Bay St. Louis-Waveland merger study shelved

Financial outlooks still grim

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HANCOCK COUNTY - Researchers have stopped work on a study of the potential benefits of merging Bay St. Louis and Waveland into one city, according to the government think tank overseeing the survey.

The two cities began discussing a merger sometime last year, after Katrina annihilated most of their taxable incomes and infrastructure.

Although the merger review has been shelved, a report released last week shows just how dismal the financial outlooks really were, and still are, for Bay St. Louis and Waveland.

"We have suspended the (merger) study and it was what we thought would be best for the two cities at this point," said Marty Wiseman, who runs the Stennis Institute of Government at Mississippi State University, which launched the study in March.

Katrina washed or blew away nearly 65 percent of homes countywide and with them went the governments' property-tax revenues. The casino and other giant retailers that had generated so much of the sales tax used to form the cities' operating budgets are slowly returning.

When revenue streams turned into trickles last year, Coast leaders were left to find money to rebuild infrastructure- sewerage, roads and public buildings - and create competitive salaries for the staff needed to maintain city services, all while funding their daily operations.

"To the outside observer having two municipalities wiped off the map presents an opportunity that the cities may not have otherwise, but to the citizens in those cities, (talk of a merger) would present a very chaotic situation that they just don't need right now," Wiseman said.

Why stop?
Several elements contributed to the study's suspension: Researchers believed data collection was getting in the way of storm recovery and trying to engage locals consumed with repairing their own lives into a government-merger discussion would be difficult.

The two cities recently settled an annexation dispute, adding hundreds of new properties that won't appear on tax rolls until next year, which Wiseman said "drastically changes the property-tax dynamic."

Also, Waveland was in the midst of a sizzling election to decide who would lead the city for the next four years, but Wiseman is quick to say the decision to stop the research was made only by the Stennis Institute.

"I want to make it clear that we were not asked by Mayor Tommy Longo nor Mayor Eddie Favre to stop the study," he said. "We made that decision ourselves."

But had a completed study been published around election time suggesting a merger was the only means of ensuring survival, it would have instantly created the single largest campaign issue.

Waveland candidates mostly debated issues of future development, building codes, money spending and transparency at City Hall, but top government experts advocating an all-out merger with the Bay would have spawned where-do-you-stand questions no candidate could have avoided.

"We certainly didn't want to influence anyone's campaign whatsoever," Wiseman said.

At one point last year, Bay St. Louis and Hancock County leaders sounded as if their governments were lashed to the railroad tracks, counting down the days, hours and minutes to unavoidable insolvency. Local leaders have
since received some federal and state backing to barely stay afloat.

But though the Bay, Hancock and other Coast governments were spreading a dark message of despair and pleading for help - mainly financial - from anyone who would listen, political leaders in Waveland continued to portray an almost-thriving city that was leading the storm-recovery race with its deep pockets.

Longo was criticized by some of his opponents for being out of touch with the fiscal realities of post-Katrina government.

To his credit, the city did have a $3 million cash reserve to live on after the storm, but Longo bashers have said with an annual budget more than double the reserve, that money ran out long ago.

Despite Longo winning last week's mayoral election, a study favoring a merger for the betterment of the two cities could still shove the mayor into a corner.

According to state law, the mayor of the largest municipality, based on population, would become the mayor of the newly formed city, which means Longo would likely have to walk away from a seven-year career at Waveland's City Hall.

'Struggling to survive'
According to a 70-page report published last week by the Stennis Institute, Waveland and Bay St. Louis are still "struggling to survive."

The report is part of a three-year study by the Stennis Institute and New York's Rockefeller Institute to determine Katrina's effect on Coast governments and their budgets.

The initial report from interviews with local leaders shows sales taxes in Bay St. Louis dropping from about $1.5 million to about $400,000, property taxes being cut in half and the city's annual budget sliced by nearly 80 percent of its pre-storm level.

Most of Waveland's $6.5 million budget was supported through sales taxes, which the report says are staggering back to their pre-storm level.

From July 2005 to the same time in 2006, Bay St. Louis lost $349,279 of its state sales-tax transfers, and Waveland saw a 30 percent drop, losing $678,281. Gulfport, by contrast a much larger municipality, saw a 39 percent drop in diverted sales tax that accounted for more than a $7 million loss.

A lot of the financial bleeding on the Coast has been slowed by state and federal grants, private donations and loans.

The Bay has borrowed nearly $8 million since the storm and has applied for an additional $10 million to cover operating and recovery costs. City leaders are hopeful most of the loans will be "forgiven" or turned into grants.

Wiseman, who is expected to soon discuss potential cityhood with community leaders in Diamondhead, said he expects to restart the Bay-Waveland merger study within the next 12 months or "when the time is right."

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