

DWSD Blog Series #7 - Water & Sewer District Alignment, Management, & Operations – Consolidation Pros & Cons

In this highly important post we had hoped to tie together all that we trust you have learned about the unique scope and complexity of your water and wastewater utility and professionally spotlight the benefits (pros) and subsequent liabilities (cons) that would be incurred by consolidation. This has been admittedly a very hard post to develop. You see, intellectually honest pro and con examination is traditionally conducted by making the comparative structures benign to external influence as you conduct the analysis. Meaning, a perfect world comparative, one in which you could credibly anticipate that either would equally approach the problem competing their management acumen, operational expertise and awareness, financial prowess, and collective capital assets to deliver the best and most cost effective service to their customer.

Tuesday evening's (May 18, 2021) City Council Meeting highlighted just how far from perfect the competing City structure is from ever being considered a superior, much less remotely equal competitor to handle the District's operations. In short, the intellectually corrupt absurdity of what the City did that evening to insult the residents suffering repetitive drainage flooding events and wide-scale unchecked roads maintenance put an exclamation point on how far apart we stand on management of critical services. Though the meeting was replete with evidence of how out of touch they are, two actions stand at the forefront.

First, the City took action to have the architect complete the renovation plans to improve the offices, lobby, and bathrooms of City Hall to the tune of an estimated \$600-800K (Agenda Action Item# 2021-147). It should be noted here that Ward 1 Councilman Finley voted no, but the action carried with all other Council members and the Mayor voting yes). Why is this illustrative of a problem? In public, the Mayor had the Comptroller confirm that \$333K of these project funds would come from the \$1.8M anticipated to be received by the City from Congress' American Rescue Plan Act of 2021, a.k.a., extension to the CARES (Coronavirus Aid, Relief, & Economic Security) Act. Given the City's needs, who would front

City Hall remodeling as **CRITICAL INFRASTRUCTURE**? This **legal, but clearly misguided use of gifted grant funds** to move some walls, cubicles, replace carpet, and enhance bathrooms could have otherwise been eligible to accelerate upwards of two additional annual road improvement project cycles and/or two critical drainage projects. Which of these competing priorities do you honestly suppose residents of: Diamondhead Drive West, Anela Drive, Kiko Street, Kolo Court, Koula Drive, East Rec, and Airport Drive, just to name a few, would have chosen?



The second premier illustration of the length at which political power can be used to alter reality came in the form of the Mayor's report on Consolidation wherein she laid out the cost saving schedule the City would employ on the Fire Department. Specifically, if consolidated, resident's with homes valued at \$100K, would pay only \$25 a year for fire services. Yes, that is what she reported, **a purported 83% savings** for these residents. So, who ultimately pays the whip of the uncollected cost of operations? Everyone else of course, on a sliding tax scale of assessed home value where ad valorem taxes will be collected instead of fees. In short, everyone went from a very low cost uniform annual fee to a scaled wealth based tax, for FIRE SERVICES! We don't have a good feel for where these folks studied and adopted this technique but, that's exactly how the math works in practice. These politicians did run as conservative Republicans, right? We trust everyone has certainly gained, or at least is rapidly gaining a much better appreciation for the term RINO (Republican in name only). Beginning to feel a bit betrayed?

Ironically, just two days before the City voted to place the Consolidation Referendum on the June 8th ballot, Mississippi Today published the article titled "A profound betrayal of trust': Why Jackson's water system is broken." <https://mississippitoday.org/2021/03/24/why-jacksons-water-system-is-broken/>

Though numerous obvious differences exist, this article scarily details too many similarities as well. One particularly relevant passage stands out:

"The nature of local politics is that city governments will tend to neglect utilities until they break because they're literally buried."

The point being that City governments, of every size and make up, routinely demonstrate lack of respect for making hard operational infrastructure decisions and, consequently over time, all but destroy their systems. The actions of Tuesday evening are case in point of just how quickly that can take hold, even in a young city such as ours.

In summary, the cons associated with a consolidation of water, sewer, and fire and rescue are simply countless, but the following represents what should be the most important to Diamondhead residents and business owners:

CONS of Consolidation:

1. Guaranteed loss of uniquely trained and system experienced staff.
2. Consequent to personnel losses, costly training of new personnel. (Note: CPA did not account for cost of recruitment and training of replacement personnel in the Consolidation Study.)
3. Loss of Diamondhead system specific management and technical expertise. Consequently, high risk to sustained service continuity.
4. Guaranteed degradation in service response to water and sewer infrastructure issues.
5. Guaranteed higher combined fee and tax basis to the ratepayers due to impact of recruiting and training new replacement hires. (Note: As with the City's plan for Fire District taxes, component taxes apportioned to elements of water and sewer will follow the same sliding ad valorem scale. Meaning, higher value property owners will pay a disproportionate share of the burden of current and future taxes (a wealth tax) levied for this infrastructure.)

6. Guaranteed rate increases due to loss of City water revenues. Cities traditionally exempt themselves, consequently defraying operating cost to remaining rate payers. (Note: CPA did not account for cost shifts such as these in the Consolidation Study.)
7. Guaranteed increase to the potential for public health risk due to insufficient management and operations of complex drinking water system and wastewater system permit protocols.
8. Risk to property values due to high risk of reduction in water and sewer services continuity. (Note: Property value reduction, and consequent reduced tax millage rebates impact is unaccounted for in CPA Consolidation Study.)
9. High risk of substantial increase in residential and commercial fire insurance due to delays in adding a 2nd water tower addition if projects are held up until grant funds are secured. 40% of Diamondhead's fire rating (currently the best available) hinges on the District's ability to deliver sustainable volume and pressure to all fire hydrants. A "1 point" degradation in our fire rating will raise homeowner property insurance rates between \$500 to \$1500 depending on home value. (Note: CPA did not account for insurance cost shifts such as these in the Consolidation Study.)

PROS of Consolidation Improved Professional Cooperation:

1. One place for all customers to go to for information of various services.
2. Better communication between all entities possible.

Of all the statements made surrounding the need for improvement, these two clearly rise to the top. The reality is that these are both easily accomplishable with lightning speed and, without consolidation. Specifically, the City, the Water and Sewer District, the Fire District, and even the POA could, and should, collectively share the cost of a central dispatch service for directing residents and businesses questions regarding either interest. This shared services approach is routinely used by larger cities, airports with "information service desks", shopping malls, and untold numbers of online representations of the same. In the end, this process would provide our collective customers with a "one stop shop" approach to obtaining answers to their questions. Probably too easy, but that's how it could get done.

As with all of our prior efforts, we sincerely hope our customers have a far greater appreciation for your District's attention to every management detail supporting your water and sewer services.

As a reminder, please join us at any of the two remaining townhall meetings where we look forward to answering any outstanding questions you may still have regarding your water and sewer services or our position on the Consolidation Referendum.

DWSD Town Hall Meetings

Wednesday, May 26th at 4:00 p.m. – 6:00 p.m. - City Hall Council Chambers

Thursday, June 3rd at 6:00 p.m. – 8:00 p.m. - City Hall Council Chambers

Thank you again for your ongoing interest and support. Please continue to follow the remaining final post as we wrap this series in preparation for the Referendum vote on June 8th.

The Diamondhead Water and Sewer Board