

Annual Budget



For Year Ending September 30, 2015

City Council Adopted

**City of Gulfport
Annual Budget Proposal**

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For Fiscal Year Ending September 30, 2015**

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Comptroller

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To: Mayor Billy Hewes and Members of the City Council
From: Scott Wilson, Comptroller
Date: August 22, 2014
RE: Proposed Budget for Fiscal Year Ending 9-30-2015

Introduction

The Comptroller is pleased to submit the proposed budget for fiscal year ending 9/30/2015. An executive summary has been prepared in a manner that will assist the reader in understanding the overall financial issues of the City, identify material changes in the City's resources (revenues and cash), identify how funds will be spent as compared to the prior year (expenses), and communicate currently known facts or conditions that are expected to have a major impact on the financial position and operations of the City over the upcoming and perhaps subsequent years.

As all of us are aware, the past recent years have been very challenging. The City is still working towards recovering resources expended on Hurricanes Katrina, Gustav, and Isaac. The national, state, and local economies are very slowly recovering from one of the worst recessions recorded in many decades along with the impact felt by the worst man-made disaster recorded in history with the British Petroleum oil spill. All of these circumstances continue to be a challenge for the City's finances.

The overall financial condition of the City can be best described as "Steady Growth." The cost of Insurance and Insurability issues continue to create challenges for homeowners, local businesses, and investors. Unemployment continues to remain high and consumer confidence is slowly improving. The City has experienced an increase in residential construction from 2013 to 2014 and expects commercial construction to follow suit. The Gulfport School District is constructing a new high school and improving elementary and middle schools. These changes will begin to have a positive influence on the City's revenues in the near future.

State of Mississippi Budgeting Laws and Regulations

- ✓ Budget shall be adopted no later than September 15 for the subsequent year's budget beginning October 1.
- ✓ A public hearing shall be held no later than one week prior to the adoption of the budget. Also, the Tax Levy must be adopted at this same meeting or at a separate meeting at least one week before final adoption of budget.
- ✓ Advertisement for both tax levy and public hearing shall take place two weeks prior to public hearing and adoption of levy and no less than seven (7) days from the first advertisement.

Proposed Budget Calendar for 2015 Budget Adoption

- ✓ August 26th and September 2nd - Advertisement for notice of tax levy and public hearing.
- ✓ September 2nd – Public Hearing and Tax Levy Adoption
- ✓ September 15th – Final Adoption of Budget.

Note: The Administration does not support a tax increase. However, if the City Council chooses to consider this, a final determination must be made as to a tax increase no later than August 26 in order to meet legal advertisement requirements and deadlines.

Major Issues, Challenges, and Considerations for the 2015 budget

The purpose of this section is to identify issues and challenges which were considered in the formulation of this budget. Solutions to these issues will be presented in a subsequent section of this report.

1. General Fund Operating Deficit – The most recent completed audit for the City's 2013 fiscal year revealed that the City's General Fund operating in the "black" with revenues at \$53.2 million and expenditures at \$52.7 million. It is expected for the current 2014 fiscal year the City will operate at a slight surplus. Carrying the slight surplus over into the 2015 year, the Administration feels the City's outlook is beginning to reflect a more positive outcome. The Administration is of the opinion that additional budget reductions over what is being proposed would negatively impact essential services being provided to our citizens; therefore, much effort needs to be channeled towards increasing the City's revenue stream through economic development activities while creating and maintaining efficiencies within the City's operations to further reduce expenditures.

2. Unfunded Federal and State Mandates –

- a. State Retirement System (PERS) – The City of Gulfport and its Employees fall under the jurisdiction and control of the State of Mississippi’s Retirement System referred to as the Public Employees’ Retirement System or (PERS). Since 2009, the mandatory contribution rate by public entities have increased by nearly 32%; increasing from a 12% contribution rate on wages and salaries to 15.75%. The annual recurring increase in burden to the City and its taxpayers has reached approximately \$1,000,000 since this 2009 rate hike. Also, the City of Gulfport’s budget for the upcoming year contains \$4.2 million in annual contributions for this plan.

3. Declining Federal Grant Revenue – The City must work towards centralizing the Grant Department to ensure the City is applying for grants that support the City’s mission instead of creating a burden upon the City and its taxpayers. The City hired a Grant Writer in FYE 2014. The hiring of the Grant Writer will benefit the City in working towards minimizing the financial obligations required by the City when awarded a grant. By minimizing the financial obligation of the City within each grant awarded, the City can then realize a greater return on the administrative allowance received within each grant awarded. The City could realize an increase in the administrative allowance if the City were to negotiate an indirect cost rate with the Federal Government. By negotiating this rate, it allows the City to receive the negotiated rate on each grant awarded instead of the granting agency determining the amount of administrative allowance to provide to the City. An increase in administrative allowance could assist the City in covering the personnel services costs within the Grant Department.

4. Economic Development - Continued effort in the area of economic development will be a must as businesses compete between local jurisdictions for competitive incentive packages before choosing their location for doing business. The City must continue to review and revise its zoning, architectural and construction standards, and business incentive packages in order to attract new businesses. Steps already taken by the City to address this includes: Tax incentive programs in designated areas, city beautification (landscaping, fascade grants, streetscapes), and a more developer friendly code department. The City hired an Economic Development Director in FYE 2014 which will greatly improve the City’s opportunities for development.

5. Harrison County Re-Appraisal of Real Property - Harrison County recently underwent a re-appraisal of real property. This new appraisal “negatively” impacted the 2013 fiscal year property tax revenues by approximately \$700,000. The City is beginning to recover from this initial impact due to increased residential construction while commercial construction is beginning to show signs of future growth. Property values have also begun to increase over the

past year which will have a positive influence on the City's finances after the next re-appraisal by the County.

6. Asset / Infrastructure Deterioration –

- a. The City's book value of its capital assets totaled \$557,873,000 for the most recent audited year which was year ending September 30, 2013 with infrastructure totaling \$392,000,000 or 71% of this amount. Capital assets include the following: Land, Buildings, Machinery, Equipment, Vehicles, and infrastructure, (i.e. roads, drainage systems, water & sewer systems), etc. Relating to this, the City's annual depreciation expense was \$12.5 million. These amounts are significant as the City currently has no policy in place regarding a perpetual asset lifecycle replacement program. Depreciation is an important and often underutilized tool in the financial planning process and should become a recurring expense item in future years' budgets to replace assets as their useful lives become expired. Unaddressed, this only places a larger burden on future generations.

The City's Engineer has identified \$270 million in needed infrastructure renovations and upgrades. Of this amount, \$100 million relates to streets and drainage improvements while the remaining \$170 million relates to water and sewer infrastructure improvements.

The City recently issued \$10 million in bonds for the purpose of paving and upgrading streets city-wide. This will only address the City's most critical needs relating to street paving.

- b. Technology Replacements and Upgrades – The City made significant upgrades to its computer and related technology systems in 2013 by borrowing \$1,000,000 to fund the upgrades.
- c. Machinery and Equipment Replacements - Both the City's Public Works Director and Leisure Services Director have expressed their needs for much needed equipment replacements. Most of the equipment in these departments has exceeded their useful lives and the maintenance cost of keeping this equipment operational is significant. The Leisure Services Department is in need of approximately \$850,000 in funding for equipment replacements while the Public Works Department is in need of approximately \$2,900,000.
- d. Gulfport South Sewer Treatment Facility – It has been communicated to the City by the Harrison County Utility Authority that the Gulfport South Treatment Plant no longer meets EPA standards regarding sewer treatment and disposal. The cost of addressing this issue is expected to exceed \$20 million. Although this will not affect the current proposed budget, subsequent years' budgets will be impacted.

- ✦ It shall be noted that none of the items contained under #6 (a-d) are being funded within this budget with the exception of a, b, and c. The City is in the process of issuing \$30 million in bonds to fund projects related to items a and c.

7. Court Fine Revenue – The City’s completed audit for the 2011 fiscal year revealed many issues relating to how the City managed and collected its court fines. Comments from this independent audit are contained below:

- a. Ability of those engaged in the court fine collection function to manipulated amounts due.
- b. Lack of standards as to how probation companies serve the municipal court.
- c. Unsecured Cash Drawers.
- d. Court Fine Collection Procedures not being followed.
- e. Lack of accurate accounting records regarding amounts of court fines due to the City.

The City auditor’s are currently reviewing Court processes to ensure steps have been taken to implement procedures to correct the concerns listed as well as to recommend efficiencies. The Court has implemented the use of a collection agency which has significantly enhanced the ability to collect outstanding fines.

8. Extremely Low Cash Reserves – The City is projecting \$1.4 million in unobligated cash reserves for its General Fund for the current year ending 9/30/2014. This is “extremely” low as compared to industry standards. It is recommended by the Government Finance Officers’ Association (GFOA) that Cities maintain in cash reserves at an amount that is equal to 15% of its operating budget. Given the City’s General Fund revenue budget of \$54 million, Gulfport’s cash reserves should be approximately \$8.1 million. The purpose of unobligated cash reserves is to: stabilize tax rates in the event of an economic downturn, cover short term funding gaps created from federal grants, and cover unforeseen emergencies. Without a doubt, all of these events have been experienced by Gulfport over the past several years; so, it would make perfect sense that cash reserves would be at low levels; however, the City has been able to increase the cash reserves the past two fiscal years and is proposing a budget that would again increase the cash reserves in FYE 2015.

9. Recovering Economy – The current FYE 2014 General Fund’s revenue budget is \$52.8 million while the proposed FYE 2015 revenue budget is \$54 million; representing an increase of \$1.2 million or 3%. This increase in revenue is the result of a slowly recovering economy. A sustained economy with increasing revenues to the City could provide the City the ability to rebuild cash reserves and provide a greater level of services to citizens.

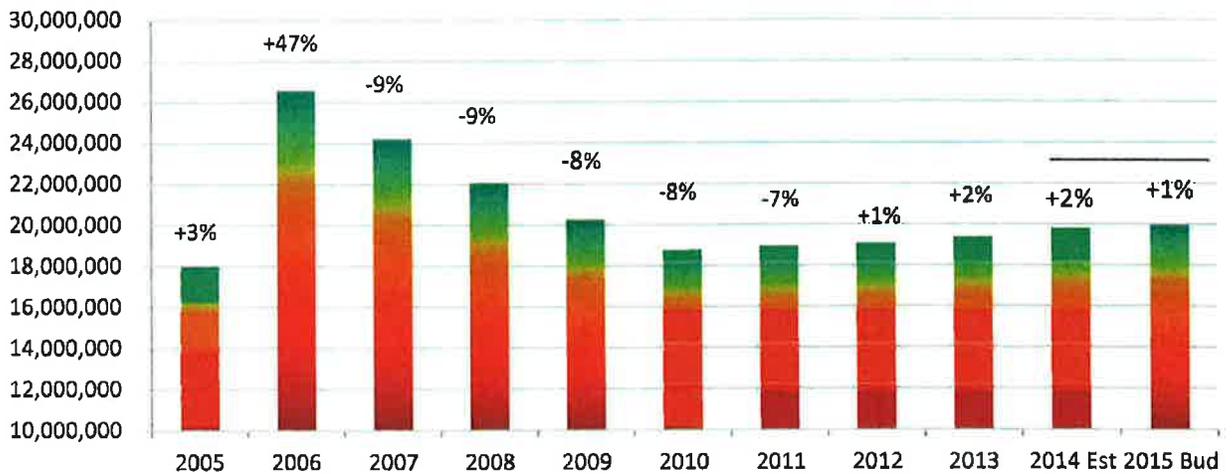
10. Employee Health Care Fund – The City is mostly self funded with regards to providing health care to its employees. In FYE 2014, claims appear to have leveled out compared to the previous year’s higher claims amount. The City also has implemented an employee wellness program which is expected to reduce future claims.

11. Claims Contingency Fund – The City is partially self funded in the area of General Liability and Worker’s compensation claims. Typically, the City’s historical annual claims are near \$1 million. For the current 2014 year, the City expects to pay out claims and judgments which correlate to FYE 2013 to be at historical claims levels.

12. Water and Sewer Fund – For the current 2014 year, it is expected this fund will operate near break-even with revenues expected at \$30.7 million with expenses at \$30.9 million based on a cash basis. For the upcoming 2015 year, revenues are budgeted at \$30.8 million with expenses at \$31.1 million while cash reserves are projected to be approximately \$800,000.

The Local Economy

Annual Sales Tax Revenue History



Sales Tax revenue comprises approximately 36% of the City's total General fund revenue and is considered the most important indicator of how the local economy is performing. As evidenced by the above chart, the City experienced a significant boom in sales tax revenue post Hurricane Katrina with sales tax increasing from \$18.1 million in 2005 to \$26.6 million or 47% in 2006. It was anticipated that this level would not remain as most of this increase was due to our citizens and others replacing Katrina damaged assets such as homes, vehicles, personal belongings, etc. Years 2007 and 2008 each experienced 9% decreases and this was anticipated; however, the decreases in 2009 and 2010 were not anticipated. The best explanation of this revolves around the national recession, of which, is being experienced by individuals, governmental entities, and private sector businesses throughout the United States. For the upcoming 2015 year, sales tax revenue is expected to increase slightly with a projected 1% increase.

It shall also be noted from the above chart that, assuming normal 3% pre-Katrina growth had continued, Gulfport's sales tax collections for the upcoming 2015 year would be approximately \$25.0 million or \$5 million above the 2015 proposed budget of \$20 million.

Gulfport's sales tax revenue has realized minimal growth for the past few years, while the State of Mississippi is expecting sales tax revenue to continue positive growth in 2015 and Gulfport is still

considered to be the retail leader of the south with Gulfport sales comprising as much as all of the other four (4) cities in Harrison County combined.

**Staffing Summary Change
Effects from the “Managed Attrition Program”**

The below table illustrates the change in departmental employee counts over the past four (6) years (2009 to 2015.) Since 2009, the City has implemented what has been referred to as a “managed attrition program.” Under this program, as employees left the City, they were not replaced. The related duties were absorbed within other jobs and or departments.

As a result of this program, the City was able to reduce its payroll budget by more than \$6 million and its FTE employee count decreased by 112.5 or 15%; from 745.5 to 633 FTE’s. This has been the City’s single best tool in addressing the challenges outlined at the beginning of this report and balancing its ongoing revenues to expenses.

Staffing Comparison Chart 2009 vs 2015

Department Name	Number of Employees			
	Budgeted FTE Count 2009	Proposed FTE Count 2015	Count Change	% Change
Urban / Economic / Community Development	44	30	(14)	-32%
Utility Billing and Collecting (see note)	24	18	(6)	-25%
Leisure Services	90	77	(13)	-15%
General Administration	39	35	(4)	-11%
Public Works and Engineering	39	37	(2)	-6%
Legal (City Attorney)	11.5	10	(1.5)	-13%
Executive (Mayor)	3.5	4	0.5	15%
Police	282.5	224	(58.5)	-21%
Legislative	9	9	(0)	-0%
Judicial (Courts)	27	24	(3)	-12%
Fire	176	165	(11)	-6%
Total FTE Count	745.5	633	(112.5)	-15%

Notes: The utility billing and collecting function was outsourced in 2009 and the City was paying for 24 FTE’s. This number was reduced to 18 when the City brought this back in-house on October 2011.

City of Gulfport Mississippi

**Budget In Brief
Grand Summary of Revenues, Expenses,
and Changes in Cash Balance for Fiscal Year Ending 2015**

	Current 2014 Budget	FYE 2015 Proposed Budget
Estimated Revenues:		
Grants (Federal, State, & Local)	\$73,010,420	\$22,242,584
Charges for Services (water & Sewer, etc)	\$41,242,064	\$42,988,364
Sales Tax	\$19,600,000	\$20,000,000
Property Tax	\$23,455,600	\$23,372,600
Licenses / Permits / Franchise Fees	\$4,976,000	\$5,000,000
Gaming Fees	\$3,270,000	\$3,070,000
Intergovernmental	\$2,887,355	\$2,201,000
Court Fines	\$1,897,000	\$1,897,000
Misc / Other	\$4,831,992	\$30,173,000
Total Estimated Revenues	\$175,170,431	\$150,944,548
Other Available Resources:		
Cash – Unobligated (Beginning)		\$4,193,708
Cash – Restricted (Bond & Insurance Proceeds, Etc.)		\$8,113,157
Total Available Resources (Revenues, and Other Available Resources)		\$12,306,865
Proposed Expenses:		
Capital Projects	\$66,846,159	\$49,507,152
Public Works (Operations and Maint)	\$19,999,545	\$20,222,471
Police Protection	\$20,239,838	\$18,010,803
Debt Service (direct and indirect)	\$23,872,962	\$23,500,000
Urban, Community, & Economic development	\$6,899,294	\$5,475,576
Fire Protection	\$12,458,693	\$12,437,624
General Government	\$19,122,617	\$16,770,072
Culture and Recreation	\$7,359,445	\$7,132,905
Total Proposed Expenses	\$176,798,553	\$153,056,603
Proposed Cash – Unobligated (Ending)		\$4,478,879

Financial Overview

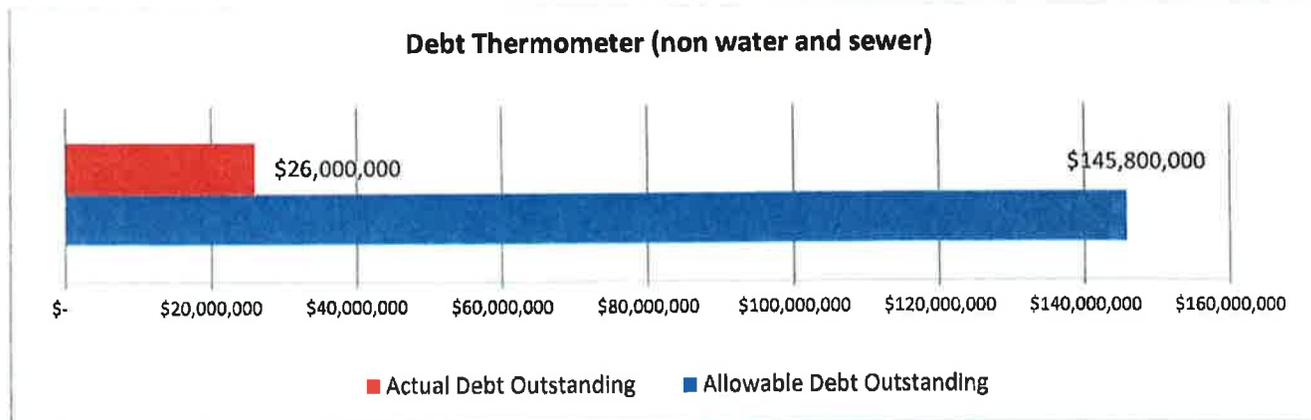
Debt Management

The City currently has \$92 million in “direct” outstanding debt consisting of \$26 million relating to debt being supported by property taxes for purposes of maintaining and upgrading streets, bridges, drainage systems, and parks; while, \$66 million is related to water and sewer infrastructure expansions and upgrades. Additionally, the City is responsible for approximately \$55 million in debt through the Harrison County Utility Authority bringing the total debt being serviced by the City to around \$147 million. Total direct debt interest and principal payments will cost \$13.7 million for the upcoming year (Water and Sewer \$8.1 million; Tax Supported \$4 million). Note: none of these amounts contained herein reflects new debt issuances being proposed.

Legal debt Margin Calculation

- State Law restricts the amount of outstanding debt a Municipality can have which is repaid through property taxes. Debt that is repaid by rates and fees is exempt from this calculation, i.e. water and sewer. Total debt outstanding repaid through property tax shall not exceed 20% of gross assessed value of all assessed value of property within the municipality. Below is a calculation of Gulfport’s legal debt margin for FYE 2014 absent of any new debt issuances.

FYE 2014 Gross Assessed Valuation	\$729,000,000
Times 20% Allowable	<u>*20%</u>
Allowable Debt Outstanding – 20% Rule	\$145,800,000
Actual Debt Outstanding	<u>\$26,000,000</u>
Debt Margin – Borrowing Capacity	\$119,800,000



Gulfport is currently at 18% of capacity which allows for \$119.8 million for further debt issuance(s) under the State's formula. Gulfport currently is in excellent shape with regards to the amount of outstanding debt (subject to being repaid through property taxes) as a percentage of property value. For many governments, utilizing 50% of their debt capacity would be considered standard; however, for Gulfport to continue to enjoy its strong bond rating, this amount should stay below 30%. To reach or exceed this amount would require an ad valorem tax increase, and most probably, place Gulfport's Bond Rating under close scrutiny by the rating agencies.

Notes and Considerations impacting future debt capacity:

1. The Hurricane Katrina Community Disaster Loan was forgiven in November 2013. The loan forgiveness relieves the City of Gulfport from any future obligations to repay the Hurricane Katrina Community Disaster Loan.
2. FEMA ineligible funded projects are estimated at \$4-\$5 million which will need to be funded through current operations and or the issuance of additional debt.
3. The City is currently in the process of issuing \$30 million in bonds which will fund capital improvement projects. \$10 million of the \$30 million will be allocated to and paid by the Debt Service Fund.

Both of the above items will need to be considered when determining the maximum amount of new debt available to be incurred absent of an ad valorem tax increase or restructure of existing debt.

Capital Projects

For the upcoming 2015 fiscal year, the City intends to carryover a total of \$57.4 million in unspent capital projects which are in the “work in progress” stage while no new funding for capital projects is being proposed for the upcoming year. It shall be noted that the recently approved \$10 million street paving project is included in the below amount entitled Capital Projects Funds.

Funding Source(s)	Amount
FEMA / Disaster Recovery	\$5,420,000
CDBG / Katrina Supplemental Relief	\$2,261,425
Capital Projects Funds – Bond Issues, General Fund Transfers, Grants, Etc	\$28,669,449
Water and Sewer	\$14,127,884
	<hr/>
Total Capital Projects Funding	\$50,478,758

Contributions to Not for Profit Agencies

The below list contains proposed funding amounts for various agencies who are considered not-for-profits and who either perform a service for the Citizens of Gulfport or promote economic development activities throughout Gulfport.

Agency Name	Amount Proposed
Harrison County Library System	\$325,000
Coast Transit Authority	\$375,000
Harrison County USM Bond Payment	\$52,000
Gulf Regional Planning	\$30,000
Cruisin the Coast	\$15,000
Gulfport Main Street	\$20,000
Harrison County Soil and Conservation	\$15,000
Memorial Day Concert (sounds by the sea)	\$9,500
Fairgrounds Horseshow	\$10,000
Gulf Coast Mental Health	\$10,400
NAACP MLK Parade	\$5,000
2015 MS Gulf Resort Classic	\$2,500
Gulf Coast Legislative Reception	\$1,500
American Red Cross	\$5,000
CASA-Harrison County	\$1,000
Disability Connection	\$3,000
Total	\$879,900

Other Considerations:

It is the Administration's understanding that the City is in a rotation to host both the Martin Luther King Parade and the Veteran's Parade. The costs for the Veterans' Parade event are not included in the above amount. The City would be the host in FYE 2015.

Accounting Structure

State Law requires the City establish individual Funds to separately account for resources and expenses relating to such activities as capital projects, debt service, public utility, etc. Funds are similar in nature to a private sector's division or segment. Listed below is a breakdown of the City's individual funds with a brief explanation of their purpose:

Fund Name	Fund Purpose
General Fund	Established to account for activities that are traditional in nature to governmental entities and which are not required to be reported in another fund. Examples of General Fund activities include: public safety (police and fire), public works (non water and sewer), recreation, planning \ zoning, general administration, legal, courts, etc.
Capital Projects	This fund is used to account for resources relating to the acquisition and construction of major facilities and infrastructure improvements other than those financed by the water and sewer utility fund. Primary funding for this fund comes from Grants, bond issues, funds transferred in from the General Fund.
Debt Service	This fund is used to account for resources relating to the repayment of debt (principal and interest). Note: this does not include water and sewer related debt which is paid by the water and sewer utility fund. This fund's primary source of revenue is property taxes.
Public Employees Retirement Fund	This fund is used to account for resources used in funding the "old" Police and Fire retirement system. This fund's primary revenue source is property taxes.
Community Development Block Grant Fund (CDBG)	This fund is used to account for resources associated with various Federal Grants. These funds must be spent according to strict guidelines. Resources of this fund is being used to fund activities such as the downtown facade program, downtown streetscapes, long term workforce housing, housing rehab, and activities benefiting low to moderate income households.
Disaster Relief Fund	This fund is used to account for resources associated with "major" natural and man-made disasters when Federal and State Grants will be received by the City to help in its recovery. Recent examples of this is Hurricanes Katrina, Gustav, and BP oil spill.
Employee's Health Insurance Fund	This fund is used to account for resources relating to providing health care to City employees.
Claims Contingency Fund	This fund is used to account for resources relating to property, general liability, and worker's compensation claims.
Police Forfeits and Seizure Fund	This fund is used to account for resources relating to assets seized by the City's Police Department.
Joseph T. Jones Fund	This fund is used to account for resources relating to the operations and maintenance of leasing of boat slips and other facilities within the Joseph T. Jones Yacht Basin.
Water and Sewer Fund	This fund is used to account for resources relating to the operations of the City's water and sewer utility system. It is intended that all of the resources associated with this fund are to be derived from user charges.

General Fund Financial Summary
2014 Revised Budget versus 2015 Proposed Budget

	2014 Revised Budget	2014 Estimated Actual	2015 Adopted Budget
Operating Revenues	\$54,004,690	\$54,097,739	\$54,458,000
Operating Expenses	\$55,558,705	\$53,782,309	\$54,384,286
Excess / (deficiency) of revenues over expenditures	<u>(\$1,554,015)</u>	<u>\$315,430</u>	<u>\$73,714</u>
Other Financing Sources and Uses:			
Unobligated Cash – Beginning		\$1,086,000	\$1,401,430
Loan Proceeds			
Transfers out to other funds			
Unobligated Cash – Ending		\$1,401,430	\$1,475,144

The above General Fund Financial Summary reflects a small surplus for 2015 with projected revenues exceeding expenditures by \$73,714 which is less than 1%. Gulfport’s General Fund budget is approximately the same in terms of overall dollars as compared to six (6) years ago, year ending 2007. It is hopeful the local economy will continue to grow to allow the City to increase cash reserves as the budget surplus increases.

FYE 2015 General Fund Budget Plan

Revenue Enhancements:

1. Licenses / Permits / Franchise Fees – an increase of \$224,000. The current budget for this category is approximately \$5.0 million. The proposed budget contains an increase of \$224,000 more than the current budget. The reason for the increase is due to the Franchise Fees estimated actual revenues are projected to exceed the budget for FYE 2014 by approximately \$350,000. As a result, the City will project a conservative increase of \$224,000 due to the expectations that certain areas of franchise fees will decrease in FYE 2015 which may offset the increase in FYE 2014.

2. Charges for Services – an increase of \$200,000. The current budget for this category is \$2.2 million while next year’s budget is estimated at \$2.4 million. The proposed budget contains an estimated \$100,000 increase in Administrative Fees charged to the Water/Sewer Fund. General Administration, Engineering, Public Works, Fire, and Utility Partners have seen a significant increase in administrative responsibilities related to the Water/Sewer Fund over the past several years. Also, the City in previous years had not been filing lot assessments properly with the County in order to collect the assessments to property owners. The steps have been taken by the City to begin properly recording the assessments with the County and then collecting those assessments from the County. The City is estimating an increase of approximately \$100,000 in lot assessments.
3. Interest – a decrease of \$24,000. The current budget for this category is \$25,000 while the current revenue for FYE 2014 is approximately \$1,000. The City has experienced a decrease in interest revenues for several years as a result of decreased interest rates and the low level of cash maintained in City depositories.
4. Sales Taxes – an increase of \$600,000. The current budget for this category is \$19,600,000. Through the month of July 2014, sales taxes are projected to exceed the current budget by approximately \$200,000 resulting in approximately \$19,800,000 in revenues for the current year. A minimal projection of a 1% increase over actual revenues is projected for FYE 2015 which would result in an estimated sales tax revenue budget of \$20,200,000.
5. Property Taxes – an increase of \$317,000. The current budget for this category is \$17,700,000. For the past two fiscal years, actual revenues have exceeded the budget by approximately \$300,000.
6. Gaming – a decrease of \$200,000. The current budget for this category is \$3,270,000. Island View Casino is currently undertaking a \$50-\$60 million expansion. The expansion is not expected to be complete until September 2015. With the addition of 400 hotel rooms, there will be a significant increase in the number of visitors to the casino which should enhance gaming revenues. The Island View Casino is currently seeing a significant decrease in gaming revenues and the City’s gaming revenues are expected to come in short of the budget for FYE 2014. Knowing the Casino expansion will not come online until FYE 2016, the City is projecting a \$200,000 decrease in gaming revenues.
7. Bond – an increase of \$500,000. The City is currently in the process of issuing \$30 million in bonds for infrastructure projects. Of this \$30 million, \$500,000 has been set aside as part of the \$6 million reimbursement to the general fund to assist the FYE 2015 budget.

Expenditure Changes:

1. Legal (City Attorney) - \$202,489 in additions
 - a. Addition of a full-time Prosecutor position
 - b. Increase Outside Legal Fees

2. Public Transportation – \$99,057 in additions
 - a. Increase in Contributions
3. General Administration - \$96,927 in reductions
 - a. Decrease in Contributions
4. Fire Department – \$55,615 in additions
 - a. Increase in Supplies and Other Services
5. Public Works - \$125,000 in additions
 - a. Increase in Other Services and Charges
6. Police - \$66,154 in additions
 - a. Increase to address the retention issues within the department
 - b. Reduction in Workers’ Compensation, Materials and Supplies
 - c. Increase in Other Services and Charges
7. Judicial – \$7,328 in reductions
 - a. Reduction in Other Services and Charges
8. Engineering - \$50,000
 - a. Increase in Other Services and Charges
9. Leisure Services - \$400,000 in additions
 - a. Increase in Materials and Supplies, Other Services and Charges
10. Economic Development
 - a. Increase in Personal Services related to hiring of Economic Development Director
11. In addition to the above items, an increase in Personal Services across all City Departments

**Water and Sewer Fund Financial Summary
2014 Revised Budget versus 2015 Proposed Budget**

	2014 Revised Budget	2014 Estimated Actual	2015 Proposed Budget
Operating Revenues	\$30,731,000	\$30,388,000	\$30,763,000
Operating Expenses	\$30,571,352	\$30,330,000	\$31,097,682
Excess / (deficiency) of revenues over expenditures	<u>\$159,648</u>	<u>\$58,000</u>	<u>(\$334,682)</u>
Other Financing Sources and Uses:			
Unobligated Cash – Beginning Transfers in from Other Funds			\$1,085,000
Unobligated Cash – Ending			\$750,318

Notes:

1. The above amounts do not include water and sewer capital projects which are in the work in progress stage amounting to \$127,884. The balances remaining on these projects will carry over into the new 2015 year.
2. The City's water and sewer fund is financially stronger than it has been in many years. For the current 2014 year, it is expected to increase the cash reserves by \$60,000 with revenues expected at \$30.39 million and expenses at \$30.33 million. For the upcoming 2015 year, a slight decrease in cash reserves of approximately \$300,000 is being proposed with revenues proposed at \$30.8 million and expenses at \$31.1 million. The decrease is a result of the payments made to HCUA for debt, operations, and maintenance increasing approximately \$300,000.
3. **The City is currently in the process of issuing bonds in the amount of \$20 million to begin upgrades to the Water and Sewer infrastructure. A rate adjustment will be required to cover the debt related to the \$20 million bonds.**
4. The City Engineer has identified \$168 million in water and sewer infrastructure needs along with in excess of \$1 million for machinery and equipment replacements. Also, more than \$23 million will be needed for upgrading / replacing the Gulfport South Treatment Plant so that it meets current EPA standards. The \$20 million bonds mentioned above will be used towards the water and sewer infrastructure needs as well as machinery and equipment replacements.

Employees' Health Care Fund

	2014 Revised Budget	2014 Estimated Actual	2015 Proposed Budget
Operating Revenues	\$1,616,000	\$1,913,248	\$1,616,000
Operating Expenses	\$5,902,500	\$6,061,500	\$5,502,500
Excess / (deficiency) of revenues over expenditures	(\$4,286,500)	(\$4,148,252)	(\$3,886,500)
Other Financing Sources and Uses:			
Unobligated Cash – Beginning		\$0	(\$123,252)
City Contributions	\$4,100,000	\$4,025,000	\$4,025,000
Unobligated Cash – Ending		(\$123,252)	\$15,248

Notes:

1. The Financial Condition of the Employees' Healthcare fund's cash balance was affected by the 3 month premium holiday in FYE 2013 and due to higher than projected claims. The fund's financial condition is improving due to lower claims in FYE 2014 compared to FYE 2013. The City expects claims to continue a downward trend due to the implementation of a Wellness Program and also several other cost saving initiatives implemented in FYE 2014 by the Health Insurance Committee.

Future Economic Development Activities on the Horizon

- ✚ Hotel Development - New hotels are in various stages along the Interstate 10 and Highway 49 interchange. One hotel has been completed, one hotel is in the final completion stage, and an additional hotel is expected to break ground in FYE 2015. The City also expects additional restaurants and retail stores to be developed around and near the new hotel developments.
- ✚ Island View – The Island View Casino is currently renovating the hotel tower south of Highway 90. The cost of the renovations is approximately \$50 - \$60 million. The renovations will include over 400 additional hotel rooms, several restaurants, and convention space.
- ✚ Downtown Revitalization - Downtown Gulfport recently completed one of the largest façade programs in U.S history. The \$4.4 million program remade nearly 80 building fronts in the downtown district. Another \$7.6 million is being spent on downtown infrastructure such as lighting and boulevard upgrades, new and improved sidewalks, landscaping, paving, utility enhancements and relocations, and etc. This project is almost complete and the payback has been significant. Many new restaurants now operate within the downtown district and many more are slated to come. Gulfport is slowly becoming the headquarters for many corporations and nightlife has never been stronger.
- ✚ Centennial Plaza – The City received a 92 acre beachfront site from a donation from the Department of Veterans Affairs following Hurricane Katrina. This site contains 10 “historic” buildings dating back to 1917. These buildings are enormous in both size and architecture featuring a Spanish theme in a campus style layout. The Gulfport Redevelopment Commission entered into a long term lease with le Triomphe to develop the site and the City expects development to begin in FYE 2015. The Holiday Inn Resorts has recently been announced as the Anchor Tenant.
- ✚ Gulfport Highlands-Gulfport Highlands has broken ground with the first building that is located on Highway 605 north of I-10. The development plans consist of 120,000 square feet of office space and 200,000 square feet of retail space. The Gulfport Highlands project has not progressed over the past year. The City remains hopeful for the completion of the Gulfport Highlands. Additionally, the Highway 605 corridor continues to develop with a new Walgreens located at the Southeast Corner of Pass Road and Cowan Road along with significant development north of Pass Road.
- ✚ Walmart Neighborhood Stores – The City is expecting Walmart to build neighborhood stores, better known as Walmart Express, on Dedeaux Road and Pass Road. These stores are expected to be complete by the end of FYE 2015.

Future Issues, Concerns, and Uncertainties

1. Payback of Community Disaster Loan

The City's Community Disaster Loan was reopened for review to determine if the entire loan amount would be forgiven. The City was granted full loan forgiveness in FYE 2014.

2. Unfunded Katrina Projects

In excess of \$250 million in Hurricane Katrina Recovery related work was performed in Gulfport. Ninety eight percent (98%) of this work was performed without any eligibility issues; however, It has been determined that several Katrina related recovery projects which were originally thought to be wholly funded by FEMA may not meet FEMA's eligibility requirements. In total, these items are estimated in excess of \$4-\$5 million which represents about 2% of all City FEMA funded Katrina Recovery projects. The City is currently working with FEMA to acquire a current list of projects whereby funding has been denied.

Again, the City will make a determination upon final notification from FEMA of the denial of funding as to whether the City's course of action will be to appeal or arbitrate FEMA's denial.

3. Infrastructure Deterioration and Obsolescence

The City's Engineer has identified \$268 million in needed infrastructure renovations and upgrades. Of this amount, \$100 million relates to streets and drainage improvements while the remaining \$168 million relates to water and sewer infrastructure improvements. The City is currently taking the first step to address these needs by working towards issuing \$30 million in Bonds.

The City's book value of its capital assets totaled \$557,873,000 for the most recent audited year which was year ending 2013 with infrastructure totaling \$392,000,000 or 71% of this amount. Capital assets include the following: Land, Buildings, Machinery, Equipment, Vehicles, and infrastructure, (i.e. roads, drainage systems, water & sewer systems), etc. Relating to this, the City's annual depreciation expense was \$12.5 million. These amounts are significant as the City currently has no policy in place regarding a perpetual asset lifecycle replacement program. Depreciation is an important and often underutilized tool in the financial planning process and should become a recurring expense item in future budgets to ensure assets are replaced as their useful lives become expired. Unaddressed, this only places a larger burden on future generations.

4. Machinery and Equipment Replacements - Both the City's Public Works Director and Leisure Services Director have expressed their needs for much needed equipment replacements. Most of the equipment in these departments has exceeded their useful lives and the maintenance cost of keeping this equipment operational is significant.

5. Gulfport South Sewer Treatment Facility – It has been communicated to the City by the Harrison County Utility Authority that the Gulfport South Treatment Plant no longer meets EPA standards regarding sewer treatment and disposal. The cost of addressing this issue is expected to exceed \$20 million. Although this will not affect the current proposed budget, subsequent years' budgets will be impacted.
6. Economic Development

Although Gulfport is the coastal leader in retail sales, much retail growth has occurred in and around our neighboring cities. Gulfport must continue to aggressively market itself to the entire region and nation. Continued effort in the area of economic development will be a must as businesses compete between local jurisdictions for competitive incentive packages before choosing their location for doing business. The City is addressing this issue through tax incentive programs and has hired an economic development director.

7. Future Uncertainty of the National, State, and Local Economies

As all of us are aware of the challenges facing the national, state, and local economies, Governmental entities are not immune to these same issues which affect the private sector and our own personal finances. Issues such as: 1) high unemployment, 2) tightening of credit with lending institutions, 3) decline in consumer spending, 4) high cost of property insurance, and 5) the overall uncertainty of what the future holds is a recipe for financial and economic challenges such as pending litigation and Section 42 tax reductions.

Sales Tax is vital to the City's well-being with it making up 36% of the City's General Fund Revenues. With such a significant portion of the City's revenue stream being sensitive to economic conditions, Gulfport has been re-tooling the way it is delivering essential services to its citizens by becoming more efficient and cost conscience.

Closing.....

In closing, I would like to commend all of those City Directors and department heads who worked so hard in streamlining and reducing their respective budgets to help ensure the City's continued financial solvency. This has been an ongoing process over the past several years. None of this has been easy.

Also, I would like to thank the Mayor, Chief Administrative Office, and City Council in supporting the Administration during the budget process. As a result, many positive discussions took place;

which in turn, provided an appropriate forum for citizens to learn about the financial and economic challenges facing this City while allowing the City to continue to move in a positive direction.

Sincerely,

Scott Wilson
Comptroller

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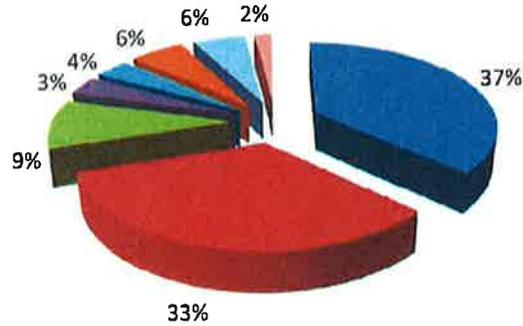


GENERAL FUND

The General Fund is the City's largest fund and is used to account for all activities that are traditional in nature to governmental entities and which are not required to be accounted for in another fund. Examples of General Fund activities include the following:

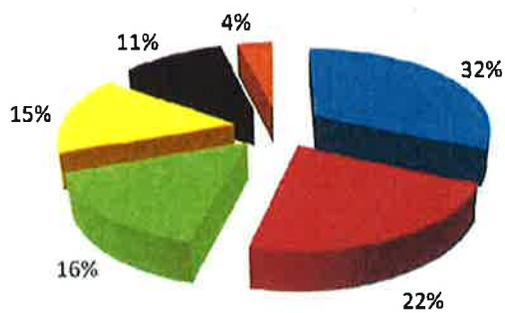
- General Government – Serves as the administrative arm of the city. Departments which carry out this function include: Executive (Mayor), Legislative (Council), Judicial (Courts), Legal (City Attorney), General Administration, and Public Transportation.
- Public Safety – Serves as protection to the general public with regards to life, health, and property. Departments which carry out this function include Police and Fire.
- Public Works – Serves to manage the City's overall infrastructure. This includes but is not limited to road and bridge maintenance, drainage prevention and control, and traffic signalization.
- Culture and Recreation – Serves to promote cultural activities for all ages. These activities include summer day camps for our youth, senior citizen programs for our elderly, various sports and recreational programs, and maintenance of parks and playgrounds. Divisions which carry out this function include Leisure Services, Building Maintenance, Senior Citizens, and Cemetery.
- Urban and Economic Development – Serves to ensure zoning laws and building codes are enforced. This entails such activities as building plans review, inspections, and the issuance of building permits. The major divisions which carry out this function is Building Code, Planning and Zoning, and Code Enforcement.

**General Fund Revenue
Where Does the Money Come From?**



- Sales Tax 37%
- Property Taxes 33%
- Licenses/Permits/Fran Fees 9%
- Fines and Forfeits 3%
- Intergovernmental 4%
- Gaming 6%
- Other \ Misc 6%
- Grant 2%

**General Fund Expenditures
Where Does the Money Go?**



- Police 32%
- Fire 22%
- Public Works & Engineering 16%
- General Government 15%
- Culture and Recreation 11%
- Urban and Economic Dev 4%

City of Gulfport
 General Fund Proposed Budget
 For Fiscal Year Ending 9/30/2015

	FYE 2014 Current Budget	FYE 2014 Estimated Actuals	FYE 2015 Mayor's Proposed Budget	
Operating Revenues				
1	Sales Tax	19,600,000	19,750,000	20,200,000
2	Property Tax	17,683,000	17,983,000	18,000,000
3	Licenses, Permits, & Franchise Fees	4,976,000	4,900,000	5,200,000
4	Gaming Fees	3,270,000	3,200,000	3,070,000
5	Grants (Federal, State, Local)	1,688,964	1,764,739	1,057,000
6	Court Fines	1,897,000	1,700,000	1,897,000
7	Intergovernmental	2,002,000	2,000,000	2,002,000
8	Charges for Service / Rents / Leases	2,159,000	2,000,000	2,359,000
9	Misc / Other	728,726	800,000	673,000
10	Total Operating Revenues	<u>54,004,690</u>	<u>54,097,739</u>	<u>54,458,000</u>
Operating Expenses				
11	Executive (Mayor)			
12	Personal Services	258,554	262,100	262,274
13	Material and Supplies	3,960	2,000	3,960
14	Other Services and Charges	28,638	25,000	28,638
15	Capital Outlay			
16	Total Executive	<u>291,152</u>	<u>289,100</u>	<u>294,872</u>
17	Legislative (Council)			
18	Personal Services	355,956	343,900	361,715
19	Material and Supplies	5,700	3,000	5,700
20	Other Services and Charges	73,638	56,100	79,039
21	Capital Outlay	46,000	30,000	46,000
22	Total Legislative	<u>481,294</u>	<u>433,000</u>	<u>492,454</u>
23	Judicial (Courts)			
24	Personal Services	1,205,812	1,162,000	1,234,332
25	Material and Supplies	48,104	38,500	41,000
26	Other Services and Charges	460,624	454,600	460,400
27	Capital Outlay		-	
28	Total Judicial	<u>1,714,540</u>	<u>1,655,100</u>	<u>1,735,732</u>
29	Legal (City Attorney)			
30	Personal Services	752,540	669,000	899,060
31	Material and Supplies	5,149	3,800	4,601
32	Other Services and Charges	583,518	715,000	385,270
33	Capital Outlay			-
34	Total Legal	<u>1,341,207</u>	<u>1,387,800</u>	<u>1,288,931</u>

	FYE 2014 Current Budget	FYE 2014 Estimated Actuals	FYE 2015 Mayor's Proposed Budget
35 Administration and Finance			
36 Personal Services	2,268,766	2,301,000	2,322,568
37 Material and Supplies	123,835	97,000	123,835
38 Other Services and Charges	1,544,752	1,544,752	1,429,620
39 Captital Outlay	747,652	583,000	218,000
40 Total Administration and Finance	<u>4,685,005</u>	<u>4,525,752</u>	<u>4,094,023</u>
41 Public Transportation	<u>384,478</u>	<u>384,478</u>	<u>405,000</u>
42 Police			
43 Personal Services	14,399,723	13,768,000	14,120,727
44 Material and Supplies	1,311,449	1,311,449	1,215,000
45 Other Services and Charges	2,067,551	1,783,000	1,974,765
46 Captital Outlay	233,320	233,320	
47 Total Police	<u>18,012,043</u>	<u>17,095,769</u>	<u>17,310,492</u>
48 Fire			
49 Personal Services	10,752,489	10,617,000	10,827,870
50 Material and Supplies	517,267	461,300	548,174
51 Other Services and Charges	599,407	568,600	614,600
52 Captital Outlay	586,650	586,650	
53 Total Fire	<u>12,455,813</u>	<u>12,233,550</u>	<u>11,990,644</u>
54 Public Works			
55 Personal Services	1,486,224	1,530,000	1,518,464
56 Material and Supplies	1,390,350	1,390,350	1,390,350
57 Other Services and Charges	3,202,682	3,202,682	3,349,132
58 Captital Outlay	21,450	21,450	
59 Total Public Works	<u>6,100,706</u>	<u>6,144,482</u>	<u>6,257,946</u>
60 Engineering			
61 Personal Services	507,505	454,700	513,705
62 Material and Supplies	19,700	19,700	19,700
63 Other Services and Charges	1,678,878	1,678,878	1,741,878
64 Captital Outlay	13,000	13,000	-
65 Total Engineering	<u>2,219,083</u>	<u>2,166,278</u>	<u>2,275,283</u>
66 Leisure Services			
67 Personal Services	3,255,503	3,092,000	3,336,103
68 Material and Supplies	821,091	783,300	837,091
69 Other Services and Charges	1,775,104	1,710,000	1,944,904
70 Captital Outlay		-	-
71 Total Leisure Services	<u>5,851,698</u>	<u>5,585,300</u>	<u>6,118,098</u>
72 Urban Development			
73 Personal Services	1,478,441	1,547,700	1,506,961
74 Material and Supplies	41,555	35,800	41,555
75 Other Services and Charges	222,716	149,200	215,836
76 Captital Outlay	-	-	-
77 Total Urban Development	<u>1,742,712</u>	<u>1,732,700</u>	<u>1,764,352</u>

	FYE 2014 Current Budget	FYE 2014 Estimated Actuals	FYE 2015 Mayor's Proposed Budget
78 Economic Development			
79 Personal Services	157,059	95,000	234,544
80 Material and Supplies	5,300	4,000	5,300
81 Other Services and Charges	116,615	50,000	116,615
82 Capital Outlay	-	-	-
83 Total Economic Development	<u>278,974</u>	<u>149,000</u>	<u>356,459</u>
84 Total Operating Expenses	<u>55,558,705</u>	<u>53,782,309</u>	<u>54,384,286</u>
85 Excess / (deficiency) of Revenues over Expenditures	<u>(1,554,015)</u>	<u>315,430</u>	<u>73,714</u>
86 Other Financing sources and uses			
87 Unobligated Cash - Beginning		1,086,000	1,401,430
88 Loan Proceeds		-	-
89 Operating Transfers out to Other Funds (see note 1)		-	-
91 Unobligated Cash - Ending		<u>1,401,430</u>	<u>1,475,144</u>

Note 1:

Any operating transfers out to other funds would be to fund Hurricane Repairs, Capital Projects, and Harbor Operations.



CAPITAL PROJECTS FUND

The Capital Projects fund is used to account for the acquisition and construction of major capital facilities and infrastructure improvements other than those financed by the Water and Sewer, Hurricane, Insurance, and Joseph T. Jones Funds. Examples of these types of activities include the following:

- Street Improvements – Paving \ Widening
- Drainage prevention and control
- Right of way acquisitions
- Building Construction and Renovation
- Parks and Recreational Facilities

Capital Projects FYE 2015 Work In Progress
Capital Projects Fund

100 CAPITAL PROJECTS

02341 SEAWAY ROAD WIDENING TEA 21	\$	1,654,400
02382 JOSEPH T JONES MEMORIAL PARK	\$	225,575
02386 JONES PARK \ HARBOR IMP '07	\$	1,011,885
02393 28TH STREET WIDENING(TEA 21)2	\$	15,669
02394 LORRAINE ROAD BRIDGE @ BILOXI	\$	154,505
02405 DEDEAUX ROAD WIDENING PHASE 2	\$	181,600
02410 ORANGE GROVE COMM CENTER	\$	38,288
02444 JONES PARK LIGHTING AND INFRA	\$	381,267
02464 CITY HALL IMPROVEMENTS	\$	56,669
02469 EXPANSION OF FIRE STATION #7	\$	66,918
02478 JONES PARK INFRASTRUCTURE '09	\$	41,635
02480 HARBOR MASTER BULKHEAD	\$	240,506
02484 19TH ST COMMUNITY CENTER	\$	31,929
02490 SR 601 SEC 007B UTILITY RELOC	\$	513,589
02491 SR 601 SEC 007A UTILITY RELOC	\$	965,700
02501 SR 601 SEC 008 UTILITY RELOCA	\$	1,714,967
02503 THREE RIVRS RD/CREOSOTE RD WD	\$	535,528
02748 HARRISON CO DIST 4 PAVING PRO	\$	42,585
02759 IMPROVEMENTS TO STRUTHERS PRO	\$	104,968
02765 JONES PARK IMP-BARKSDALE DONA	\$	84,597
02770 JONES PARK IMP-LEO SEAL DONAT	\$	250,000
02774 TIDELANDS - 2012 - YACHT BASI	\$	161,341
02775 WARD 1 PARKS IMPROVEMENT	\$	20,000
02779 2012 BOND ISSUE - ROAD IMPROV	\$	2,052,015
02780 SPORTSPLEX PROJ/IMPROV	\$	210,654
02781 2012 BOND ISSUE-ST PAVING PHA	\$	56,820
02782 2012 BOND ISSUE-ST PAVING PHA	\$	13,311
02783 2012 BOND ISSUE-ST PAVING PHA	\$	6,048
02784 2012 BOND ISSUE-ST PAVING PHA	\$	124
02785 2012 BOND ISSUE-ST PAVING PHA	\$	20,009
02786 2012 BOND ISSUE-ST PAVING PHA	\$	96,809
02787 2012 BOND ISSUE-ST PAVING PHA	\$	646,389
02788 2012 BOND ISSUE-ST PAVING PHA	\$	463,467
02789 2012 BOND ISSUE-ST PAVING PHA	\$	145,070
02790 GULF ISL WATR PARK ENTRNC RD	\$	4,053
02792 TIDELANDS -2013 - YACHT BASIN	\$	298,590
02793 MAYS RD & SIMPSON RD PROJECT	\$	11,485
02810 PASS RD TRAFFIC SIGNAL SOFTWA	\$	50,000
02812 DOLAN AVE DRAINAGE PROJECT	\$	200,000
02814 TIDELANDS 14 YACHT BASIN	\$	225,000
02815 TIDELANDS 15 J HILL PARK BAYO	\$	250,000
29008 LEASE PURCHASE OF 5 FIRE TRUC	\$	-
RETAINING WALL- MINNOW CREEL BRIDGE	\$	50,000
		<hr/>
TOTAL CAPITAL PROJECTS	\$	<u>13,293,963</u>

POLICE AND FIREMENS' RETIREMENT FUND



This fund is used to account for tax revenues legally restricted for funding the police and firemens' retirement plan. All collections are forwarded to the Public Employees' Retirement system (PERS). All resources accumulated in this fund are legally restricted for the above mentioned purpose. This fund's principal source of revenue is General Property Taxes.

City of Gulfport
 Public Employees' Retirement Fund Budget
 For Fiscal Year Ending 9/30/2015

	FYE 2014 Current Budget	FYE 2015 Proposed Budget
Estimated Revenues		
General Property Taxes	\$988,600	\$988,600
Shared Revenue	<u>\$34,000</u>	<u>\$34,000</u>
Total Revenues	<u>\$1,022,600</u>	<u>\$1,022,600</u>
Proposed Expenditures		
PERS Contributions	<u>\$1,022,600</u>	<u>\$1,022,600</u>
Excess / (deficiency) of Revenues over Expenses	<u><u>\$0</u></u>	<u><u>\$0</u></u>

MUNICIPAL DEBT SERVICE FUND

This fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest. All resources accumulated in this fund are legally restricted for the above mentioned purpose. This fund's principal source of revenue is General Property Taxes. Note that water and sewer related debt is not included within this fund.



**City of Gulfport
Municipal Debt Service Fund Proposed Budget
For Fiscal Year Ending 9/30/2015**

	FYE 2014 Current Budget	FYE 2015 Proposed Budget
Estimated Revenues		
General Property Taxes	\$4,784,000	\$4,384,000
Shared Revenue	<u>\$165,000</u>	<u>\$165,000</u>
Total Revenues	<u>\$4,949,000</u>	<u>\$4,549,000</u>
Proposed Expenditures		
Debt Service Payments	<u>\$4,720,000</u>	<u>\$4,130,000</u>
Excess / (Deficiency) of Revenues over Expenditures	<u>\$229,000</u>	<u>\$419,000</u>
Other Financing and Sources / Uses		
Unobligated Cash - Beginning		<u>\$4,211,000</u>
Unobligated Cash - Ending		\$4,630,000

City Of Gulfport
 Debt Service Schedule
 Fiscal Year Ending 9-30-15

Bond and Interest Fund # 701

Bond Description	Original Issue	Issue Date	Maturity Date	Interest Rate	Outstanding Principal 10-01-14	FYE 15 Principal Payment	FYE 15 Interest Payment	Total FYE 15 Debt Payment	Outstanding Principal 9-30-15
G/O Public Improvement 1998	6,000,000.00	07/01/98	07/01/18	4.920%	1,760,000.00	405,000.00	88,000.00	493,000.00	1,355,000.00
MS Development Loan PI 2001	9,100,000.00	01/01/01	01/01/21	3.000%	3,712,613.15	470,349.96	75,000.00	545,349.96	3,242,263.19
G/O Refunding 2002 (1993)	9,580,000.00	12/30/02	04/01/13	3.900%	0.00	0.00	0.00	0.00	0.00
G/O Public Improvement 2003	5,000,000.00	04/01/04	04/01/23	5.000%	2,795,000.00	260,000.00	112,790.00	372,790.00	2,535,000.00
G/O Refunding 2004 (1996)	6,160,000.00	08/04/04	12/01/15	6.000%	1,405,000.00	690,000.00	42,757.50	732,757.50	715,000.00
G/O Bonds, Series 2007	10,000,000.00	10/01/07	09/30/27	6.000%	7,895,000.00	410,000.00	302,430.00	712,430.00	7,485,000.00
G/O Public Improvement 02012	10,000,000.00	07/01/12	07/01/22	4.000%	8,230,000.00	925,000.00	228,100.00	1,153,100.00	7,305,000.00
Total Municipal Debt Service Fund					25,797,613.15	3,160,349.96	849,077.50	4,009,427.46	22,637,263.19

Water and Sewer Fund # 400

MS Development Loan PI 2001	420,000.00	01/01/01	01/01/21	5.000%	263,221.16	29,649.96	22,000.00	51,649.96	233,571.20
G/O Water/Sewer Refunding 2004	3,810,000.00	12/02/04	12/01/16	3.527%	1,385,000.00	440,000.00	43,832.50	483,832.50	945,000.00
EPA Mandate G/O Water/Sewer 2005	5,200,000.00	04/12/05	09/30/25		3,405,000.00	245,000.00	134,754.38	379,754.38	3,160,000.00
G/O W/S System Revenue Refunding 200	47,565,000.00	07/01/05	07/01/27		32,520,000.00	2,290,000.00	1,686,000.00	3,976,000.00	30,230,000.00
NEW 2009 - Water Meters	9,500,000.00	06/01/09	06/01/19		5,140,000.00	960,000.00	171,676.00	1,131,676.00	4,180,000.00
Subtotal					42,713,221.16	3,964,649.96	2,058,262.88	6,022,912.84	38,748,571.20

State Revolving Loan Fund #01	1,422,072.00	04/15/92	11/15/11	3.042%	0.00	0.00	0.00	0.00	0.00
State Revolving Loan Fund #02	3,016,717.00	11/01/93	11/15/13	3.990%	0.00	0.00	0.00	0.00	0.00
State Revolving Loan Fund #03	2,818,618.00	12/01/94	05/01/14	3.990%	0.00	0.00	0.00	0.00	0.00
State Revolving Loan Fund #04	1,417,932.00	06/01/95	01/01/15	4.500%	35,921.66	35,920.00	337.00	36,257.00	1.66
State Revolving Loan Fund #05	3,229,424.00	03/10/05	10/10/24	1.750%	1,793,963.88	164,119.50	30,082.14	194,201.64	1,629,844.38
State Revolving Loan Fund #06	8,093,778.00	02/01/06	11/01/25	1.75%-5.00%	5,568,484.92	392,585.44	94,134.56	486,720.00	5,165,899.48
State Revolving Loan Fund #07	2,214,059.00	05/10/05	01/10/25	1.750%	1,257,745.71	112,027.81	21,114.83	133,142.64	1,145,717.90
State Revolving Loan Fund #08	15,025,311.00	03/01/08	10/01/27	1.750%	10,558,900.16	724,560.75	178,987.53	903,548.28	9,834,339.41
State Revolving Loan Fund #09	5,715,121.00	09/01/05	06/01/25	1.75%-5.00%	4,174,803.07	272,801.42	70,877.86	343,679.28	3,902,001.65
Subtotal					23,379,819.40	1,702,014.92	395,533.92	2,097,548.84	21,677,804.48
Total Water and Sewer Fund					66,093,040.56	5,666,664.88	2,453,796.80	8,120,461.68	60,426,375.68

Grand Total - All Funds 91,890,653.71 8,827,014.84 3,302,874.30 12,129,889.14 83,063,638.87



COMMUNITY DEVELOPMENT FUND

This fund is used to account for resources associated with various federal grants which addresses such areas as affordable housing, community revitalization, and urban and economic development. The following programs are examples of how these funds are used:

- Housing Rehabilitation loans to persons meeting the low to moderate income criteria
- Construction of Park and Recreational facilities in qualifying areas.
- Social service agencies for activities such as day care services, summer day camps, after school programs, job training, and other related programs
- Funding for street upgrades, drainage prevention and control, sidewalks, and other public improvement projects for blighted areas as defined by HUD.
- Downtown Revitalization
- Long Term Workforce Housing

City of Gulfport
 Community Development Fund Proposed Budget
 For Fiscal Year Ending 9/30/2015

	FYE 2014 Adopted Budget	FYE 2015 Proposed Budget
Estimated Revenues		
Federal Grant Revenue	<u>\$7,127,102</u>	<u>\$4,675,584</u>
Proposed Expenditures		
CDBG Grant - Work in Progress	\$1,139,613	\$1,016,037
HOME Grant - Work in Progress	\$2,808,981	\$2,369,728
MDA - Katrina Supplement Grant Work in Progress	\$2,418,964	\$1,245,388
EPA Brownfield Grant Work in Progress	\$243,032	\$44,431
Code Enforcement Grant	\$0	
Total Expenditures	<u>\$6,610,590</u>	<u>\$4,675,584</u>
Excess / (deficiency) of revenues over expenses	<u>\$516,512</u>	<u>\$0</u>

COMMUNITY DEVELOPMENT PROPOSED GRANT FUNDS REVENUE
FOR FISCAL YEAR 2015
Grant Balances as of 8-13-14

	GRANT REVENUE BALANCES	\$	4,675,583.85
CDBG ENTITLEMENT FUNDS			
2010 Emergency Housing Repairs		\$	66,876.25
2010 Housing Project Delivery Cost		\$	6,840.00
2011 Housing Project Delivery Cost		\$	25,000.00
2013 East North Gulfport Playground		\$	93,977.00
2013 Energy Efficiency Program		\$	70,000.00
2014 CASA of Harrison County		\$	10,000.00
2014 De L'Epee Deaf Center		\$	10,000.00
2014 Catholic Social Services		\$	10,000.00
2014 Child Abuse Prevention Center		\$	10,000.00
2014 Gulf Coast Community Ministries		\$	10,000.00
2014 Gulf Coast Womens Center for Non-Violence		\$	10,000.00
2014 Salvation Army		\$	10,000.00
2014 Emergency Housing Repairs		\$	37,000.00
2014 Gulf Ave Colony Park Drainage		\$	300,000.00
2014 Unobligated Funds		\$	135,010.92
Unallocated grant funding		\$	211,333.08
CDBG Entitlement Grant Balance		\$	1,016,037.25
HOME ENTITLEMENT FUNDS			
2010 Gulfport - Homeowner Rehabilitation		\$	182,811.00
2012 Gulfport - Homebuyer Assistance		\$	18,000.00
2013 Gulfport - Homeowner Rehabilitation		\$	289,035.00
2014 Gulfport - Homebuyer Rehabilitation		\$	152,920.00
2010 Biloxi - Homebuyer Assistance		\$	360,866.00
2012 Biloxi - New Construction		\$	300,000.00
2013 Biloxi - New Construction		\$	97,325.00
2014 Biloxi - New Construction		\$	107,045.00
2012 Harrison Cty - Homebuyer Assistance		\$	466,088.00
2013 Harrison Cty - Homebuyer Assistance		\$	2,844.00
2014 Harrison Cty - Homebuyer Assistance		\$	45,876.00
2012 CHDO - Operating		\$	20,328.00
2013 CHDO - Gulfport - Acquisition/Rehab		\$	117,774.17
2013 CHDO - Biloxi VA - New Construction		\$	47,280.92
2013 CHDO - unobligated		\$	55,614.00
2013 CHDO - Operating		\$	18,538.00
2014 CHDO - unobligated		\$	65,538.00
2014 CHDO - Operating		\$	21,845.00
HOME Entitlement Grant Balance		\$	2,369,728.09

KATRINA -MDA CDBG SUPPLEMENTAL

Downtown Streetscape R103-202-01-02-KCR	\$	496,629.75
Comprehensive Planning R-103-202-01-KP	\$	80,615.00
Master Developer	\$	501.67
Arts District Headquarters	\$	19,075.00
Municipal Complex I & II	\$	128,306.00
Small Craft Harbor/Jones Park R-202-03-KCR	\$	363,192.50
Seaway Road Improvements R-103-202-01-KED	\$	37,422.00
West Harbor Expansion R-109-205-06-KCR	\$	119,646.17

Katrina-CDBG Supplemental Grant Balance \$ 1,245,388.09

BROWNFIELD EPA FUNDS

Hazard Mitigation and Petroleum	\$	44,430.42
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Brownfield EPA Grant Balance \$ 44,430.42

SELF INSURANCE FUNDS



The City of Gulfport is partially self funded with regards to its Health, Life, Worker's Compensation, and General Liability Insurance. The City has two separate funds established to account for the resources associated with providing the above referenced insurance coverages; Employee Health Care Fund and Claims Contingency Fund. The budget for both of these funds are contained within this section of the report. Significant losses are covered by commercial insurance while smaller losses are absorbed by the City.

City of Gulfport
Self Insured Employees' Health Insurance Fund Proposed Budget
For Fiscal Year Ending 9/30/2015

	2014 Current Budget	2014 Estimated Actual	2015 Proposed Budget
Estimated Revenues			
1 Employee Contributions	1,200,000	1,100,000	1,200,000
2 Retiree Contributions	216,000	216,000	216,000
3 Interest earnings	-	-	-
4 Other Revenues	200,000	597,248	200,000
5 Total Revenue	1,616,000	1,913,248	1,616,000
Estimated Expenses			
6 Office Supplies	-	-	-
7 Consultant Fees	-	-	-
8 Professional Fees	237,000	237,000	237,000
9 Admin Fees	171,000	165,000	171,000
10 Bank Fees	1,500	1,500	1,500
11 Specific Stop Loss Insurance	433,000	433,000	433,000
12 Insurance Prem - Vision	60,000	55,000	60,000
13 Claims	5,000,000	5,170,000	4,600,000
14 Total Expenses	5,902,500	6,061,500	5,502,500
15 Operating Income / (Loss)	(4,286,500)	(4,148,252)	(3,886,500)
Other Financing Sources / (Uses)			
16 Beginning Cash		-	(123,252)
17 City Contributions	4,100,000	4,025,000	4,025,000
18 Transfers Out To General Fund			
19 Ending Cash		(123,252)	15,248

City of Gulfport
Self Insurance Fund (Claims and General Liability) Proposed Budget
For Fiscal Year Ending 9/30/2015

	FYE 2014 Current Budget	FYE 2014 Estimated Actual	FYE 2015 Proposed Budget
Estimated Revenues			
Misc (Interest Earnings)	\$10,000	\$1,000	\$1,000
Other Revenues		\$40,500	
Total Revenues	<u>\$10,000</u>	<u>\$1,000</u>	<u>\$1,000</u>
Proposed Expenditures			
Claims and Judgements	\$1,000,000	\$998,000	\$1,105,000
Insurance Premiums	\$1,750,000	\$1,750,000	\$1,750,000
Other services and charges	\$510,000	\$166,000	\$205,000
Total Expenditures	<u>\$3,260,000</u>	<u>\$2,914,000</u>	<u>\$3,060,000</u>
Excess / (Deficiency) of Revenues over Expenditures	<u>(\$3,250,000)</u>	<u>(\$2,913,000)</u>	<u>(\$3,059,000)</u>
Other Financing Sources			
City Contributions	\$3,274,364	\$3,274,364	\$3,124,364
Cash - Beginning		<u>\$2,417,873</u>	<u>\$1,820,473</u>
Estimated unobligated Ending Cash		\$2,779,237	\$1,885,837

JOSEPH T. JONES FUND Operations and Maintenance

This fund is used to account for the operations, maintenance, and leasing of boat slips and other facilities within the Joseph T. Jones Memorial Park.



City of Gulfport
Joseph T. Jones Yacht Basin Fund Proposed Budget
For Fiscal Year Ending 9/30/2015

	FYE 2014 Current Budget	FYE 2014 Estimated Actuals	FYE 2015 Proposed Budget
Estimated Revenues			
Grants (State and Federal)	\$667,466	\$212,567	\$0
Dockage Fees	\$463,500	\$445,263	\$450,000
Rents / Leases	\$194,400	\$153,084	\$150,000
Fuel / Retail Sales	\$499,800	\$486,545	\$500,000
Total Revenues	<u>1,825,166</u>	<u>1,297,459</u>	<u>1,100,000</u>
Proposed Expenses			
Personal Services	\$305,407	\$305,407	\$305,407
Materials and Supplies	\$525,500	\$525,500	\$490,000
Other Services	\$299,342	\$299,342	\$300,000
Capital Outlay / Capital Projects	\$375,498	\$90,000	\$0
Total Expenses	<u>1,505,747</u>	<u>1,220,249</u>	<u>1,095,407</u>
Income / (Loss) from Operations	<u>\$319,419</u>	<u>\$77,210</u>	<u>\$4,593</u>
Other Financing sources and uses			
Unobligated Cash - Beginning			\$10,057
Operating Transfers in from General Fund	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Unobligated Cash - Ending			\$14,650

Note: The amounts contained herein reflect basic operational cost of the harbor and does not include FEMA funds for rebuilding the harbor devastated by Katrina, or funding from General Fund for upgrades, or CIAP funds for 20th avenue improvements. These resources are contained within the Hurricane and Capital Projects funds respectively.

WATER AND SEWER FUND



This fund is used to account for the activities of the City's water and sewer operations. The City of Gulfport is in a joint venture with the Harrison County Wastewater and Solid Waste Management District. "The District" is made up of a governing board consisting of the mayors from the cities of Gulfport, Biloxi, Long Beach, Pass Christian, D'Iberville, and a representative from the Harrison County Board of Supervisors.

This joint venture was formed as a result of the Clean Water Act. The purpose of this act is to ensure that sewage and solid waste disposal is handled in a manner as to not pose a threat to the environment. The district carries out this function by overseeing the construction and operations of sewage treatment facilities and contracting with private companies for solid waste collection and disposal. The district will in turn charge the various municipalities for the cost associated with providing these services.

City of Gulfport
Water and Sewer fund
Statement of Revenues, Expenditures, and Changes in Cash Balance
For Fiscal Year Ending 9-30-2015

	FYE 2014 Current Budget	FYE 2014 Estimated Actual	FYE 2015 Proposed Budget	
Revenues:				
1	Water Charges	\$6,410,000	\$5,962,000	\$6,410,000
2	Sewer Charges	\$8,730,000	\$8,770,000	\$8,722,000
3	Sewer Treatment Charges	\$9,770,000	\$9,764,000	\$9,781,000
4	Solid Waste Charges	\$4,074,000	\$4,141,000	\$4,074,000
5	Other Services and Charges	\$1,747,000	\$1,751,000	\$1,776,000
6	Total Revenues	\$30,731,000	\$30,388,000	\$30,763,000
Operating Expenditures:				
7	Billing and Collecting			
8	Personal Services	\$934,456	\$902,000	\$934,456
9	Supplies	\$72,500	\$66,000	\$72,500
10	Other Services	\$2,475,670	\$2,475,000	\$2,575,000
11	Capital Outlay	\$0	\$0	\$0
12	Total Billing and Collecting	\$3,482,626	\$3,443,000	\$3,581,956
13	Water Operations			
14	Personal Services	\$0	\$0	\$0
15	Supplies	\$1,784,359	\$1,784,000	\$1,784,359
16	Other Services	\$2,590,866	\$2,590,000	\$2,722,866
17	Capital Outlay	\$59,500	\$59,500	\$59,500
18	Total Water Operations	\$4,434,725	\$4,374,000	\$4,566,725
19	Sewer Operations			
20	Personal Services	\$118,611	\$57,000	\$118,611
21	Supplies	\$887,586	\$887,000	\$887,586
22	Other Services	\$2,493,804	\$2,494,000	\$2,493,804
23	Capital Outlay	\$79,000	\$79,000	\$79,000
24	Total Sewer Operations	\$3,579,001	\$3,438,000	\$3,579,001
25	City Debt (water and Sewer)	\$8,175,000	\$8,175,000	\$8,120,000
26	Harrison County Utility Authority:			
27	Sewer Treatment (debt and O&M)	\$7,650,000	\$7,650,000	\$7,964,000
28	Solid Waste	\$3,250,000	\$3,250,000	\$3,286,000
29	Total HCUA Cost	\$10,900,000	\$10,900,000	\$11,250,000
30	Total Operating Expenses	\$30,571,352	\$30,330,000	\$31,097,682
31	Excess / (deficiency) of Revenues over Expenses	\$159,648	\$58,000	(\$334,682)
32	Other financing sources and uses:			
33	Beginning Cash - Unobligated			\$1,085,000
34	Operating Transfers In from other funds			\$750,318
35	Ending Cash - Unobligated			

The Above is an operating statement and does not include capital projects rollover projects in the work in progress stage which amounts to \$127,884. Additional capital projects to be funded by bond proceeds are anticipated in the amount of \$14 million for FYE 2015.

Capital Projects FYE 2015 Work In Progress
Water and Sewer Fund

400 WATER/SEWER UTILITY FUND

02787 2012 BOND ISSUE-ST PAVING PHA	\$ 20,150
81522 UTILITY ACQUISITION	\$ 3,580
82561 WATER WELL NORTH OF I-10	\$ 35,901
82562 SEAWAY ISLAND WATER MAIN CONN	<u>\$ 68,253</u>
TOTAL EXPENSES	<u><u>\$ 127,884</u></u>

Disaster Relief Fund



The City has the Hurricane Fund established to account for resources associated with covering the cost of damages caused by acts of nature such as Hurricanes, Tropical Storms, and Floods. The resources associated with this fund are comprised mostly of Federal Emergency Management Funds (FEMA), Mississippi Emergency Management Funds (MEMA), and City funds which are required for matching purposes.

The scope of these funds center around restoring and rebuilding city owned assets which were damaged by Hurricanes Katrina and Gustav. Examples include rebuilding city owned buildings, restoring water and sewer services to citizens who live along the coastline, and restoring streets and drainage systems throughout the City.

**City of Gulfport
Disaster Relief Fund Proposed Budget
For Fiscal Year Ending 9/30/2015**

	FYE 2014 Current Budget	FYE 2015 Proposed Budget
Estimated Revenues		
Grants - FEMA & MEMA	\$36,789,360	\$5,420,000
Proposed Expenditures		
Work In Progress	<u>\$36,789,360</u>	<u>\$5,420,000</u>
Excess / (Deficiency) of Revenues over Expenditures	<u><u>\$0</u></u>	<u><u>\$0</u></u>

Capital Projects FYE 2015 Work In Progress
Disaster Relief Fund

030 DISASTER RELIEF

18251 WATER/SEWER REPLACE AREA 1 PW	\$ 526,037
18252 WATER/SEWER REPLACE AREA 2 PW	\$ 1,086,675
18256 WATER/SEWER REPLACE AREA 3BPW	\$ 1,298,794
18843 CITY-WIDE PROPERTY -HURR ISA	\$ 256,060
18846 PIERS - ISAAC PW GCGNS15	\$ 1,185,431
18847 JETTIES - ISAAC PW GCGNS16	\$ 376,449
18890 ADMINISTRATION - OUTSIDE CONS	\$ 690,553
TOTAL EXPENSES	<u>\$ 5,420,000</u>



Police Forfeiture and Seizure Fund

This fund is used to account for resources relating to assets which were seized by various law enforcement agencies. These assets fall into two types of categories: County/Local shared and Federal seizures. The federal process is handled by the U.S. Marshall's Service while the County/Local seized assets are handled by municipal and county law enforcement agencies. Drug forfeited assets including both cash and property are subject to strict federal guidelines that dictate the use of these funds and other requirements such as non-supplanting of local funds.

City of Gulfport
Police Forfeiture and Seizure Fund
For Fiscal Year Ending 9/30/2015

	FYE 2014 Current Budget	FYE 2015 Proposed Budget
Estimated Revenues		
Shared Revenue (Federal and County)		
Proposed Expenditures		
Personal Services	\$58,375	\$51,812
Materials and Supplies	\$182,810	\$5,550
Other Services and Charges	\$128,373	\$52,475
Capital Outlay	\$375,800	\$164,374
Total Expenditures	<u>\$745,358</u>	<u>\$274,211</u>
Excess / (deficiency) of Revenues over Expenses	<u>(\$745,358)</u>	<u>(\$274,211)</u>
Other Financing sources and uses		
Restricted Cash	\$745,358	\$274,211