average household income in the District was \$88,884 in 2010, this compared to \$70,173 for all U.S. households; *median* household income in the District is approximately \$10,000 higher than the U.S. median household income. The median home value in the District was \$183,961 in 2010 as compared to the median home value of \$165,714 in the U.S. Approximately 56 percent of the District's population aged 25 and over has an associate degree or higher, this compares to 36 percent at the U.S. level. Approximately 32.4 percent of District residents (age 25 and older) have a Bachelor's degree (as compared to 17.7 percent at the national level) and 14.8 percent have a graduate or professional degree. The average net worth⁹ of households within the District was \$578,099.

⁹ Net worth includes home equity, equity in pension plans, net equity in vehicles, IRAs and Keogh accounts, business equity, interest-earning assets and mutual fund shares, stocks, etc; net worth is household wealth minus debt, secured and unsecured.

The 2010 household expenditures of District leaseholders are estimated at \$411.2 million (see Table 8); of this amount, approximately \$76,788,367 was spent on taxable purchases. This indicates that direct sales tax revenue to the state of Mississippi from the sales on purchases made by District leaseholders is approximately \$5,375,185 annually.

Table 8: Household Expenditures by Leaseholders within the Pearl River Valley Water Supply District 2010

Estimated Annual Expenditures by Households in the District				
Category	SPI¹	Average Amount Spent	Total	Percent of Total
Food at Home	112	\$5,025.40	\$26,518,459	6.40%
Food Away from Home	117	\$3,761.52	\$19,849,089	4.80%
Alcoholic Beverages	119	\$676.80	\$3,571,386	0.90%
Subtotal Food	114	\$8,786.92	\$46,367,549	11.30%
Shelter	120	\$18,966.21	\$100,082,504	24.30%
Utilities, Fuel and Public Services	112	\$5,086.08	\$26,838,639	6.50%
Subtotal Housing	118	\$24,066.17	\$126,994,355	30.90%
Household Operations	120	\$1,899.74	\$10,024,731	2.40%
Housekeeping Supplies	114	\$800.15	\$4,222,305	1.00%
Household Furnishings and Equipment	105	\$2,166.74	\$11,433,641	2.80%
Apparel	82	\$1,968.29	\$10,386,437	2.50%
Transportation	116	\$11,625.84	\$61,348,215	14.90%
Travel	123	\$2,323.09	\$12,258,651	3.00%
Health Care	111	\$4,142.83	\$21,861,246	5.30%
Entertainment and Recreation	120	\$3,873.52	\$20,440,132	5.00%
Personal Care Products & Services	119	\$829.74	\$4,378,435	1.10%
Education	122	\$1,486.95	\$7,846,461	1.90%
Smoking Products	102	\$436.51	\$2,303,412	0.60%
Miscellaneous (1)	117	\$1,370.93	\$7,234,248	1.80%
Support Payments/Cash Contributions/Gifts in Kind	119	\$2,904.46	\$15,326,509	3.70%
Life/Other Insurance	118	\$491.53	\$2,593,726	0.60%
Pensions and Social Security	123	\$8,102.63	\$42,756,611	10.40%
Total Expenditures	116	\$77,921.82	\$411,193,508	100.00%

Source: ESRI Business Analyst, consumer spending data derived from 2006 and 2007 Consumer Expenditure Surveys, Bureau of Labor Statistics

1. The Spending Potential Index represents the amount spent relative to a U.S. average of 100

As shown in Table 8 above, the Spending Potential Index for residential leaseholders in the District is higher than the U.S. Spending Potential Index in all categories of household expenditures, except Apparel expenditures.

The full economic impact of \$411,193,508 in household expenditures by residential leaseholders of the District, including multiplier effects, is to create an estimated 2,557

jobs within Rankin and Madison counties; the tax revenues (direct, indirect, and induced) to state and local government is estimated to be \$20.5 million annually (see Table 9, below).

Table 9: Economic Impact of Household Expenditures by District Leaseholders

Total Economic Impact of Household Expenditures by District Leaseholders		
Description	Indirect Business Tax	Households
Indirect Bus Tax: Sales Tax	\$10,703,492	
Indirect Bus Tax: Property Tax	\$5,704,576	
Indirect Bus Tax: Motor Vehicle Licenses	\$141,087	
Indirect Bus Tax: Severance Tax	\$447,867	
Indirect Bus Tax: Other Taxes	\$779,778	
Indirect Bus Tax: S/L NonTaxes	\$770,282	
Corporate Profits Tax		
Personal Tax: Income Tax		\$1,271,386
Personal Tax: Non-Taxes (Fines- Fees)		\$509,204
Personal Tax: Motor Vehicle License		\$91,156
Personal Tax: Property Taxes		\$37,111
Personal Tax: Other Tax (Fish/Hunt)		\$52,506
Total State and Local Tax	\$18,547,081	\$1,961,363
Total		\$20,508,444

Source: IMPLAN (model constrained to Rankin and Madison Counties)

The Economic Impact of District Operations

Annual expenditures by the District are approximately \$10.8 million; the District employs approximately 117 personnel with annual salaries of approximately \$4.85 million. Using IMPLAN software to model the economic impact of District expenditures, it is estimated that expenditures by the District created a total of 191.4 jobs in Rankin and Madison County; of these, 18.2 jobs were associated with the indirect effects of District expenditures and 56.2 jobs were associated with the induced economic impact of expenditures by the District. Tax revenues to state and local governments associated with District operations are estimated at \$1.1 million annually (see Table 11, page 43).

Table 10: Job Impact of Pearl River Valley Water Supply District

Impact Type	Employment	Labor Income
Direct Effect	117	\$4,846,000
Indirect Effect	18.2	\$579,933
Induced Effect	56.2	\$1,789,692
Total Effect	191.4	\$7,215,625

Source: IMPLAN

Table 11: Tax Revenues associated with the Operations of the Pearl River Valley Water Supply District 2010

Tax Revenues to State and Local Governments from District Operations	
Indirect Business Tax: Sales Tax	\$442,762
Indirect Tax: Property Tax	\$235,976
Indirect Tax: Motor Vehicle Licenses	\$5,836
Indirect Tax: Severance Tax	\$18,527
Indirect Tax: Other Taxes	\$32,256
Indirect Tax: S/L NonTaxes	\$31,864
Corporate Profits Tax	\$27,809
Personal Tax: Income Tax	\$198,378
Personal Tax: NonTaxes (Fines- Fees)	\$79,882
Personal Tax: Motor Vehicle License	\$14,611
Personal Tax: Property Taxes	\$5,321
Personal Tax: Other Tax (Fish/Hunt)	\$8,938
Total	\$1,102,160

Source: IMPLAN

The Financial Activities of the Pearl River Valley Water Supply District

The District’s operations and financial statement report governmental and business-type revenues and expenditures. The business-type activities of the District include water and sewer operations and the Reservoir’s sanitation system. Total revenues and expenditures discussed in this section of the report include activities associated with both governmental and business-type activities, unless otherwise identified as either business-type activities or governmental activities.

According to the audited financial statement of the Pearl River Valley Water Supply District for the fiscal year ending June 30, 2010, total revenues to the District were \$12,385,415 and total expenditures were \$10,784,628. Included in revenues were grant funds of \$1,686,196 in 2010. As shown in Figure 2, grant funding is highly variable and is an undependable source of revenue.

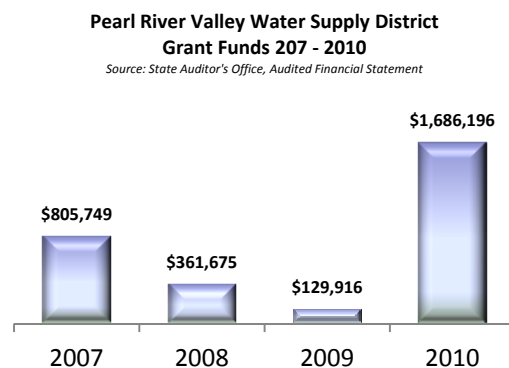


Figure 2: PRVWSD Grant Funding 2007 - 2010

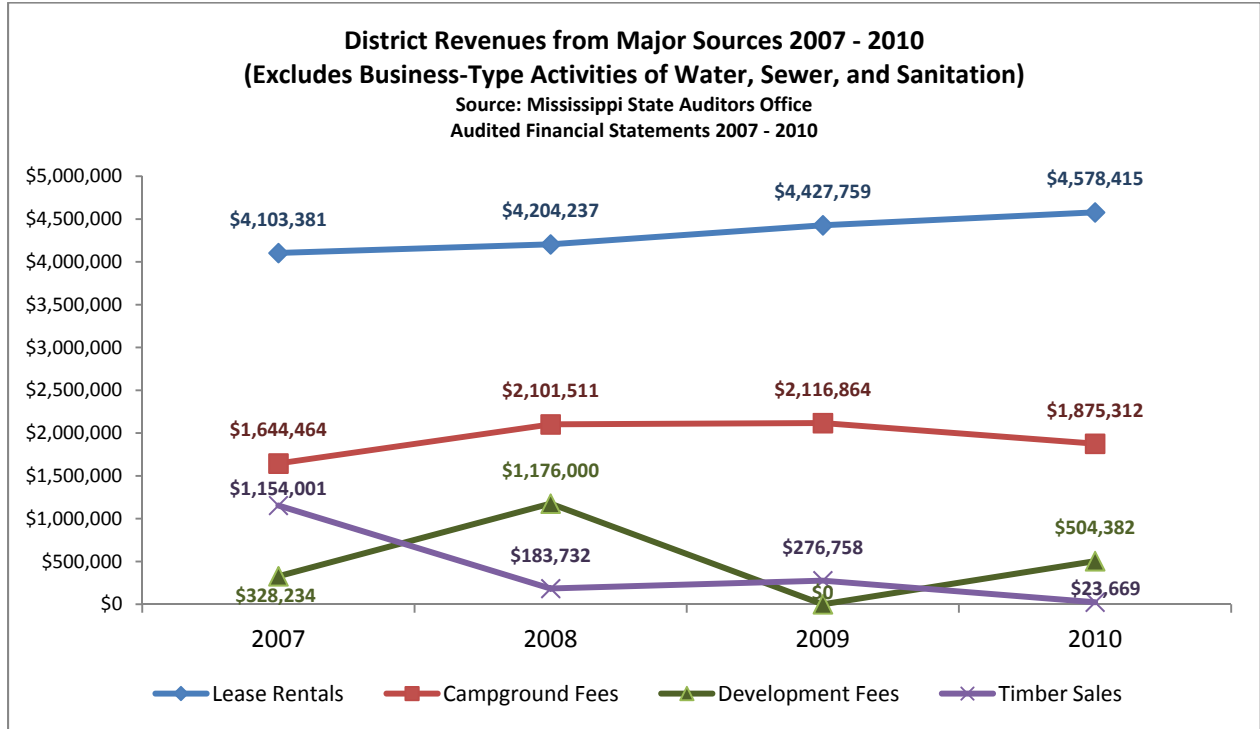


Figure 3: Pearl River Valley Water Supply District Revenues from Major Sources 2007 - 2010

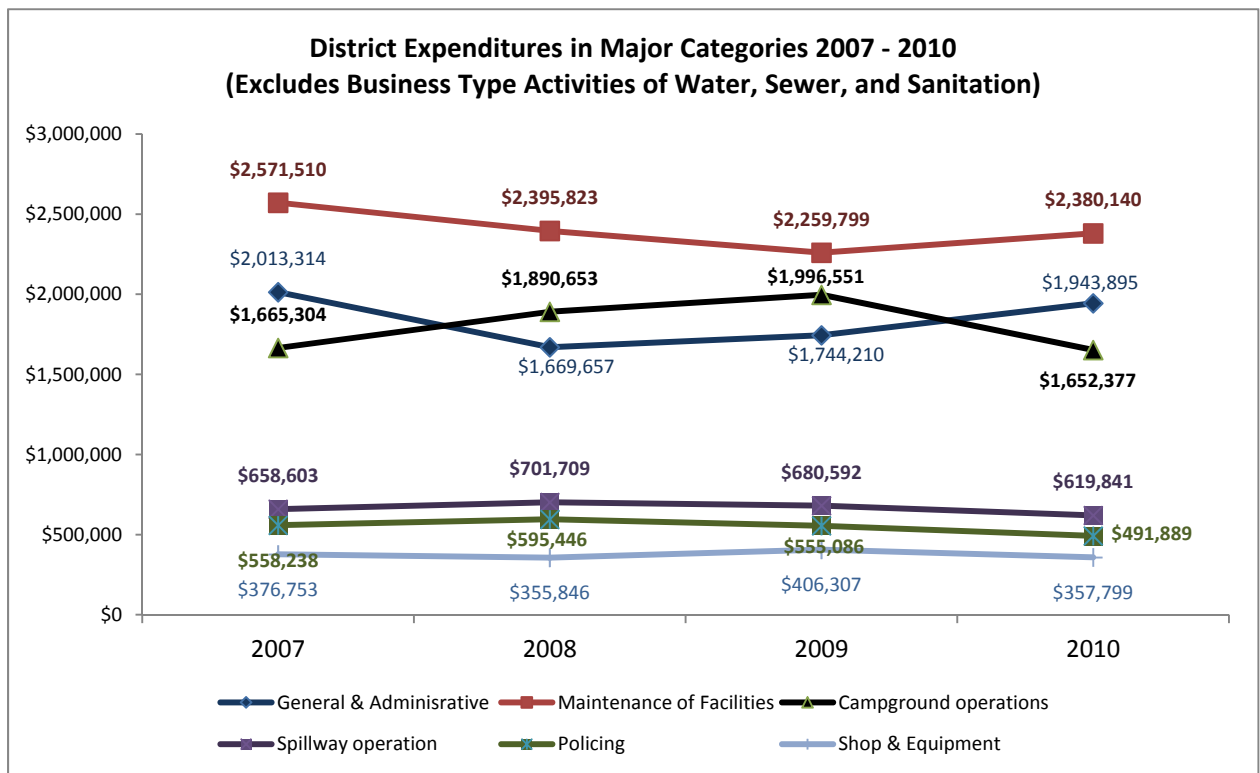


Figure 4: Pearl River Valley Water Supply District Expenditures in Major Categories 2007 - 2010

Revenues for business type activities in 2010 were \$3,133,645 and expenditures were \$3,250,866, indicating an operating deficit of \$117,221. Water and sewer payments by leaseholders are the District's primary revenue source to support the business activities of the District. Planned water and sewer rate increases to leaseholders should cover the existing revenue deficits for District's water and sewer operations within the next 12 months, assuming no significant increases in the expenses related to these operations.

In 2011, the District employed 118 full time personnel with total salaries and benefits of \$4,846,001. A synopsis of employee classifications and related salary and benefit expenditures is provided in Table 12, below. Management and administration comprise the largest component of the District's salary and benefit expenditures.

Table 12: District Salary and Wages by Employment Categories

Positions	Description	Salary & Benefits
13	Senior Management: 1 Executive Director, 1 Deputy Director, 2 Division Directors, 1 Branch Director, 2 Bureau Directors, 2 Special Project Officers, 1 PRVWSD Chief Engineer, 1 Forester, 1 Senior Systems Specialist, and 1 Personnel Officer	\$987,633
14	Office: 2 Accounting/auditing, 2 Office Managers, 1 Executive Assistant, 7 Administrative Assistants, 2 License/Registration Agents	\$553,999
12	Reservoir Patrol: 1 Chief, 1 Sergeant, 1 Lieutenant, 9 Patrol Officers	\$524,202
13	Parks: 4 Park Managers, 2 Assistant Managers, 7 Park Workers	\$443,526
6	Spillway Control: 1 Supervisor, 5 Control Operators	\$295,108
9	Equipment Maintenance & Operators: 1 Superintendent, 2 Supervisors, 1 Master Mechanic, 4 Heavy Equipment Operators, 1 Machinery Handling Equipment Operator	\$327,625
37	Facilities Maintenance: 2 District Maintenance Managers, 7 Superintendents, 4 Supervisors, 1 Construction Foreman, 21 Facilities Repairers, 2 Facilities Maintenance Workers	\$1,345,423
14	General Services: 1 Building Inspector and 13 General Service Workers	\$368,486
Total	118 full time employees	\$4,846,001

In addition to carrying a payroll of \$4.85 million, the District subcontracts legal, engineering, construction, and other services; in 2008 expenditures for contractual services were \$1,159,486 and in 2010 contracted services resulted in expenditures of \$996,836.

Table 13: Pearl River Valley Water Supply District Revenues and Expenditures 2007 - 2010

Revenues	2007	2008	2009	2010
Lease Rentals	\$4,103,381	\$4,204,237	\$4,427,759	\$4,578,415
Campground Fees	\$1,644,464	\$2,101,511	\$2,116,864	\$1,875,312
Spillway Road Improvement Reimbursements	\$127,625	-	-	-
Development Fees	\$328,234	\$1,176,000	\$0	\$504,382
Timber Sales	\$1,154,001	\$183,732	\$276,758	\$23,669
Transfer Fees	\$135,808	\$99,398	\$81,380	\$89,315
Building Permit Fees	\$92,892	\$91,158	\$58,646	\$40,067
Franchise Fees	\$72,222	\$79,820		
Insurance Reimbursement	\$142,229	\$119,150		
Grant Revenues	\$805,749	\$361,675	\$129,916	\$1,686,196
Other	\$433,726	\$266,638	\$625,072	\$450,621
<i>Total Revenues from Government Activities</i>	<i>\$9,040,331</i>	<i>\$8,683,319</i>	<i>\$7,716,395</i>	<i>\$9,247,977</i>
Business Type Activities (water and sewer charges, Other	\$2,956,537	\$3,074,792	\$2,893,589	\$3,133,645
Total Revenues	\$12,145,042	\$11,894,766	\$10,677,970	\$12,385,415
Lease as Percent of Revenues from Government Activities	45.4%	48.4%	57.4%	49.5%
Expenditures				
General & Administrative	\$2,013,314	\$1,669,657	\$1,744,210	\$1,943,895
Maintenance of Facilities	\$2,571,510	\$2,395,823	\$2,259,799	\$2,380,140
Campground operations	\$1,665,304	\$1,890,653	\$1,996,551	\$1,652,377
Spillway operation	\$658,603	\$701,709	\$680,592	\$619,841
Policing	\$558,238	\$595,446	\$555,086	\$491,889
Special Projects	\$23,083	\$23,385	-\$21,108	-\$24,877
Shop & Equipment	\$376,753	\$355,846	\$406,307	\$357,799
Interest Expense	\$72,077	\$52,587	\$187,499	\$6,508
Misc	\$21,085	\$34,785	\$133,795	\$106,190
<i>Expenses for Government Activities</i>	<i>\$7,959,967</i>	<i>\$7,719,891</i>	<i>\$7,942,731</i>	<i>\$7,533,762</i>
Expenses Business Type Activities	\$3,019,986	\$3,118,327	\$3,474,883	\$3,250,866
Total Expenses	\$10,979,953	\$10,838,218	\$11,417,614	\$10,784,628
Lease Rentals as Percent of Total Government Expenditures	51.55%	54.46%	55.75%	60.77%

Source: Mississippi Office of the State Auditor, Audited Financial Statements 2008 and 2010

An examination of the District's revenue sources (Table 13, page 46) indicates a high degree of variability and uncertainty in revenues from specific sources. For example, from 2009 to 2010, revenues from campground fees declined by \$241,552, revenues from timber sales declined by \$253,089, and building permit fees declined by \$18,579; there is also high variance in revenues from development fees from year-to-year. Grant revenues are a highly unstable source of revenues and becoming increasingly so within the framework of significant federal government deficits and necessary budget cutbacks. As demonstrated in previous paragraphs, absent federal grant revenues of \$1,686,196 in 2010, the District would have experienced an operating loss of \$85,400 in 2010. The only stable and increasing source of revenues to the District is from Leaseholder rentals and from leaseholder water/sewer charges.

A review of the District's expenditures reported in its audited financial statements submitted to the Office of the State Auditor indicates that total expenses are relatively stable over the period from 2007 to 2010, but exhibit variability within changes in fund balances. For example, in 2008 actual salaries, wages, and fringe benefits were reported to be \$3,869,039 as compared to actual salaries, wages, and benefits of \$3,724,536 in 2010; according to data provided by the District for 2011, salaries, wages, and benefits were \$4,846,001, indicating a difference of approximately \$1 million. If this increase is attributable to efforts by the District to move more services and activities in-house, in an effort to reduce expenditures related to sub-contracting activities, these salary related expenditure increases may contribute to improved operating efficiency and enhanced financial sustainability over time.

As a Special Fund State Agency, the District is completely reliant upon self-generated revenues to sustain operations and maintenance. Over time, as physical assets depreciate, it can be anticipated that the cost of repair and maintenance will increase. Because the District generally does not charge fees for public use of many recreational facilities, with the exception of campground fees, it will require new sources of revenues to sustain these activities. This will require a careful balance between achieving efficient use of existing revenues and securing a stable source of new revenues.

At present, the only available source of significant new revenues is to increase development in order to increase revenues from leaseholders. Future development of the remaining available land resources of the District to increase revenues from residential and commercial leases can be anticipated to increase the population in the District and cause a related increase in the demand for services, maintenance, and the related cost to the District of providing these services.

The Ross Barnett Reservoir and the surrounding area managed by the PRVWSD is an asset of the state of Mississippi and the people of the state. The PRVWSD is the entity which has been assigned the responsibility to manage, maintain, develop, and preserve this property for the benefit of the state of Mississippi. Within this context, the District and its Board of Directors must consider and be responsive to the interests of residential and commercial property leaseholders; and be responsive to the needs of future developers to assure that property values are maintained for the public benefit and do not dissipate in the future. This will require an examination of the balancing the equity interests of leaseholders and the public, based upon a sound and self-sustaining revenue and expenditure structure.

Property Development and Leaseholder Contracts

In 1963, the PRVWSD retained a real estate developer and appraisal firm to study the development of the private shoreline of the reservoir, resulting in a master plan for land development. Subsequent to the completion of the study, the Board retained a realty firm to market the lots, and at the advice of this firm adopted its method for conveying the lots to homeowners using a renewable, long-term 60-year lease mechanism. The value of the lot was appraised at market value by the realty firm; in addition, the estimated total cost of developing streets, sewer, and water within a subdivision was assigned pro rata to each lot within a subdivision.¹⁰ The “lessee” (purchaser) then paid the District a “down payment,” or front end payment, which was equal to the pro rata share of the estimated total cost of development and the appraised market value of the lot was paid over the 60-year life of the lease at an estimated rate of 6 percent of the

¹⁰ The “pro rata” share assigned to each lot was actually greater than the true equal share for each lot and the allocation of the cost of development was designed so that when between 60 to 80 percent of the lots in a particular subdivision has been leased, the entire development cost of the subdivision had been recouped.

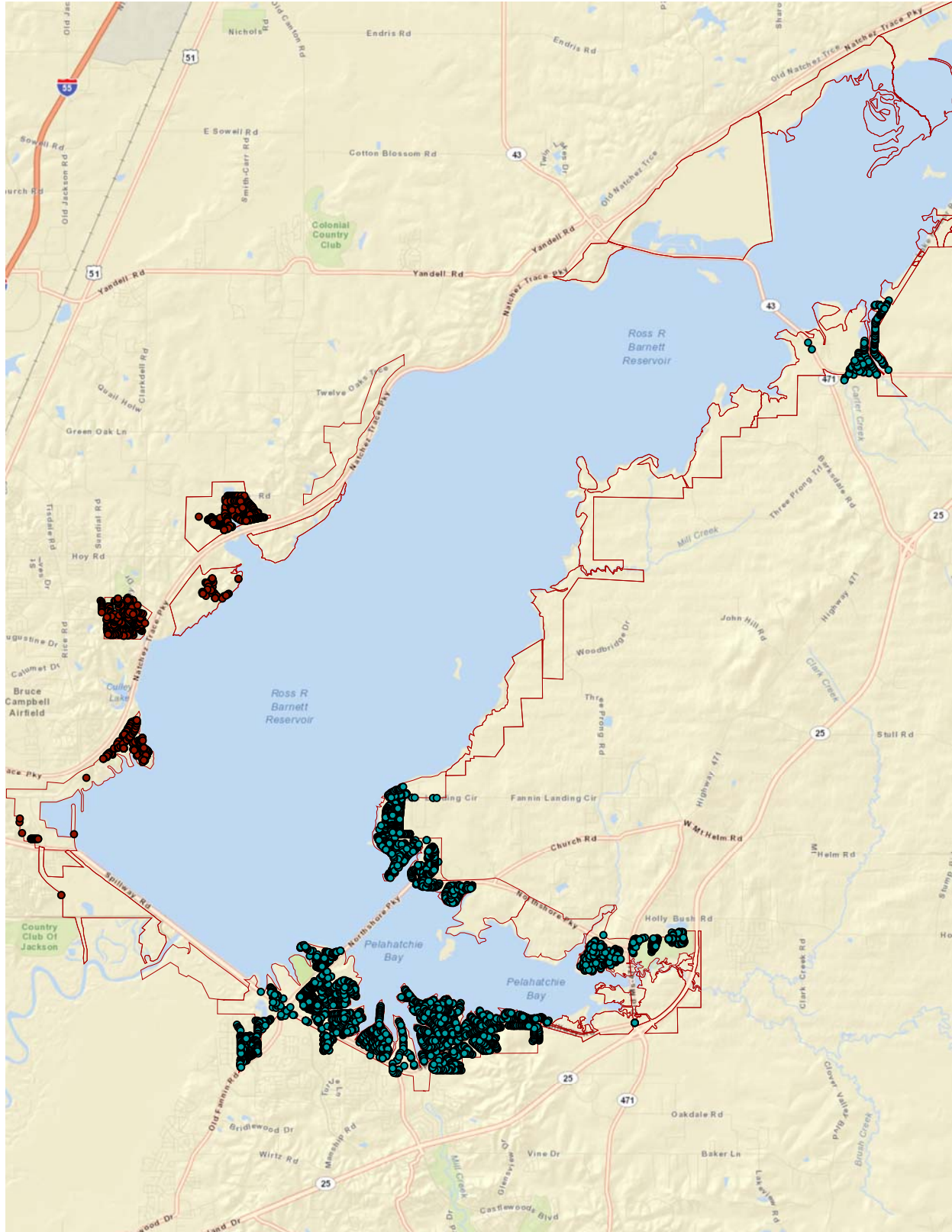
total appraised value per year. A commission of 7.5% was charged on the total amount of the lease, of this amount, 5% was paid to the broker who made the sale and 2.5% was paid to the real estate developer.

Example of PRVWSD Method for Arriving at Residential Lease Agreements

- Appraised Value of a Lot = \$7,000
- Pro-rata Share of Developer building streets, sewer, and water = \$3,000
- Total "Value" of Lot = \$10,000
- Lessee Down payment upon Negotiating Lease = \$3,000
- Balance of \$7,000 at 6% over 60 years = \$420 annual rent payment

Although the District has changed its method of residential development, the original valuation method for residential leases used by the District today remains basically the same as it was in 1963. Over time, the District has promulgated extensive rules, regulations, and ordinances to govern the land and water area that is under its jurisdiction;¹¹ these regulations include the partial adoption of the International Property Maintenance Code. The District maintains a Building Department for the purpose of issuing permits, conducting inspections, and enforcing the District's rules and regulations that govern residential and commercial structures. The residential lease agreements also contain a clause that allows the District to charge an added cost for the provision of police protection, water, sewer, garbage, street maintenance, and other services (similar to those provided by a municipal government) using a pro rata allocation of total costs to each lot. Fundamentally, annual leaseholder payments to the District are a contract that finances the cost of the appraised value of a lot, amortized over a 60 year period, with the District retaining fee title to the leased land. Annual rental fees include no services from the District. Leaseholders then make improvements to the land and they pay ad valorem property taxes on the appraised value of the land and the appraised value of the improvements they make to the land to the appropriate taxing authority (i.e. Rankin or Madison County). There is no residential development in District controlled property in Hinds, Leake, or Scott counties.

¹¹See Regulations of the Pearl River Valley Water Supply District: <http://www.therez.ms/December%202010%20-%20PRVWSD%20Regulations%20-%20Update.pdf>



Map 1: Geocoded Property Tax Map of District Leases

To examine property tax revenues associated with District leaseholders, Institute researchers geocoded the taxrolls for Rankin County,¹² and the Madison County Tax Assessors office provided the Institute with tax rolls for properties located within the District. County property tax revenues from District leaseholders were approximately \$9.3 million in 2011 (see Table 14 below).

Table 14: District Leaseholder Real Property Ad Valorem Taxes

Real Property	Madison County	Rankin County	Total
True Land Value	\$96,461,060	204,095,770.00	\$300,556,830.00
True Improvement Value	\$221,320,612	508,866,780.00	\$730,187,392.00
Total True Value	\$317,781,672	712,962,550.00	\$1,030,744,222.00
			\$0.00
			\$0.00
County Ad Valorem	\$1,225,713	\$2,950,553.00	\$4,176,266.00
School Ad Valorem	\$1,977,605	\$3,158,750.00	\$5,136,355.00
District 1 Mil	\$36,253	-	\$36,253.00
Total Property Tax	\$3,239,571	\$6,109,303.00	\$9,348,874.00

Historically, the District has been successful at meeting its mandate to support economic development in the region. More recently, efforts at residential development have been problematic. Many factors have impacted the District’s development efforts, including the recent economic recession which began in December of 2007, the related mortgage and credit crisis, high unemployment, and general economic stagnation. The slow pace of residential development has a negative impact on the growth of District revenues from residential leaseholders and also negatively impacts property tax revenues to Madison and Rankin counties. Development decision-making by the Board of Directors and Management of the District are vital to its future sustainability.

One example of the costs associated with Development decision-making is the Town of Lost Rabbit. Issues associated with Lost Rabbit surfaced early in the project. A 2004

¹² Data for Rankin County may exhibit variance from actual tax revenues due to the failure of approximately 120 addresses in the database to geocode.

study of the Pearl River Valley Water Supply District by PEER¹³ found that “*the PRVWSD Board of Directors’ lack of a policy restricting consultants from participating in or competing for development contracts creates an appearance that the process by which persons and firms compete for development contracts is not open and competitive.*” The original agreement was a lease of 122 acres and an option to lease approximately 138 additional acres. The Master Lease allowed the lease to be assigned or the leased premises sublet an unlimited number of times without restriction to commercial and residential interests with the consent of the PRVWSD. According to the bond Limited Offering Memorandum dated July 17, 2008 Neopolis Development Group, LLC was the managing member of the Developer and was owned and managed by Richard Ridgway, Mark Fascogna, and David Lane; at the time of the bond offering Richard Ridgway and David Lane had been in partnership for the prior eight years in Ridgway Lane & Associates, a third party, commercial brokerage and leasing company in the Jackson area. Development of Phase I of Lost Rabbit, a 44.43 acre parcel began around 2005, it was originally slated for the development of 122 lots. The Lost Rabbit Public Improvement District was formed December 3, 2007 and subsequently issued \$18.6 million in Series 2008 Special Assessment Bonds to finance infrastructure development. The primary source of payment for the bonds are assessments imposed on each parcel of land within the development and are considered a lien against the land subject to Mississippi Code; annual debt service on these bonds is approximately \$1.68 million annually, ending in 2038. Lots sold in Lost Rabbit prior to the issuance of the bonds in 2008 are excluded from the special assessments.

A review of the 2011 Madison County tax rolls identified 188 Town of Lost Rabbit lots within the database. The total true value of these lots is appraised by the Madison County Tax Assessor at \$13,334,250. Of the unimproved lots, 55 are owned by Lost Rabbit Development, LLC. with no improvements and have an appraised true value of \$3,041,930; annual property taxes on these lots are estimated at \$41,148. In addition to lots owned by Lost Rabbit Development, LLC, many unimproved lots are held in the

¹³ Report to the Mississippi Legislature: A Review of the Pearl River Valley Water Supply District, by the Joint Legislative Committee on Performance Evaluation and Expenditure Review, October 19, 2004 (<http://www.peer.state.ms.us/reports/rpt471.pdf>, accessed November 18, 2011).

name of banks and principals related to Lost Rabbit Development, LLC. Of the 188 Town of Lost Rabbit lots, 51 lots have improvements (houses); the appraised true value of lots with improvements is \$3,538,500 and the appraised true value of the improvements on these 51 lots is \$17,847,460. Property tax revenues to Madison County from the 51 improved lots are estimated at \$222,615; property tax revenues from the 137 unimproved lots are estimated at \$131,595. The median assessed value for houses on the 51 developed lots is \$31,203; based upon this assumption, the property tax revenue losses to Madison County associated with the failure to successfully develop the Town of Lost Rabbit is approximately \$400,000 annually. Estimates indicate that if the District were receiving leasehold rental revenues from the 55 undeveloped lots held by Lost Rabbit Development, LLC, these revenues would be approximately \$183,262 annually. In its 2004 study of the PRVWSD, PEER made the following recommendation: *“The PRVWSD Board of Directors should refrain from working exclusively with one developer prior to public advertisement of a request for proposals for the lease of district property or from developing an RFP incorporating the proposal of a specific developer. The Board should take steps including, but not limited to, openly advertising for developers or contacting multiple developers to whom the Board can communicate its proposed vision for the use of a specific parcel of property. The District should advertise an RFP that is specific to the Board’s vision for the use of the property, but that does not favor one developer.”* An earlier study by PEER in 1993,¹⁴ also made recommendations regarding the District’s development practices. This study found that the District had become increasingly dependent upon real estate consultants to plan, market, manage, and execute its land development, rather than performing these duties internally. The 1993 PEER study found that the District’s heavy reliance on consultants was so complete that the District’s capacity in in this area was extremely weak. The study also recommended that the District *“should work toward self-reliance in the management of the District, not depending so greatly on outside contractors...and should strive to obtain complete control over the management of its real property within at least two years.”* In a letter dated July 16, 1993, the District

¹⁴ A Review of the Pearl River Valley Water Supply District’s Use of Real Estate Consultants, PEER Report #301, July 21, 1993.

responded to PEER's recommendations and stated that the "*PRVWSD Board agrees that it should strive to obtain better control over the management of its real property within the next two years.*" Given the District's heavy reliance upon leaseholder revenues to support ongoing and future operations, proficiency in management and control of real estate development is a critical issue.

Leaseholder Issues

The 1982 Hinds County Chancery Court ruling that required the District to charge a fee for any service it provided to leaseholders was based upon the perceived inequity of having "public" revenues from the millage rates levied on the five counties pay for "private" services that were provided to District residential leaseholders; the ruling was designed to assure that the maximum amount of District revenues were allocated to paying off the bonded indebtedness of the District in order to accelerate repayment of this debt and end the assessment of millage rates in the five county area. This purpose was accomplished in 1992. One of the first impacts of the 1982 court ruling was the adoption of an escalating lease contract. Prior to July 1983, residential leases were negotiated for 60 years with a fixed term; after the court ruling, new residential leases would include an escalation clause that increased annual payments by 10 percent every five years. Today, revenues from District leaseholders represent approximately 61 percent of District expenditures, and these leaseholder revenues enable the District to provide a wide array of services, at no charge, to the public. The District strictly adheres to the criteria established by the 1982 ruling of the Hinds County Chancery Court of providing no services to District leaseholders without charging for that service. District management is constrained by this policy; there are also limited financial resources available to the District to provide additional services to District leaseholders. Technically, the District is the "landlord" to District leaseholders and has voiced that perspective at public meetings. However, as compared to a typical "landlord," the District provides no services to lessees without charging for those services.

Interviews with residential leaseholders and statements by leaseholders at public meetings indicate that residents have limited input into the District's decision-making and that the District's Board of Directors and management is insulated from addressing

leaseholder's issues due to the composition of the Board of Directors.

Composition of Board of Directors

At the time the Mississippi Legislature created the Pearl River Industrial Commission in 1956 and subsequently passed Senate Bill 1724 to create the Pearl River Valley Water Supply District Act in 1958, the necessity and wisdom of including representatives from four state agencies: 1) the Mississippi Commission on Environmental Quality; 2) Commission on Wildlife, Fisheries and Parks; 3) the Forestry Commission; and 4) the State Board of Health was an important factor; not only to gain support for the creation of the District, but also to assure effective oversight, management, and stewardship of the water, forests, wetlands, and natural resources within the District. Subsequent to the creation of the Pearl River Valley Water Supply District, federal legislation, e.g. the National Environmental Act in 1969, the Federal Water Pollution Control Act in 1972, the Resource Recovery and Conservation Act in 1976, the Clean Water Act in 1977, the Safe Drinking Water Act in 1974, and the Community Right-to-Know Act in 1984, has put in place a series of federal and state regulations, planning and permitting requirements, and reporting regimes that constrain the activities of the Pearl River Valley Water Supply District. These regulations were not in place at the time the District was created.

There is some evidence to indicate that the Mississippi Legislature's intent, when creating the District, was to assure that the actions taken by the District complied with a general framework that protected the environment and to put in place a coordinated decision-making process with other state agencies, while also allowing the District maximum flexibility in decision-making. For example, the Mississippi Legislature used a similar framework (requiring representation on the board from the Department of Environmental Quality, Wildlife, Fisheries, and Parks; Forestry Commission; and Department of Health) to describe the composition of the board of directors of other water supply districts; e.g. the Board of Directors of the Tombigbee Authority (§51-13-105) and the creation of the Pearl River Basin Development District (§51-11-5). At the period in history

when the legislation was written to create water management districts, the Mississippi Legislature recognized the importance of coordinated actions across multiple state agencies and structured the composition of the Board of Directors of the District to achieve that purpose. With the advent of the National Environmental Policy Act of 1969, there has been a proliferation of federal and state standards, rules, and regulations governing every aspect of environmental decision-making, thereby creating a highly structured and complex legal and regulatory framework that mandates coordination, compliance, enforcement, and penalty structures for non-compliance.

A comprehensive discussion of the regulatory authority of state agencies over the actions taken by the Pearl River Valley Water Supply District related to its governance and use of natural resources and the requirement that the District be in compliance with these statutes is beyond the scope of this report. One example that illustrates the regulatory environment that governs the actions of the District is the authority of the Mississippi Department of Environmental Quality (MDEQ). The scope and breadth of expertise required to administer environmental regulations is demonstrated by the multiple departments maintained and administered by MDEQ, which employs approximately 420 people and receives a budget appropriation of approximately \$348 million. MDEQ consists of multiple departments that administer and regulate environmental issues in the state, to include: the Office of Pollution Control consisting of the Surface Water Division, the Air Division, the Groundwater Assessment and Remediation Division, the Field Services Division, the Environmental Permits Division, the Environmental Compliance and Enforcement Division, and the Emergency Services Division; the MDEQ's Office of Land and Water Resources consists of the Surface Water Division, the Permitting and Monitoring Division, the Ground Water Division, the Water Resources Data Management Division, the Water Well Driller's Licensing Division, and the Dam Safety Division. Within the current framework, the activities and environmental management practices of the District are constrained by mandated regulatory compliance with the laws, rules, and regulations of multiple state and federal

agencies.

At the time the Pearl River Valley Water Supply District was established, the knowledge and experience of board members that represented state agencies that had an interest in the management of the District's ecosystem was a valuable necessity. The District's management of public water systems, the Reservoir Lake and dam, forests and parks requires regular and frequent assessment of regulatory compliance in planning, decision-making and operations. These functions are most frequently performed either by in-house staff, in consultation with regulatory agencies, or through the use of consulting contracts with service providers. In cases where other state agencies provide services or resources to the District and when these services are performed by state agencies with board members also sitting on the Board of Directors of the District, the potential for the negative impact associated with related-party transactions exists. Issues associated with management control relationships, the bargaining power of parties to transactions, the appropriate valuing of services between state agencies, fiduciary responsibilities, and related party transactions associated with individuals who are on the Board of Directors of the District and also serve as board members of state agencies that provide contracted services or have regulatory authority over the actions of the District, even when these interests are remote, should be considered.

In addition to the four board members from state agencies, the boards of supervisors of the five counties (Hinds, Leake, Scott, Rankin, and Madison) appoint members to the District's Board of Directors; as a result, the District's board members are more accountable to member counties of the District than they are to residents living within the District. Three counties (Hinds, Scott, and Leake) have no population residing in the area governed and administered by the PRVWSD. From a public policy perspective, the primary driver of accountability in governance structures comes from the social welfare consequences of decision-making by governing bodies. For example, in municipal and county governments the mayor, city council, or board of supervisors is held accountable

for their decision-making by voters. In its current form, the Board of Directors of the District has no accountability to the residential leaseholders – the group that is most directly impacted by the decisions made by the Board.

There are approximately 65 residential subdivisions located within the District that are governed by subdivision regulations and homeowner association protective covenants. Homeowner associations are comprised of a board of directors selected by residents; in most cases, assessments are levied on homeowners; these assessments are collected and managed by the homeowner associations, and then used to maintain and improve property; in many cases this includes street repair and maintenance of grounds and infrastructure. Any changes to homeowner associations' protective covenants must be reviewed and approved by the PRVWSD. In some cases, the Board of Directors may withhold their approval of changes to homeowner association protective covenants or request that changes be made to the protective covenants and approved by lessees. An example of this was a proposed updating of the covenants of the Windrose Pointe Homeowners Association (WPHA). Upon approval of the WPHA covenants by the Homeowners Association at a meeting on November 3, 2009, WPHA submitted a request to the District's Board of Directors for approval of changes to the WPHA covenants. Approximately six months later, at a March 9, 2010 meeting of the WPHA, members were informed that a request had been made by the PRVWSD to add a clause to Article IX of their covenants as follows: "*Section 5. Seawall Maintenance. Lessee of water-front lot(s) must maintain the seawall in good condition.*" This request was rejected by the WPHA members. The revised covenants, approved by the PRVWSD, were received by WPHA members on April 19, 2011; the process had taken approximately 15 months to receive approval by the PRVWSD Board of Directors. The issue of seawall maintenance is an example of the tension that exists between the PRVWSD Board of Directors and residential leaseholders. Residential leaseholders take the position that they lease the land from the District; over the course of their lease they pay the full market value for the lot and that the full market value reflects the "improved" value of the lot, but they do not own the lot. Therefore, their position is that when they took possession of the property, the seawall was in a specific condition and that the "landlord" (PRVWSD) should be responsible for maintaining it. The position of

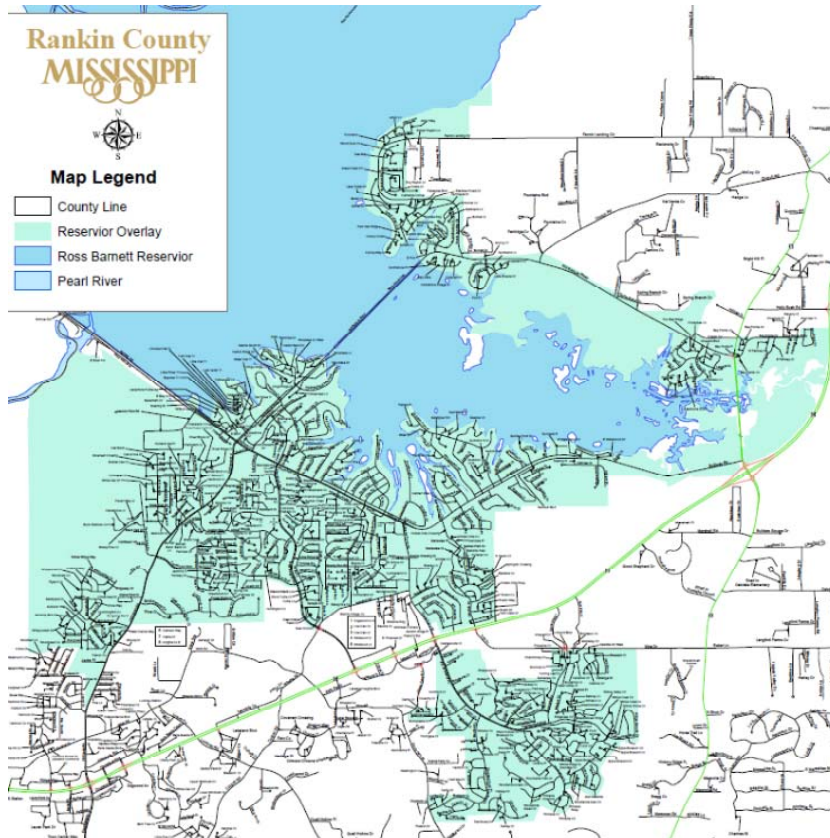
the PRVWSD is that it can provide no services to the leaseholders without charging for that service and therefore, they are not responsible for maintaining the seawall. A lawsuit has been filed by residential leaseholders regarding the responsibility of the District to maintain the seawall and the question of responsibility regarding this specific issue awaits resolution.

Most of the homeowners associations within the District have restrictive covenants and many levy assessment fees on homeowners to provide maintenance and upkeep. Older, residential subdivisions within the District that were constructed prior to the mid-1990s are more likely not to have homeowners associations and many leaseholders who were interviewed do not believe that there is aggressive enforcement of the protective covenants or the ordinances that do exist. Some of the older residential neighborhoods are experiencing signs of deterioration and appear to be faced with declining owner occupancy and a transition to renter-occupancy, deterioration of the housing stock, and physical decay. Residents in these areas are concerned with decreasing property values and lack of property maintenance. A strategy is required to stem the decay of these communities, to avoid decline in adjoining neighborhoods, and to revitalize these areas. One proposed solution is to create an Overlay District.

Overlay Districts are created to accomplish the following purposes:

- To create a specific look, feel, or image for a specific area
- To meet community goals or objectives
- To develop codes that address a particular need within a zone
- To protect valuable resources
- To resolve conflicting standards between the overlay district and the underlying zone
- To Revitalize communities, using special incentives

Overlay Districts are a commonly used planning tool that allows existing zoning regulations to be superseded. Overlay Districts are usually used to provide a higher level of regulation than that required in the existing underlying zone, but are also used to permit exceptions or less restrictive guidelines than those within the underlying area.



Map 2: Proposed Overlay District

Any governmental unit with the power to create zoning districts can create an overlay district. A study must be compiled that clearly defines the purpose and goals of the overlay district and ensures that these purposes comport with the Comprehensive Plan of all entities that may have overlapping jurisdiction of the geographic area; in this case, those entities would include (at minimum) the Pearl River Valley Water

Supply District and the Rankin County Board of Supervisors. The overlay district boundaries must be defined based upon the stated purpose of the District and specific rules, ordinances, and zoning requirements are established to meet the purposes and objectives for which the Overlay District is being created. Extensive public input is required at all steps of the process. Throughout the planning process, input must be obtained from all constituency groups to include residents, business interests, regulatory agencies, and local governments. Prior to final adoption, educational programs and workshops should be held with property owners/leaseholders, business interests and developers to increase awareness and public input. Zoning requirements must be equally applied across all properties within a single Overlay District and ordinances must comply with state and federal regulations. The procedures for adopting an overlay district are the same as for adopting a zoning or rezoning provision, with the Overlay District and related changes to zoning maps being approved by the appropriate governing bodies for adoption. Upon adoption of the Overlay District,

educational programs should be provided to affected property owners/leaseholders and developers to avoid confusion and to increase compliance.

The District's Board of Directors and the Rankin County Board of Supervisors have requested the Federation of Reservoir Home Owners Association to proceed with further investigation of the creation of an Overlay District. The creation of an Overlay District may resolve many of the concerns expressed by residential leaseholders and property owners; public support or opposition to the creation of the Overlay District will vary depending upon the type of regulations that are proposed. Early and frequent communication and input from stakeholders will be important to the success of the process. Input should be obtained from homeowners' organizations, residential and commercial leaseholders, residential and commercial property owners, municipal and county government representatives, neighborhood organizations, realtors, bankers, builders and developers. A recommendation that the District expand its staff with the addition of a professional Community Planner would facilitate the process of planning, implementing, and administering the Overlay District.

Review of the Findings

With a population estimated at 12,929, the District's resident population is larger than 20 of the 82 counties in the State of Mississippi; counties with equivalent populations include Jefferson Davis County (population 12,543 in 2009); Tallahatchie County (population 12,638 in 2009), and Amite County (population 13,308 in 2009). There are 319 cities, towns, townships, and villages in the State of Mississippi; the residential population of the District would rank the District as among the 35 cities with the largest populations in the state; its population is larger than that of Picayune, Cleveland and Brookhaven, approximately equivalent to Canton, and slightly smaller than Hernando, and Long Beach.

Counties in Mississippi receive revenues from ad valorem taxes on real and personal property; in lieu rail car and utility payments; gas, oil, and timber severance tax payments; petroleum tax distributions; gaming fees and related taxes; motor vehicle registrations and tags; and other fees and assessments.

Municipalities in the state receive revenues from ad valorem taxes on property within the boundary of the municipality and receive approximately 18.7 percent of the sales tax revenues that are collected within the city boundary. Municipalities and counties receive in lieu payments from the Mississippi Department of Revenue that are a redistribution of utility revenues (i.e. TVA or Grand Gulf Nuclear) using a formula based on a pro rata share of electricity consumption within municipal or county geographic boundaries. For example, over the period October 2010 to March 2011, TVA in lieu payments to Rankin County were \$93,833; the Rankin County School District received \$26,691; and the City of Flowood received \$2,480. Madison County receives in lieu payments from the Grand Gulf Nuclear Plant; it received \$488,743 of in lieu payments in 2011 and the City of Ridgeland received \$336,410.

Counties also receive a share of Gas, Oil, and Timber Severance Tax payments (see Tables 15 and 16, below). The Mississippi Department of Revenue redistributes

Table 15: Distribution of General Revenue Funds to County and Municipal Governments for Selected Tax Revenues

Revenue Source	Revenues to the State	Allocated to Counties	Allocated to Municipalities	% to Counties	% to Municipalities
Gas Severance Tax	\$20,117,107.00	\$6,780,166.00	\$0	33.7%	0.0%
Oil Severance	\$82,586,338	\$16,167,595	\$0	19.6%	0.0%
Alcohol Beverage Tax	\$71,917,197	\$343,825	\$2,312,460	0.5%	3.2%
Petroleum Tax ¹	\$420,227,133	\$40,186,657	\$0	9.6%	0.0%
TVA In Lieu	\$26,705,903	11798644	\$6,282,256	44.2%	23.5%
Nuclear In Lieu	\$20,000,000	\$11,196,020	\$7,603,980	56.0%	38.0%
Sales Tax ²	\$2,645,990,929	see note 2	\$377,514,114	0.0%	14.3%

Source: Mississippi State Tax Commission, Annual Report, FY 2011

1. Coast Counties receive 1.4% of petroleum tax for seawall tax (approx. \$5.8 million) and .73 percent for road protection (approx \$3 million)

2. Sales Tax revenues are also allocated to the State Aid Road Fund, Public School Building Fund, and to the Mississippi Development Authority and the Mississippi Major Economic Impact Authority

Note: Percentages shown are net effective percentages averaged statewide, revenue distributions to municipal and county governments are allocated based on revenue generating activities within their jurisdictional boundaries.

Table 16: Gas, Oil, and Timber Severance Revenues to Rankin and Madison County Fiscal Year ending June 30, 2011

COUNTY	Gas, Oil, and Timber Severance Tax Revenues Fiscal Year Ending June, 2011			TOTAL
	GAS PAYMENTS	OIL PAYMENTS	TIMBER PAYMENTS	
RANKIN	\$427,368	\$74,322	\$12,191	\$513,881
MADISON	\$0	\$10,160	\$8,790	\$18,950

Source: Mississippi Department of Revenue, Annual Report 2011

Petroleum tax revenues to county and municipal governments are based upon revenues generated within their jurisdictional boundaries. For the year ending June 30, 2011, Petroleum tax revenues in Madison County were \$717,651; of this amount, \$21,812 was distributed to municipalities within the county and \$168,188 was distributed to the county, and the surplus was \$527,651. In Rankin County, Petroleum tax revenues were \$866,587; of this amount, \$23,356 was distributed to municipalities within the county, \$166,644 was distributed to Rankin County, and the surplus tax revenues were \$676,587.

Harrison, Hancock, and Jackson Counties levy an additional 3 cents per gallon tax on gasoline, known as the “Seawall Tax.” In FY 2011, these three counties received a total of \$5,778,509 in revenues to maintain seawalls within their geographic boundaries. The Department of Marine Resource, the Department of Environmental Quality, and the Department of Wildlife, Fisheries, and Parks also receive distributions from Petroleum tax revenues totaling approximately \$17.7 million annually.

Municipalities with a population similar in size to the population of residential leaseholders at the Pearl River Valley Water Supply District are heavily dependent upon property taxes and sales taxes revenues to provide services to residents of their communities. As shown in Table 17 below, revenues from combined property and sales tax represented, on average, 72 percent of municipal revenues; sales tax revenue represents approximately 38 percent of the total revenues for Mississippi cities that have a population similar to that of the District. As shown in Table 17 below, sales

Table 17: Comparative Revenue Cities with Population Equivalent to the Pearl River Valley Water Supply District

Revenue Structure for Mississippi Municipalities with Population Equivalent to the Residential Population Living within the Pearl River Valley Water Supply District						
	Brookhaven (2009)	Picayune (2007)	Cleveland (2008)	Long Beach (2008)	Hernando (2010)	Canton (2007)
Property Tax	\$3,071,189	\$1,686,155	\$3,444,242	\$3,911,104	\$3,071,725	\$2,941,001
Sales Tax	\$4,912,420	\$5,355,825	\$3,886,729	\$1,617,517	\$2,738,215	\$2,488,245
Total General Revenues	\$11,675,610	\$8,695,906	\$13,322,140	\$6,745,547	\$6,620,461	\$9,105,968
Property & Sales Tax (Percent Revenues)	68.38%	80.98%	55.03%	81.96%	87.76%	59.62%
Sales Tax (Percent of Revenues)	42.1%	61.6%	29.2%	24.0%	41.4%	27.3%
Population 2010	12,513	10,878	12,324	14,792	14,090	13,189

Source: Mississippi Office of the State Auditor, Audited Financial Statements for Municipalities (year of audit in parenthesis)

tax diversions to municipal governments, as a percent of total revenues, range from a low of 24 percent to a high of 61.6 percent. Municipalities in Mississippi receive approximately 18.5 percent of the sales taxes collected from business located within their geographic boundaries. Cities use these revenues to provide a wide array of services to residents and to maintain the physical infrastructure of the city. Without sales tax and property tax revenues, municipalities in the State of Mississippi would not be financially sustainable.

In many ways the Pearl River Valley Water Supply District is similar to a city in terms of its population size; however, the legislatively mandated responsibilities of the District are more expansive than those normally imposed upon a municipality. The District is required to maintain the reservoir and dam; provide a water supply to Jackson; provide recreational facilities to the public (including public parks, campgrounds, marinas, boat launches, and public fishing piers); provide law enforcement within the District and patrol the reservoir; manage public forest land, and continue to meet the needs of residential and commercial development. The District operates and maintains public campgrounds and parks, and manages one of the largest fishing lakes in the state. These facilities are located in close proximity to the largest population center in the state; as a result, there is heavy public use of the recreational facilities within the District and the Ross Barnett Reservoir. These services and facilities are similar to those provided by the Mississippi Department of Wildlife, Fisheries, and Parks. Unlike the Mississippi Department of Wildlife, Fisheries, and Parks, the District receives no General Revenue funds from the Mississippi Legislature to support these activities; it funds these activities from self-generated revenues, the source of which is predominantly leaseholder revenues. The District manages 12,400 acres public forest land; these services are similar to those provided by the Mississippi Forestry Commission. The MFC receives General Revenue funds from the Mississippi State Legislature to support the services it provides to the state. Similar to the Mississippi Forestry Commission, the District receives revenue from timber sales; unlike the Forestry Commission, the District receives no General Revenue support from the Mississippi Legislature to support its forestry activities. The District provides law enforcement and reservoir patrol services similar to those provided by County Sheriffs

or Municipal Police Departments; unlike counties and municipalities, the District receives no revenues from ad valorem taxes on real and personal property; in lieu rail car and utility payments; gas, oil, and timber severance tax payments; petroleum tax distributions; motor vehicle registrations and tags; and no revenues from sales taxes to support these activities.

The economic contribution of the operations of the District and residential leaseholders living on properties within the District is significant. This study found that the District and its residential leaseholders contribute approximately 3,980 jobs to the economy of the State of Mississippi and generate approximately \$24.7 million of tax revenues for the state of Mississippi annually (see Table 18, below).

Table 18: The Economic Contribution of the District and Residential Leaseholders to Mississippi's Economy

Economic Impact of Pearl River Valley Water Supply District		
<u>Revenue Source</u>	<u>Direct/Indirect/Induced Jobs</u>	<u>Tax Revenues</u>
Recreational Visitors	1,232	\$3,081,171
District Leaseholders	2,557	\$20,508,444
District Operations	191	\$1,102,160
Total	3,980	\$24,691,775

Investments in improvement by residential leaseholders to the land they lease from the District are valued at \$730,187,392; they do not own this land, rather the land is a state asset. The maintenance and upkeep investments of residents in the property they lease from the District, maintains the value of their investment; it also maintains the value of the state asset. Residents of the District pay lease payments of approximately \$4,578,415 annually and they pay annual property taxes of approximately \$9,348,874 to Rankin and Madison County. Although residential lease payments are actually land payments amortized over a 60 year period and are not property taxes, it is noteworthy that lease payments by District residents exceed the revenues from property tax paid by residents in cities with a population similar to that of the District (see Table 17, page 63). Similar to other municipalities within the state, residential lease payments provide the major source of revenue to support the administration and maintenance of all public services provided by the District; however, the scope of public services (reservoir and dam maintenance, campground, parks, marinas, public boat ramps, etc.) provided by

the District far exceeds that provided by the majority of municipalities in the state. City and County governments in Mississippi are comprised of elected officials that are highly aware of the social welfare consequences of their decision-making and held accountable for their actions by voters; as a result, governmental entities provide the maximum level of services possible, within the framework of existing financial and regulatory constraints, to constituents. In its current form, the Board of Directors of the Pearl River Valley Water Supply District has no accountability to residential leaseholders and, due to 1985 Hinds County Chancery Court's final ruling, the Board of Directors position is that it cannot provide any services to leaseholders unless it charges for those services.

Issues associated with the bond indebtedness related to the cost of constructing the dam and reservoir, and the related tax levies on the five counties that joined together to support the financing of the project have long been settled. The legislative intent of the 1958 Pearl River Valley Water Supply District Act - *"the exercise of the powers granted by this act will be in all respects for the benefit of the people of the state, for their well-being and prosperity and for the improvement of their social and economic conditions"* - has been met if not exceeded. The issue that must now be addressed is how to protect and sustain this asset of the State of Mississippi for the people of the state.

There is a convergence of interests with the Pearl River Valley Water Supply District's responsibility to protect and maintain the property, water, ecosystem, and infrastructure of the District and the interests of residential leaseholders to protect the value of their homes and communities. At minimum, the composition of the Board of Directors of the District should reflect greater representation by residential leaseholders.

The existing composition and method for selecting and appointing the Board of Directors of the Pearl River Valley is legislatively defined. A change will require action by the Mississippi Legislature. Decision-makers have a range of options to consider regarding a change to the composition of the District Board. These options may include, but are not limited to: a requirement that a specific number of board members be residential leaseholders and maintain their residence at the District as their primary address; the requirement that a specific number of board members shall be elected to

their position by residential leaseholders; or a requirement that positions currently appointed by other state agencies (e.g. The Mississippi Department of Environmental Quality, the Mississippi Department of Wildlife, Fisheries, and Parks) have the additional requirement that these appointees are required to be District residential leaseholders. Increased representation of residential leaseholders on the Board of Directors of the District would have a positive impact on the governance decisions of the Board; decision-makers will need to weigh the balance of the composition of the Board with the equity interests of the residential leaseholders and continuance of public access to the recreational facilities within the District.

The District has been engaged in extensive land development for approximately 50 years. In many ways, it operates and manages the equivalent to a relatively large medium sized city in the state of Mississippi. To improve its control over the management of its real property the District should assure that consultants are not the primary source that guides the direction of land use management. This will require increasing staff with expertise in Planning. A qualified planner can assist the District to identify future needs, help to plan development and construction, assist in the development of zoning regulations, consult with other government officials, land developers, special interest groups, and the general public, review development proposals and recommend denial, approval, or changes to the Board of Directors. Best practices in land use management also requires enforcement and compliance with regulations and ordinances. Generally, municipalities in Mississippi of similar size, employ a City Planner, Building Inspector(s), and Code Enforcement Officer(s). The District currently employs a Building Construction Inspector and two staff members who have code enforcement responsibilities. The District should consider the expansion of personnel to include a City Planner and personnel to support short- and long-term planning regarding land use and enforcement. A review of the Stennis Institute's Municipal Salary and Benefits Survey for 2010, indicates that the average salary for a City Planner ranges between \$56,309 and \$72,182, excluding benefits. Existing revenue and expenditure constraints may act as a barrier to the District's ability to expand its staff to meet this objective; one consideration may be the potential to cost-share these salary and benefit expenditures with proximate municipalities.

Analysis of the revenues and expenditures of the District and the future longitudinal trajectory of the costs of administration, operations, and maintenance indicate that the District's sustainability is at risk, absent additional sources of revenues.



Examination of the revenues and expenditures of the District found that revenues from specific sources (i.e. grants, timber sales, campground operations) are highly variable; that expenditures are increasing and will continue to increase as the infrastructure ages, and that the District operates in a marginally "breakeven" position.



Similar to all organizations, when revenues are constrained, services and maintenance are reduced. Visual examination of the physical infrastructure maintained by the District, found that the area is generally well-maintained, but exhibits preliminary evidence of lack of sufficient funding for maintenance. The photos on this page are illustrative of issues associated with road maintenance, trash, and soil erosion.



Currently, the District's only option for increasing revenues is to increase revenues from leaseholders.



The option of increasing revenues from leaseholders has already been exercised with policy changes that include changing lease contracts from a fixed term to an escalating term that increases residential leaseholders' annual payments by 10 percent every five years and by adopting a policy of escalating leaseholders' cost of water and sewer by five percent per year.

Multiple alternative policy options exist to increase revenues to the District. Most of these options are undesirable, to include: imposing or increasing fees for public services and charging for access to public facilities using a fee structure similar to that used by the Mississippi Department of Wildlife, Fisheries, and Parks; levying a district wide millage rate on real property to provide new revenues allocated to the Pearl River Valley Water Supply District; or requesting a General Fund appropriation from the Mississippi Legislature.

Multiple alternative policy options exist to provide equitable representational governance to leaseholders. Some of these options might have unintended consequences, to include increasing operating costs, reducing efficiency, or negatively impacting the quality of services and maintenance. In some cases, there are also legal or regulatory issues that could delay the implementation of these policy options for years, with resolution delayed by court battles. For example, Senate Bill 2936 proposed allowing residential leaseholders to purchase their property from the District; convey all forest lands, public parks, campgrounds, and recreational facilities to the county or municipality in which they are located; allow surrounding municipalities to purchase the water and sewer systems operated by the District; assigns responsibility for law enforcement on the reservoir to the Department of Wildlife, Fisheries, and Parks; and restrict the District to responsibility for maintaining the dam and spillway, dredging canals, and providing water to the City of Jackson, Nissan and other commercial entities. Similarities exist between the types of services that the District currently provides and those provided by other state agencies; e.g. the Department of Wildlife, Fisheries, and Parks or the Mississippi Forestry Commission. These state agencies require a significant contribution of funds from General Fund appropriations, as compared to the Pearl River Valley Water Supply District, which is a completely self-

funded Special Fund state agency. It can be anticipated that increasing the responsibilities of state agencies that receive General Fund appropriations would require a proportional increase in appropriations from the General Fund by the Mississippi Legislature; and, the transfer of these responsibilities to other state agencies would further remove the decision-making process from input by residential leaseholders.

Allowing District leaseholders to purchase their property might solve issues associated with continuously escalating costs, their current problem of having to invest in the maintenance of property they do not own, and having a governance structure that is unresponsive to their need. But, this option might create a multiplicity of alternative problems. For example, there is a question regarding the right of *“former residents living on property that was taken by the District, to repurchase up to 40 acres of their former land or other available land for a price not exceeding the price paid for condemning that land”* (§51-1-121); this clause in the District Act is mentioned here for the purpose of illustrating the potential legal issues, no opinion is offered as to how this clause might impact the transfer of title of District property to leaseholders. There also exists the possibility for a disparate impact on lower- and middle-income or fixed-income leaseholders as compared to high-income leaseholders in terms of their ability to purchase their leasehold property. During interviews with District residential leaseholders, their opinions regarding a desire to purchase their property from the District exhibited wide variance. Although this issue deserves further consideration, a full examination of this topic is beyond the scope of this report and no recommendations are offered. However, if the District leaseholders were able to purchase their currently leased property from the District, the opportunity would exist for residents to make application for a municipal charter. With a municipal charter, all of the revenues that accrue to Mississippi municipalities from sales tax revenues; gas, oil, and timber severance tax payments; and petroleum tax distributions would become available to the new city. There would also be new costs associated with maintaining a government infrastructure, including increased property taxes.

Identification of additional revenue sources for the District was conducted using the following considerations:

- Recognition of the existing budget constraints faced by governmental entities at the state and local level.
- The application of tax equity and tax justice principles.
- Identification of revenue sources and funding mechanisms similar to those that already exist within the State of Mississippi and that are complementary to existing public policies.
- Identification of revenue sources that would not compete with or detract from existing revenues that accrues to the benefit of surrounding counties and municipalities.
- The District operates and maintains multiple facilities that are available for use by the public; to include campgrounds, marinas, boat launches, parks, fishing piers, walking and hiking trails. Other than campgrounds, the District charges no fee for the public use of these facilities. In order to assure public safety on the grounds and on the Ross Barnett Reservoir, the District must maintain the services provided by the Reservoir Patrol. The District receives no General Revenue funds from the Mississippi Legislature to support these activities, as compared to similar state agencies that provide and maintain public recreational facilities but do receive General Revenue funds from the Mississippi Legislature.
- The costs of operating and maintaining public campgrounds, state parks, state lakes, fishing piers, and boat launches that are operated by state agencies and receive appropriations from the General Fund are broadly distributed across all taxpayers in the State of Mississippi. In the District, the cost of providing similar services to the general public and maintaining public facilities are borne almost exclusively by revenues from residential leaseholders, with the exception of revenues from campgrounds.
- The activities of the District and expenditures by residential leaseholders in the District create significant economic and social benefits for the State of Mississippi,

including the economic impact of 3,980 jobs and an estimated \$24.7 million of tax revenues for the General Revenue Fund and surrounding county and municipal governmental entities. Paradoxically, neither the District nor the residential leaseholders derive the benefit of these tax revenues as compared to residents of municipalities in the state, where the municipality receives approximately 18.5 percent of sales tax revenues. With the exception of the services that District residential leaseholder receive from Rankin County and Madison County as a result of the property taxes paid by to these counties, the \$24.7 million of tax revenues generated by the expenditures of residential leaseholders in the District and by the recreational facilities operated by the District are contributions to the General Fund; these tax revenues support other public parks and recreational facilities across the state, but not the public parks and recreational facilities in the District. Currently, the District and its Board of Directors is economically indifferent to the revenues that are generated by commercial enterprises to which they lease District property. If the District were to receive 18.5 percent of the sales tax revenues from sales taxes collected within the District this would provide an incentive to the District to seek out commercial enterprises that would maximize gross sales thereby generating additional or increased revenues to both the General Fund and to the District.

- The Institute used GIS software to identify businesses located within the District. It estimated that annual sales tax revenues from these firms ranged between \$4.2 and \$6.9 million; it is estimated that 18.5 percent of these revenues would generate between \$770,000 and \$1.2 million in revenues. This represents less than 5 percent of the tax revenues generated for the state from the economic impact of the District and its residential leaseholders.

Conclusion

The focus of this study was to conduct a review of the Pearl River Valley Water Supply District to identify significant issues related to the financial sustainability of the District and the primary needs of residential leaseholders within the District. The report is not intended to address an array of issues that exist in the relationship between residential leaseholders, the Board of Directors of the Pearl River Valley Water Supply District and

its management. As with any governance body, there will always be a tension between decision-makers and their constituency. From a public policy perspective, the social welfare consequence of decision-making in governance structures is a primary driver of accountability. This report recommends a review of the current structure and process for the selection of the Board of Directors of the Pearl River Valley Water Supply District; this recommendation does not reflect negatively on the performance of any current member of the Board of Directors.

The Mississippi Legislature wrote the District Act to provide maximum flexibility in decision-making by the Board of Directors of the Pearl River Valley Water Supply District. The issues addressed in the 1985 Agreed Final Judgment of Hinds County, et al. vs. Pearl River Valley Water Supply District, et al. have long been settled. This Final Judgment continues to constrain the decision-making of the Board of Directors and the management of the Pearl River Valley Water Supply District. There exists conflicting information on this subject. For example, an opinion letter from the Office of the Attorney General, dated February 2, 1994, in response to a concern over whether state law or court decisions such as Pearl River Valley Water Supply District v. Hinds County, 445 So.2nd 1330 prohibits the PRVWSD from providing police patrol and “*other public services that normally are provided by municipal or county government.*”¹⁵ In this opinion, the response of the Office of the Attorney General is: “*The answer to that question is no.*” The opinion continues: “*The concern expressed regarding the lack of public services to PRVWSD leaseholders appears to be a question of policy and priority as established by the PRVWSD governing board and/or a question of whether or not there exist adequate funding to support the provision of such services. Whatever the case, there is no legal impediment to the provision of patrol and other public services. The statutes clearly grant authority to the PRVWSD to police the entire reservoir area. There is also no impediment to drafting legislation clarifying PRVWSD's authority to provide police and other public services within the PRVWSD area or legislation to authorize additional revenue sources.*”¹⁶ Clarity and resolution is required. This report

¹⁵ Office of the Attorney General, 1994 WL 68302; <http://government.westlaw.com/msag/> Accessed November 25, 2011

¹⁶ Ibid.

offers no opinion on this issue; it does recommend the District use Cost Center Accounting analysis of the revenues and expenditures of the Pearl River Valley Water Supply District to achieve transparency in the revenues and expenditures associated with the operations of the District. This would require allocating primary costs elements (material costs, personnel, energy costs, consulting contracts, and pro rata distribution of Administrative and Management costs) to the specific functions and cost centers of the District. This would enable the District to more specifically identify the true costs of the “public services” provided as compared to the services that are provided specifically to leaseholders and also to identify the actual costs incurred to support its property development activities.

The Pearl River Valley Water Supply District provides an array of public recreational services and maintains a significant public infrastructure; its primary source of revenues to support these activities is from residential leaseholders. To continue to provide and maintain public services and public infrastructure, the District requires additional sources of revenue to remain financially sustainable. This report recommends a review by the Mississippi Legislature of additional source of revenues to support the operations of the Pearl River Valley Water Supply District.

The Ross Barnett Reservoir and surrounding recreational area is a valuable and unique resource of the State of Mississippi. The District makes a significant contribution to the economy of the State of Mississippi. The recommendations provided in this report are designed to assure the future sustainability of this important State asset for the benefit of all citizens in the State of Mississippi.

Recommendations for Consideration by Decision-Makers

- The Mississippi Legislature should review the existing composition of the Board of Directors of the Pearl River Valley Water Supply District. This review should include the statutory requirement of one member from each of the following four state agencies: 1) the Mississippi Commission on Environmental Quality; 2) Commission on Wildlife, Fisheries and Parks; 3) the Forestry Commission; and 4) the State Board of Health.
- The Mississippi Legislature should review the existing composition of the Board of Directors of the Pearl River Valley Water Supply District to determine whether legislation should be enacted that would provide greater representation of residential leaseholders on the board.
- The Mississippi Legislature should consider treating the geographic area contained within the geographic boundaries administered by the Pearl River Valley Water Supply District as it does municipalities under Section 27-35-309 of the Mississippi Code, entitled: *Method for Assessing Said Companies; Taxation of Nuclear Generating Plants Generally; Distribution of Revenues* and under Section 27-37-301 entitled: *Payments by Authority in Lieu of Taxes; Apportionment*.
- The Mississippi Legislature should consider treating the geographic area contained within the boundaries of the area administered by the Pearl River Valley Water Supply District as it does municipalities under Section 27-65-75 of the Mississippi Code entitled: *Distribution of Sales Taxes, Contractor Taxes, Motor Fuel Taxes, and Other Revenue Collected under this Chapter*.
- The Board of Directors of the Pearl River Valley Water Supply District should consider creating a Leaseholders Advisory Board consisting of representatives from homeowners' associations, commercial leaseholders, and residential leaseholders from older communities with no homeowner's associations. If created, the Advisory Board should be formally integrated into the planning and decision-making process of the Board of Directors of the Pearl River Valley Water Supply District
- Exploration of the creation of an Overlay District should continue, the process should assure frequent participation and input from all stakeholders in the area and a full discussion of the issues and goals that the Overlay District addresses.
- The Pearl River Valley Water Supply District should employ a Community Planner with education and experience equivalent to either GS-0020-13 or GS-0020-14; including at minimum a Master's Degree in Urban or Community Planning and 8 years of relevant experience.
- The Pearl River Valley Water Supply District should conduct a revenue and expenditure analysis using a Cost Center Accounting methodology.

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