

**CONCLUSION:** From FY 2017 to FY 2021, the PHWD's net financial position increased by \$1,503,988. PHWD's net financial position was aided by \$1,475,000 in one-time exit payments from Forrest County and Jasper County. Although the PHWD Board of Directors informally identifies project priorities based on Board member input (e.g., effort to resurface park roads), the Board has not developed a five-year plan documenting the Board's priority projects (and their projected costs), as required by MISS. CODE ANN. Section 51-15-119 (2) (1972). The PHWD budget available for capital outlay projects is limited, in part because the parks operate at a loss, averaging a deficit of \$233,964 per year from FY 2018 to FY 2022. PHWD has not taken formal steps to outline a plan for use of its reserve fund, which has been elevated by the influx of one-time funds (e.g., exit fees, timber sales).



## BACKGROUND

### Background

MISS. CODE ANN. Section 51-15-101 (1972) et seq., created PHWD in 1962 to oversee recreation, flood control, economic development, timber development, irrigation, and pollution abatement. Originally composed of 15 counties in southeast Mississippi state, PHWD currently has ten member counties. MISS. CODE ANN. Section 51-15-129 (1972) requires the use of a specified portion of the funds contributed to PHWD by member counties for flood control and water management.

PHWD owns eight parks and nine boat ramps. Little Black Creek Water park is operated by a private vendor. The PHWD also operates Okatibbee Creek Water Park, which it leases from the U.S. Army Corps of Engineers. PHWD also maintains seven dams.

The 13-member PHWD Board of Directors must authorize all PHWD expenditures of \$5,000 or more, including the approval of capital outlay projects or significant maintenance projects.

PHWD funding sources include park revenue, member county ad valorem tax collections, and miscellaneous revenue (e.g., interest income, timber sales, exit fees).



## PHWD Financial Status

- **From FY 2017 to FY 2021, the PHWD's net financial position increased by \$1,503,988.** PHWD's net financial position was aided by \$1,475,000 in one-time exit payments from Forrest County and Jasper County. Exit fees for Perry and Jackson counties are still to be determined.
- **As of June 30, 2022, PHWD had \$11,155,002 in cash reserves, of which approximately \$9.1 million were unrestricted cash reserves.** Although best practices suggest there are benefits to having a reserve fund (e.g., maintaining a loss reserve or a sink fund to cover large, unplanned projects), especially for a park system, PHWD has not followed best practices because it has not outlined PHWD's intent for these funds or established a policy regarding PHWD's use of reserve funds.
- **Over a five-year period, FY 2018 to FY 2022, PHWD parks averaged an annual net loss of \$233,964 per year, including parks-related expenses associated with PHWD office and central maintenance crew.** PHWD parks generate 79% of their revenue from cabin and campsite rentals. Staffing costs comprised about half of park expenses while utility costs comprised about one-fifth of park expenses.
- **PHWD ad valorem tax collections rose approximately \$343,000 from FY 2019 to FY 2022 (excluding exit fees).** This followed a 34% decline in PHWD ad valorem tax revenue collections from \$2.78 million in FY 2011 to \$1.83M in FY 2019 as five member counties exited PHWD.

## Assessment of PHWD Efforts to Plan for Capital Outlay Projects

- Although the PHWD Board of Directors informally identifies project priorities based on Board member input (e.g., effort to resurface park roads), PEER found that the PHWD Board of Directors has not complied with MISS. CODE ANN. Section 51-15-119 (2) (1972) requiring the Board to annually prepare a five-year plan containing a prioritized list detailing the purposes, goals, and projected costs of projects which it intends to implement or is in the process of implementing. PHWD staff develops and updates a capital infrastructure plan that generally lists and assigns a dollar estimate value for each capital outlay project (\$22,642,400 in total projects); however, the plan lacks specificity regarding the work to be done and prioritization of needs.

### Determining PHWD Capital Outlay/Priority Needs

- Both PHWD Board members and staff identified issues related to park infrastructure (e.g., repairing/replacing water lines and updating electrical infrastructure) and revenue-generating areas (e.g., modernizing to accommodate RVs, cabin maintenance, and RV-traveled park roads).
- Absent a ranked priority system, DFA BOB identified repair and renovation of existing buildings (or infrastructure) as its top priority, in part due to costs related to deferred maintenance, and increased costs associated with adding additional infrastructure.

The Mississippi Department of Environmental Quality currently requires the PHWD to make repairs or improvements to three high-hazard dams.

### PHWD Expenditures for Capital Outlay Projects and Maintenance

- PHWD does not track total costs for capital outlay projects and/or maintenance expenditures. For projects in which project-specific costs are known, PHWD expended \$1,097,975 from FY 2015 to FY 2021 for road resurfacing, building new cabins, or specific projects funded by federal or state matching funds (e.g., development of Flint Creek Horse Trail or improvements to Little Black Creek Dam). For example, this excludes costs related to adding 42 additional campsites to five PHWD parks.



### SUMMARY OF RECOMMENDATIONS

1. The Legislature should amend MISS. CODE ANN. Section 51-15-118 (1972) to require member counties who choose to exit the PHWD to do so with an effective date of the fiscal year-end, June 30.
2. PHWD Board of Directors should comply with MISS. CODE ANN. Section 51-15-119 (2) (1972) to *annually prepare a five-year plan containing a prioritized list detailing the purposes, goals and projected costs of projects which it intends to implement or is in the process of implementing and shall file such plans with the clerk of the board of supervisors of each member county on or before July 15 of each year.*
  - a. Further, the Legislature should amend MISS. CODE ANN. Section 51-15-119 (2) (1972) to require PHWD also submit the plan to the House and Senate Appropriations committees on or before July 15 of each year.
3. PHWD Board of Directors should establish a board policy specifying for what purposes the PHWD cash reserve fund may be utilized, and requirements for authorizing the use of such funds. PHWD Board of Directors, in consult with PHWD staff, shall adopt a document outlining the reasoning for its policy and plans for the use of PHWD's reserve fund.
  - a. For example, this may include a policy stating the expenditure of cash reserve funds requires a two-thirds board vote. A cash reserve fund utilization policy may state that PHWD allocates \$1,000,000 toward operating cash flow; \$3,000,000 for emergency maintenance funds; and \$3,000,000 to sustain PHWD operations in the event of revenue shortfalls.