

Annual Budget Proposal



For Year Ending September 30, 2012

Council Adopted

**City of Gulfport
Annual Budget Proposal**

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For Fiscal Year Ending September 30, 2012**

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To: Mayor George Schloegel and Members of the City Council
From: Mike Necaise, Director of Administration and Finance
Date: August 5, 2011
RE: Proposed Budget for Fiscal Year Ending 9-30-2012

Introduction

The Department of Administration and Finance is pleased to submit the proposed budget for fiscal year ending 9/30/2012. 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 expending huge amounts of resources recovering from one of the nation's worst disasters, Hurricane Katrina. The national, state, and local economies are recovering from the worst recession recorded in many decades. And on top of that, the entire Gulf South Region was greatly impacted by the worst man-made disaster recorded in history with the British Petroleum oil spill. The recovery from this financial recession appears to be extremely slow and experts seem to differ on both its remedy and timeliness of recovery. Great care has been taken in this budget to create a "balanced" budget whereby recurring expenditures are balanced to recurring revenues.

I am pleased to report that the measures taken by the current Administration, Council, and City Employees during these difficult times have paid off. For the upcoming year, the City has a balanced budget.

The overall financial condition of the City can be best described as "optimistically stable." The uncertainty of the National Economy and the Federal Government's remedy of this problem is hampering private investment; which in turn, results in very nominal growth in the City's revenues. The cost of Insurance and Insurability issues continue to create challenges for both homeowners and local businesses. Unemployment is higher than in recent decades. Consumer confidence is low which translates to less sales tax dollars going into the City's Treasury. All of this has been creating a "drag" on the local economy and putting a strain on the City's revenue growth.

The City has been plagued in the past with significant operating deficits in its General Fund. This is no longer the case. Major initiatives have been taken over the previous two years along with the upcoming year in order to more closely balance ongoing expenditures to recurring revenues.

Financial Highlights for the Upcoming Year

- ✦ Total proposed budget for the upcoming year is \$194 million.
- ✦ A Balanced Budget is contained herein whereby ongoing expenses are offset by re-occurring revenues.
- ✦ No Employee Furloughs are proposed for the upcoming year.
- ✦ No Employee Pay Increases are proposed for the upcoming year.
- ✦ No increase in funding is proposed for new positions.
- ✦ No increase in Property Tax Rate.
- ✦ No new funding for capital outlay, i.e. machinery, equipment, vehicles, computers, etc.
- ✦ \$17 million is contained in the proposed budget for new capital projects (\$14 in debt to repaid from property taxes and \$3 million in debt repaid from water and sewer rates.)

Note: The specific identification on a project basis of these funds has not yet been determined. This task will be accomplished with the Mayor and City Council.

- ✦ Water and Sewer revenues will have to be increased by \$2 million or 8% in order to cover projected expenses. Note: This increase includes the borrowing of \$3 million to address the street survey recently accomplished.

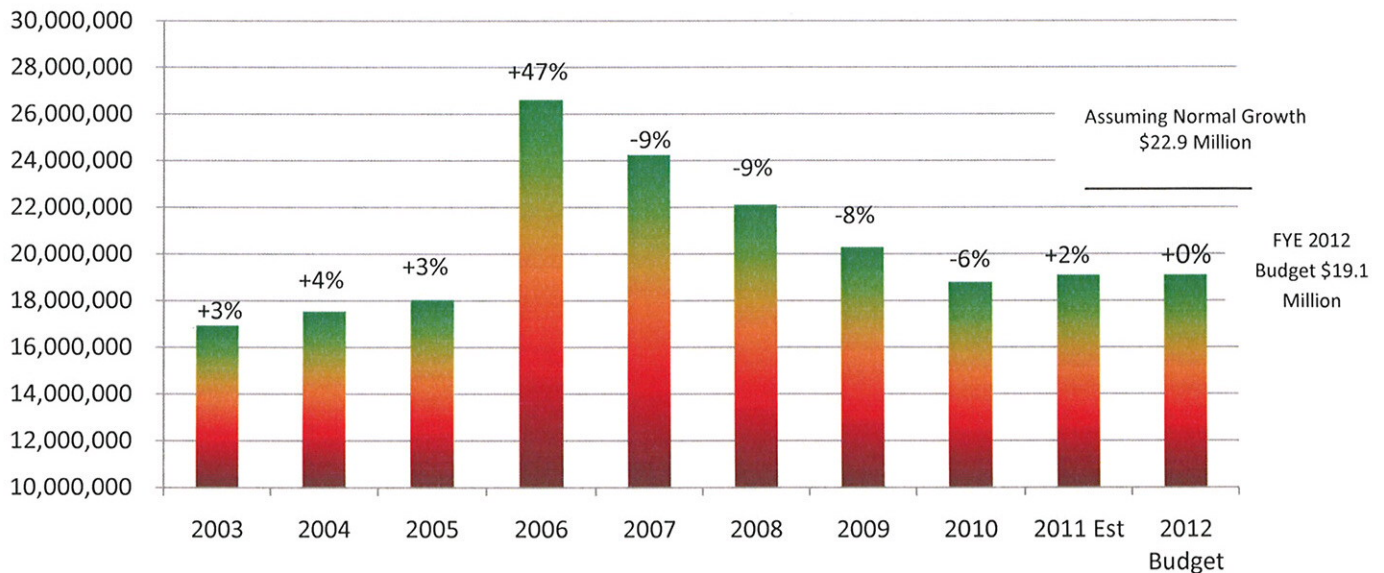
Major Issues, Challenges, and Considerations

1. Stagnant Economy – The current FYE 2011 revenue budget for the General Fund is \$54,017,936 while the proposed FYE 2012 revenue budget is \$53,833,536; representing a decrease of \$184,400 or ½ %. This extremely nominal increase in revenue creates challenges in meeting the demands from our citizens.
2. 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.
3. Fire Rating – The City's current fire rating recently came under close scrutiny by the State Fire Rating Bureau. Several issues were raised, and unaddressed, would have jeopardized the City's strong fire rating its citizens have enjoyed and become accustomed to. Given this, the Fire Department's budget was increased by 8% or \$931,165.

4. Streets and Infrastructure Upgrades – The City recently underwent a review of its streets in an effort to assess their condition. Based upon the report, it was determined that many of the City’s streets were deemed to be in “poor” condition. Total cost of bringing these streets and related infrastructure to an acceptable condition is projected to exceed \$40 million.
5. Water and Sewer Revenues – Overall water and sewer revenues will have to be increased by \$2 million or 8% for the upcoming year in order to cover ongoing cost.
6. Low Cash Reserves – The City is projecting \$3 million in unobligated cash reserves for its General Fund. This is low as compared to industry standards. It is recommended by the Government Finance Officers’ Association (GFOA) that Cities maintain in cash reserves an amount that is equal to 15% of its operating budget. Given the City’s General Fund budget of \$53.8 million, Gulfport’s cash reserves should be approximately \$8 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. Great care should be given over the future to re-establish Gulfport’s unobligated cash reserves to recommended levels. It is hopeful this amount will increase as future economic development activities described in a later section of this report begin to emerge.

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 was 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 2012 year, sales tax revenue is expected to remain stagnant with no projected increase expected.

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 2012 year would be approximately \$22.9 million or \$3.8 million above the 2012 proposed budget.

Future Economic Development Activities on the Horizon

- ✦ The City has issued building permits with a total construction value of \$84 million over the past 11 months. These projects consist of a mixture between commercial, residential, and quasi government construction. These new construction projects should be realized on the tax rolls in January 2013 and will produce in excess of \$300,000 in annual ad valorem taxes.

- ✦ Many new hotels are in various stages within the City. One hotel is in the final planning stage and will be located in the Mississippi City area of east Gulfport. This project will be within the \$4 - \$5 million range and should be permitted for construction in the early fall of this year. Inquiries for two additional hotels were made for sites within West Gulfport. Each hotel is expected to contain 100+ rooms with an estimated construction cost between \$4 - \$5 million each.

- ✦ Additionally, initial plans are being prepared for a multi use development at the City's main interstate corridor of interstate 10 and highway 49. This development will include 3 hotels with a total of 360 rooms and two major restaurant chains. Additional property will also be available for future development within the project area.

- ✦ An additional casino and resort hotel is on the near horizon. The City has been working with Rotate Black Gaming Company regarding submission of plans and specifications for a gaming project located south of the Gulfport Harbor. Land leases have already been signed between the City, Rotate Black, and adjacent landowners. The initial phase will include an investment of \$30 million in site improvements consisting of 57,000 square foot in casino gaming space and a 100 room multi level hotel. Phase two (2) will include a 500 space multi level parking garage and phase three (3) will include an additional 200 room hotel and 38,000 in additional casino gaming space. Phase one (1) is expected to break ground within the next several months with a nine (9) month expected construction duration. Without a doubt, this project will certainly have a significant positive economic impact to the City of Gulfport.

- ✦ 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 tremendous. Many new restaurants have opened within the downtown district over the past year and many more are slated to come. Gulfport is slowly becoming the headquarters for many corporations.

- ✦ Centennial Plaza – The City received a 92 acre beachfront site from a donation from the Department of Veterans Affairs several years ago. This site also contains 10 “historic” buildings dating back to the late 1850’s. These buildings are enormous in both size and architecture featuring a Spanish theme in a campus style layout. The City is currently seeking a developer to transform this into a major attraction featuring restaurants, hotels, office space, convention center space, etc. Without a doubt, this is considered one of Gulfport’s greatest assets and great care needs to be taken to establish the right plan, terms, and conditions that will best benefit Gulfport and its citizens for many years to come.

- ✦ State Port of Gulfport – The Port of Gulfport is currently in the midst of a \$1.6 billion expansion. Once complete, this port is expected to: create 6,500 direct jobs; generate \$10 billion in added personal incomes; and produce \$1.6 billion in direct revenue to the local economy.

City of Gulfport Mississippi

Budget In Brief

**Grand Summary of Revenues, Expenses,
and Changes in Cash Balance**

	Current 2011 Budget	FYE 2012 Proposed Budget
Estimated Revenues:		
Grants (Federal, State, & Local)	\$137,195,800	\$76,212,147
Charges for Services (water & Sewer, etc)	\$30,799,250	\$32,351,805
Sales Tax	\$19,100,000	\$19,100,000
Property Tax	\$23,904,943	\$24,102,100
Licenses / Permits / Franchise Fees	5,500,000	\$5,619,000
Gaming Fees	\$3,100,000	\$3,200,000
Intergovernmental	\$2,605,712	\$1,886,600
Misc / Other	\$1,029,825	\$869,791
Court Fines	\$2,088,000	\$2,400,000
Total Estimated Revenues	\$225,323,530	\$165,741,443
Other Available Resources:		
Cash – Unobligated (Beginning)		\$4,820,361
Cash – Restricted (Bond & Insurance Proceeds, Etc.)		\$10,251,714
Total Available Resources (Revenues, and Other Available Resources)		\$180,781,518
Proposed Expenses:		
Capital Projects	\$127,744,999	\$98,345,309
Public Works (Operations and Maint)	\$22,382,393	\$22,107,704
Police Protection	\$22,221,198	\$20,190,653
Debt Service (direct and indirect)	\$18,894,000	\$18,966,000
Urban, Community, & Economic development	\$6,537,718	\$5,968,044
Fire Protection	\$11,845,923	\$12,615,156
General Government	\$10,707,400	\$10,216,222
Culture and Recreation	\$5,543,361	\$5,677,783
Total Proposed Expenses	\$225,876,992	\$194,086,871
Proposed Cash – Unobligated (Ending)		\$3,966,647

Financial Overview

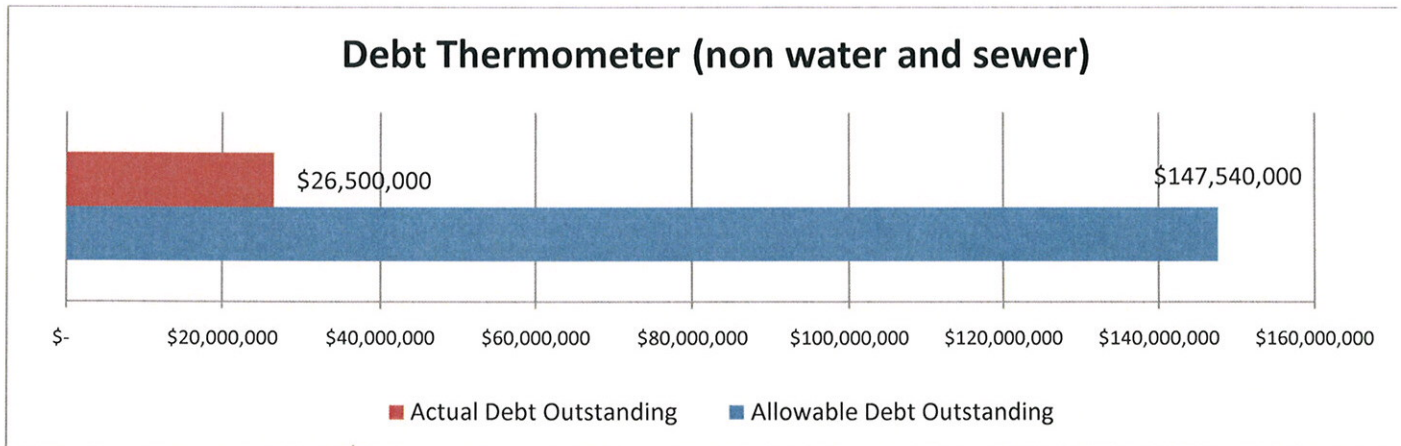
Debt Management

The City currently has \$109 million in “direct” outstanding debt consisting of \$26.5 million relating to debt being supported by property taxes for purposes of maintaining and upgrading streets, bridges, drainage systems, and parks; while, \$82.5 million is related to water and sewer infrastructure expansions and upgrades. Additionally, the City is responsible for approximately \$60 million in debt through the Harrison County Utility Authority bringing the total debt being serviced by the City to around \$169 million. Total direct debt interest and principal payments will cost \$12.8 million for the upcoming year (Water and Sewer \$8.4 million; Tax Supported \$4.4 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. This restriction pertains to that debt 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 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 2012 absent of any new debt issuances.

FYE 2012 Gross Assessed Valuation	\$737,700,000
Times 20% Allowable	<u>*20%</u>
Allowable Debt Outstanding – 15% Rule	\$147,540,000
Actual Debt Outstanding	<u>\$26,500,000</u>
Debt Margin – Borrowing Capacity	\$121,040,000



Gulfport is currently at 18% of capacity which allows for \$121 million for further debt issuances under the State's formula. Gulfport currently is in good shape with regards to the amount of outstanding debt (subject to being repaid through property taxes) as a percentage of property value. It shall be noted the above amounts do not include any new borrowing which is proposed for the upcoming year. Adding \$14 million in new debt serviced by ad valorem taxes would put Gulfport's percentage of capacity at 27%. 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.

Listed below is a chart containing the CFO's recommended maximum future new debt issuances for the next five years.

CFO's Recommended Maximum New Debt Each of next five (5) Years

Year of New Debt Issue	Maximum Amount of New Debt Issue
FYE 2012	\$14,000,000
FYE 2013	\$6,000,000
FYE 2014	\$5,000,000
FYE 2015	\$5,500,000
FYE 2016	\$5,400,000
Total	\$35,900,000

Notes and Considerations:

1. The Community Disaster Loan will become due in FYE 2016 in the amount of \$17,145,000 and will need to be considered for funding.
2. FEMA ineligible funded projects are estimated at \$4 million will need to be considered for funding.
3. City Matching funds on an energy grant amounting to \$550,000 will need to be funded for the upcoming year.

All three of the above items will need to be deducted when determining the maximum amount of new debt available to be incurred absent of an ad valorem tax increase or restructure of existing debt. Given the above information, the maximum amount of new debt to be issued over the next five (5) years considering the three items listed above is \$14.2 million.

Assumptions Used in the above calculations:

1. All new debt was issued using a 10 year payback at an annual interest rate of 5%.
2. A growth rate in property taxes of 2% was assumed.
3. Annual payments were calculated using a level amortization. Note: state law allows for more creative financing by deferring principal payments, etc. These options were not considered in this analysis.

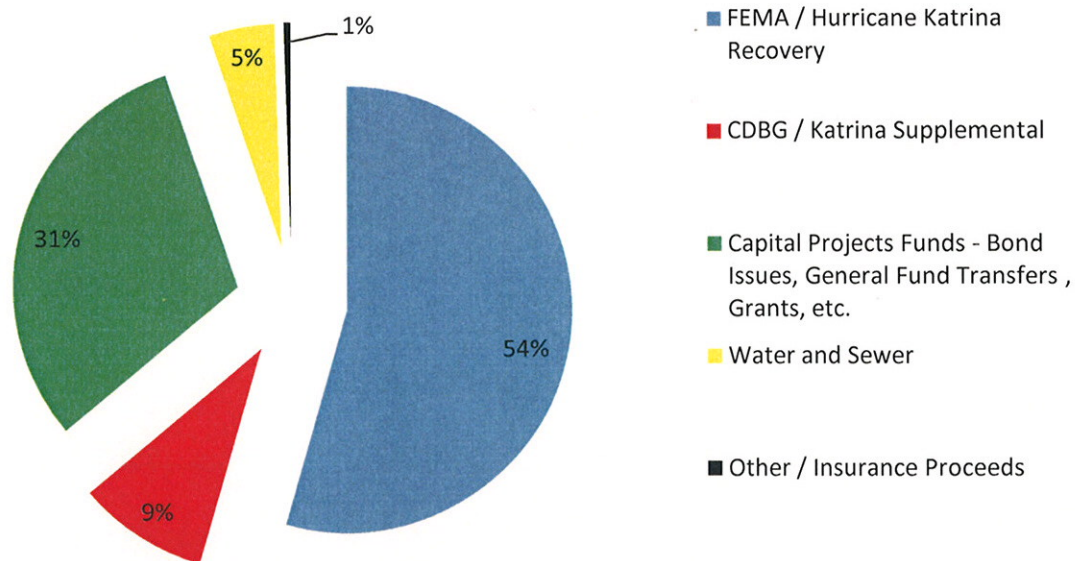
- Annual income of \$390,000 derived from the lease of Jones and Hardy Buildings was included in this analysis. This revenue stream would support \$3 million in new debt with a 10 year payback or \$4.8 million in new debt with a 20 year payback. Absent of this revenue stream, the amount of new debt to be issued over the next 5 years would decrease to approximately \$11 million.

Note: The estimated cost of a Phase 2 municipal complex is \$6 million with a federal grant funding \$2 million and a City match of \$4 million.

Capital Projects

For the upcoming 2012 fiscal year, the City intends to carryover a total of \$81.3 million in unspent capital projects which are In the “work in progress” stage while adding another \$17 million in new capital projects (\$14 million from debt serviced by ad valorem taxes and \$3 million in debt serviced by water and sewer rates); thus, bringing the total amount of budgeted funds for capital projects purposes to \$98.3 million. The graph below illustrates the funding breakdown of these projects.

Capital Projects Expenses by source



Funding Source(s)	Amount
FEMA / Hurricane Katrina Recovery	\$53,551,000
CDBG / Katrina Supplemental Relief	\$9,227,000
Capital Projects Funds – Bond Issues, General Fund Transfers, Grants, Etc	\$30,406,847
Water and Sewer	\$4,660,000
Other / Katrina Insurance Funds	\$500,000
Total Capital Projects Funding	\$98,344,847

Capital Projects (continued)

The projects listed below are examples of the types of projects currently being considered for “new” funding for the upcoming year:

- ❖ City-Wide Street Paving
- ❖ Sportsplex Expansion @ Interstate 10
- ❖ Infrastructure Upgrades relating to street paving project
- ❖ Municipal Complex Phase two (2)
- ❖ City Owned Golf Course Upgrades
- ❖ Upgrade and Renovation of former VA Laundry Facility

Note: The Municipal Complex Phase two will be entirely funded via a combination of a Federal Grant along with Lease revenue from the Jones and Hardy Buildings once these buildings become vacant.

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	\$303,692
Coast Transit Authority	\$235,800
Harrison County USM Bond Payment	\$52,000
Gulf Regional Planning	\$26,000
Cruisin the Coast	\$22,000
Gulfport Main Street	\$15,000
Harrison County Soil and Conservation	\$15,000
Gulf Coast Symphony	\$10,000
Gulf Coast Winter Classic Horse Show	\$10,000
Mississippi Gulf Coast Sports Commission	\$10,000
Other - Unidentified	<u>\$28,000</u>
Total	\$727,492

Note: all of the agencies listed above have received funding over the past several years. There are no new agencies contained on the above list.

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
2011 Revised Budget versus 2012 Proposed Budget

	2011 Revised Budget	2012 Proposed Budget	\$ Increase / (Decrease)
Operating Revenues	\$54,017,936	\$53,833,536	(\$184,400)
Operating Expenses	\$55,153,311	\$54,498,046	(\$1,351,775)
Excess / (deficiency) of revenues over expenditures	<u>(\$1,135,375)</u>	<u>(\$664,510)</u>	
Other Financing Sources and Uses:			
Unobligated Cash – Beginning		\$3,400,000	
Transfers in from other funds	\$79,958	\$470,000	
Transfers out to other funds	(\$1,521,678)	(\$139,204)	
Unobligated Cash – Ending		<u>\$3,066,286</u>	

The above General Fund Financial Summary reflects essentially a “breakeven” budget with projected expenditures equaling 99% of operating revenue for the upcoming 2012 year. Maintaining a balanced General Fund Budget is a major achievement for Gulfport given its previous challenges. Gulfport’s General Fund budget is approximately the same in terms of overall dollars as compared to the year ending 2007 which was five (5) years ago.

It shall be noted the amount of \$139,204 contained above classified as “transfers out to other funds” is to subsidize the City’s Harbor Operations for the upcoming year as available resources are expected to fall short until new boat slips are leased and land leases are secured. The City’s Harbor was completely destroyed by Hurricane Katrina and the City has been in the re-building mode since. The new harbor is state-of-the-art and contains 319 boat slips. The City has only recently began leasing these slips and it is expected to take about a year before enough revenue is generated to cover cost of operations.

**Water and Sewer Fund Financial Summary
2011 Revised Budget versus 2012 Proposed Budget**

	2011 Revised Budget	2012 Proposed Budget	\$ Increase / (Decrease)
Operating Revenues	\$28,778,000	\$29,609,805	\$831,805
Operating Expenses	\$29,827,317	\$29,609,805	(\$217,512)
Excess / (deficiency) of revenues over expenditures	(\$1,049,317)	\$0	
Other Financing Sources and Uses:			
Unobligated Cash – Beginning		\$370,361	
Transfers in from Other Funds	\$1,021,678		
Unobligated Cash – Ending		\$370,361	

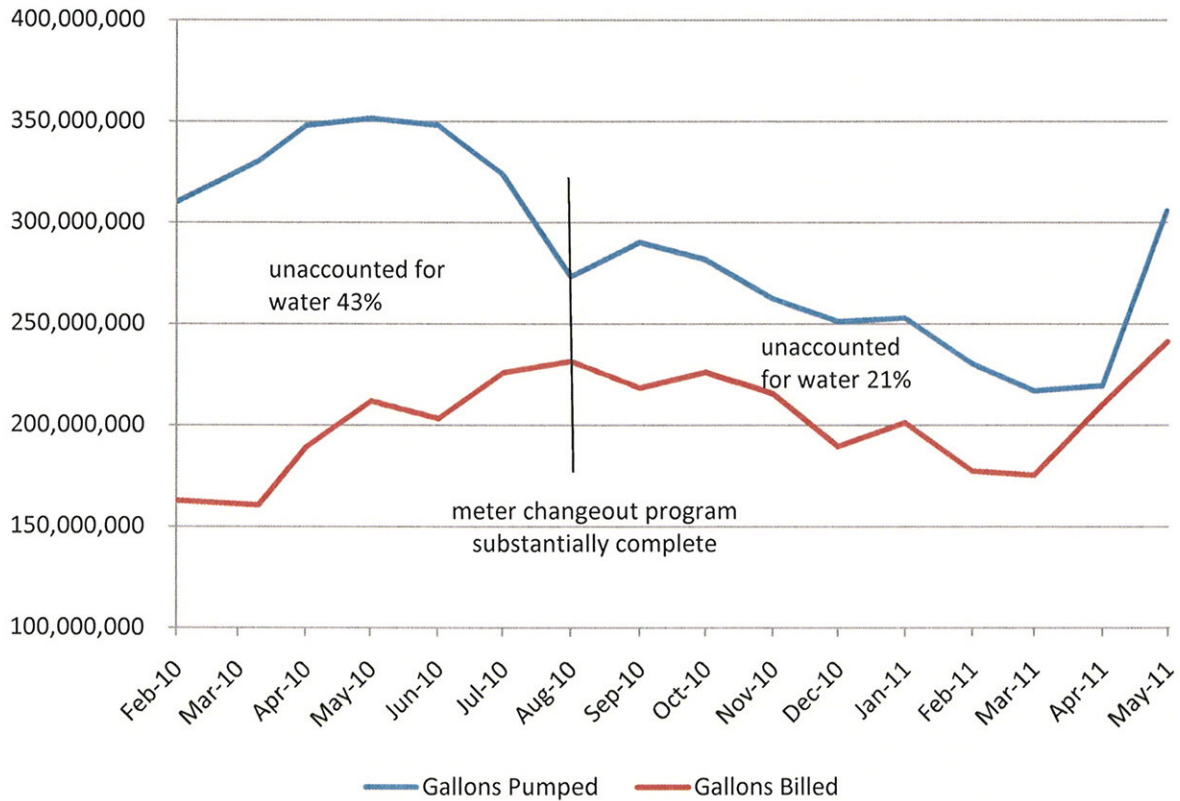
Note: the above amounts do not include water and sewer capital projects which are in the work in progress stage amounting to \$1.6 million. The balances remaining on these projects will carry over into the new 2012 year along with \$3 million in new funding for water and sewer projects relating to the recent street survey bringing the total amount appropriated for capital projects for water and sewer purposes to \$4.6 million.

For the current 2011 year, overall water and sewer revenues are projected to fall short of budgeted amounts by \$1.3 million or 5% while actual operating expenses are expected to be less than budgeted amounts by \$1.6 million; thus, creating essentially a “wash.” Given this, it is expected the City’s Water and Sewer Fund will come very close to operating at break-even for the current 2011 fiscal year end.

The majority of the \$1.6 million in surplus recognized with actual expenses falling short of budgeted amounts relates to credits given to the City by the Harrison County Utility Authority. The City is a member of this agency and receives a bill for the cost of treating the sewer generated by the City’s system. These past credits cannot be relied upon for the upcoming year.

The above Water and Sewer Fund financial summary reflects a “breakeven” operating budget for the 2012 fiscal year. Revenues and Expenditures are both projected to be \$29.6 million. In order to accomplish this, additional revenue in the amount of \$2 million will have to be generated through fees and rates. This amount represents an 8% increase in overall water and sewer revenues as compared to the current year. Many options will be explored in determining how best to achieve this increase in revenue. It shall be noted the City’s Water and Sewer Fund is classified as an enterprise fund; and given this, the intent of this fund is to generate enough revenue to operate at “break-even.”

Analysis of Water Pumped vs Water Billed



The City recently underwent a city wide meter change-out program in an effort to increase revenues and more fairly bill for actual water consumed. The goal was: more accurate meter readings, decreasing unaccounted for water, and decreasing the cost of personnel and other operational cost relating to meter reading activities. This project was substantially complete in August 2010.

The above graph illustrates how “unaccounted” for water has decreased significantly upon completion of this project. Unaccounted for water is the difference between water pumped from the City’s wells versus the amount of water registered through the customers’ meters. Based upon the data, it has been determined that unaccounted for water was 43% prior to the new meters being installed and dropped to 21% after the meter project was substantially complete. Based upon \$20 million in annual billings for consumption revenue, the City’s annual revenues are more than \$4 million above as compared to what the old meters would have generated in revenue.

A major factor which has had a “significant” negative impact on the recent revenue stream of the water and sewer fund has been the decline in gallons pumped or gallons consumed over the past twelve (12) months. For the most recent twelve month time frame of June 2010 – May 2011, gallons consumed have decreased by 17% as compared to the same twelve months of the previous year. The only logical explanation for this is that our consumers have become more cost conscious during these tough economic times.

Future Issues, Concerns, and Uncertainties

1. Payback of Community Disaster Loan

On December 8, 2005 the City applied for and received \$16.4 million in Federal Loans to be used for basic operating cost that was essential in the wake of Hurricane Katrina. These funds accrue interest at a rate of 2.70% per year and were suppose to be repaid five years following the storm.

The City recently underwent a financial review by FEMA to test for loan forgiveness eligibility. The result of this review was that the City did not meet the requirements for loan forgiveness. On a positive note, the City requested and was granted an additional 5 year deferment on this loan payback. With this 5 year deferment, the due date of this loan is Jan 2, 2016.

As of the date of this report, this loan has grown to approximately \$18.6 million and interest is accruing at a rate of approximately \$37,000 per month. Providing no payments are made by the City on this loan, the estimated payoff balance on the due date of Jan 2, 2016 will be \$21 million.

The City must begin to make preparation in future years' budgets to schedule the payback of these funds.

2. Unfunded Katrina Projects

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 \$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 must begin to make preparation in future years' budgets to fund these FEMA ineligible projects.

3. Asset / Infrastructure Management

The City's book value of its capital assets totaled \$503,140,577 for the most recent audited year which was year ending 2010 with infrastructure totaling \$349,805,812 or 70% 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 \$11.2 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. Economic Development

Although Gulfport is considered to be the coastal leader in retail sales, much retail growth has occurred in and around our neighboring cities. Due to this, Gulfport must more 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 must continue to review and revise its zoning, architectural and construction standards, and business incentive packages in order to attract new businesses.

5. 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 post Katrina, and 5) the overall uncertainty of what the future holds is a recipe for financial and economic challenges.

Sales Tax is vital to the City's well-being with it making up nearly 40% 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 thank all of the City's Directors and department heads who worked so hard in streamlining and reducing their respective budgets without negatively impacting those critical functions that are so important to our citizens. Also, I commend the actions taken by the elected officials to place this City on sound financial ground. None of this "heavy lifting" has been easy; however, it was the right course of action to take.

This budget being proposed for the upcoming 2012 year is balanced and healthier than it has been for many years. Those days of living off cash reserves is no longer an option and it is a must that preventative measures continue to be taken to ensure the City's financial well-being.

Sincerely,



Mike Ncaise

Director of Administration and Finance

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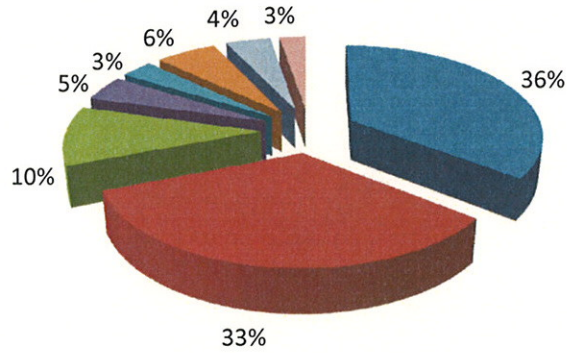


GENERAL FUND

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:

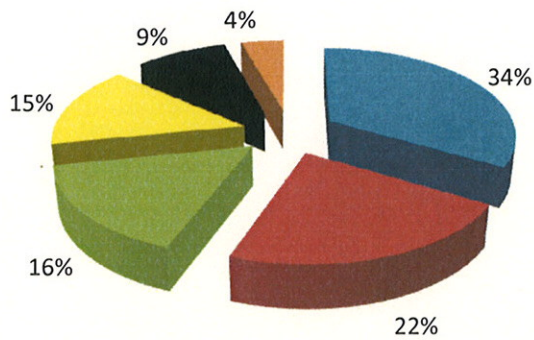
- General Government – Serves as the administrative arm of the city. Departments which carry out this function include: Executive (Mayor), Legislative (Council), Judicial (Courts), Legal (City Attorney), General Administration, and Public Transportation.
- Public Safety – Serves as protection to the 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 Economic Development, Building Code, Planning and Zoning, and Code Enforcement.

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



- Sales Tax 36%
- Property Taxes 33%
- Licenses/Permits/Fran Fees 10%
- Fines and Forfeits 5%
- Intergovernmental 3%
- Gaming 6%
- Other \ Misc 4%
- Grant 3%

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



- Police 34%
- Fire 22%
- Public Works & Engineering 16%
- General Government 15%
- Culture and Recreation 9%
- Urban and Economic Dev 4%

City of Gulfport
 General Fund Proposed Budget
 For Fiscal Year Ending 9/30/2012

	FYE 2011 Current Budget	FYE 2012 Mayor's Proposed Budget	Increase / (Decrease)	
Operating Revenues				
1	Property Tax	17,523,290	18,010,000	486,710
2	Sales Tax	19,100,000	19,100,000	-
3	Licenses, Permits, & Franchise Fees	5,500,000	5,619,000	119,000
4	Gaming Fees	3,100,000	3,200,000	100,000
5	Grants (Federal, State, Local)	2,839,691	1,404,536	(1,435,155)
6	Court Fines	2,088,000	2,400,000	312,000
7	Intergovernmental	1,964,158	1,712,000	(252,158)
8	Charges for Service	1,590,250	2,204,000	613,750
9	Misc / Other	312,547	184,000	(128,547)
10	Total Operating Revenues	54,017,936	53,833,536	(184,400)
Operating Expenses				
11 Executive (Mayor)				
12	Personal Services	245,944	263,160	17,216
13	Material and Supplies	3,960	3,960	-
14	Other Services and Charges	25,735	25,541	(194)
15	Capital Outlay	-	-	-
16	Total Executive	275,639	292,661	17,022
17 Legislative (Council)				
18	Personal Services	348,189	373,372	25,183
19	Material and Supplies	5,700	5,700	-
20	Other Services and Charges	70,131	63,396	(6,735)
21	Capital Outlay	8,000	-	(8,000)
22	Total Legislative	432,020	442,468	10,448
23 Judicial (Courts)				
24	Personal Services	1,247,218	1,171,242	(75,976)
25	Material and Supplies	46,293	58,241	11,948
26	Other Services and Charges	463,201	525,796	62,595
27	Capital Outlay	45,892	-	(45,892)
28	Total Judicial	1,802,604	1,755,279	(47,325)
29 Legal (City Attorney)				
30	Personal Services	818,380	948,512	130,132
31	Material and Supplies	5,800	5,800	-
32	Other Services and Charges	488,580	490,660	2,080
33	Capital Outlay	-	-	-
34	Total Legal	1,312,760	1,444,972	132,212

	FYE 2011 Current Budget	FYE 2012 Mayor's Proposed Budget	Increase / (Decrease)
35 Administration and Finance			
36 Personal Services	2,085,541	2,170,613	85,072
37 Material and Supplies	113,925	83,925	(30,000)
38 Other Services and Charges	1,579,116	1,501,635	(77,481)
39 Capital Outlay	66,725	-	(66,725)
40 Total Administration and Finance	<u>3,845,307</u>	<u>3,756,173</u>	<u>(89,134)</u>
41 Public Transportation	<u>376,800</u>	<u>376,800</u>	-
42 Police			
43 Personal Services	15,168,054	14,797,104	(370,950)
44 Material and Supplies	1,301,652	1,175,384	(126,268)
45 Other Services and Charges	2,602,616	2,299,128	(303,488)
46 Capital Outlay	295,683	-	(295,683)
47 Total Police	<u>19,368,005</u>	<u>18,271,616</u>	<u>(1,096,389)</u>
48 Fire			
49 Personal Services	10,243,030	11,239,053	996,023
50 Material and Supplies	396,723	343,773	(52,950)
51 Other Services and Charges	423,888	411,980	(11,908)
52 Capital Outlay	-	-	-
53 Total Fire	<u>11,063,641</u>	<u>11,994,806</u>	<u>931,165</u>
54 Public Works			
55 Personal Services	1,554,735	1,328,856	(225,879)
56 Material and Supplies	1,652,498	1,371,638	(280,860)
57 Other Services and Charges	3,623,219	3,996,489	373,270
58 Capital Outlay	86,674	-	(86,674)
59 Total Public Works	<u>6,917,126</u>	<u>6,696,983</u>	<u>(220,143)</u>
60 Engineering			
61 Personal Services	467,445	491,488	24,043
62 Material and Supplies	19,700	19,700	-
63 Other Services and Charges	1,671,075	1,587,597	(83,478)
64 Capital Outlay	-	-	-
65 Total Engineering	<u>2,158,220</u>	<u>2,098,785</u>	<u>(59,435)</u>
66 Leisure Services			
67 Personal Services	3,111,764	3,171,870	60,106
68 Material and Supplies	674,591	714,566	39,975
69 Other Services and Charges	1,243,234	1,114,143	(129,091)
70 Capital Outlay	895	-	(895)
71 Total Leisure Services	<u>5,030,484</u>	<u>5,000,579</u>	<u>(29,905)</u>
72 Urban Development			
73 Personal Services	1,864,109	1,854,383	(9,726)
74 Material and Supplies	52,055	41,555	(10,500)
75 Other Services and Charges	351,075	274,158	(76,917)
76 Capital Outlay	8,000	-	(8,000)
77 Total Urban Development	<u>2,275,239</u>	<u>2,170,096</u>	<u>(105,143)</u>

	FYE 2011 Current Budget	FYE 2012 Mayor's Proposed Budget	Increase / (Decrease)
78 Economic Development			
79 Personal Services	132,582	74,764	(57,818)
80 Material and Supplies	5,300	5,300	-
81 Other Services and Charges	116,792	116,764	(28)
82 Capital Outlay	40,792		(40,792)
83 Total Economic Development	<u>295,466</u>	<u>196,828</u>	<u>(98,638)</u>
84 Total Operating Expenses	<u>55,153,311</u>	<u>54,498,046</u>	<u>(655,265)</u>
85 Excess / (deficiency) of Revenues over Expenditures	<u>(1,135,375)</u>	<u>(664,510)</u>	<u>470,865</u>
86 Other Financing sources and uses			
87 Unobligated Cash - Beginning		3,400,000	
88 Operating Transfers in from Other Funds (note 1)	79,958	470,000	
89 Operating Transfers out to Other Funds	(1,521,678)	(139,204)	
90 Loan Proceeds	-		
91 Unobligated Cash - Ending		3,066,286	

Note:

1. Operating transfers in from other funds is from the City's Health Insurance Fund.



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

City of Gulfport
 Capital Projects Funds Proposed Budget
 For Fiscal Year Ending 9/30/2012

	FYE 2011 Current Budget	FYE 2012 Proposed Budget
Estimated Revenues		
Grants - (Federal, State, & Local)	\$16,620,631	\$12,428,031
Other Revenue	\$717,278	\$685,791
Total Projected Revenues	<u>\$17,337,909</u>	<u>\$13,113,822</u>
Proposed Expenditures		
Capital Projects Fund - Work In Progress	\$23,704,257	\$15,728,859
Capital Projects Fund - FYE 2012 Newly Funded		\$14,000,000
Bond Issue - 1998 - Work In Progress	\$110,000	\$100,291
Bond Issue - 2001 - Work in Progress	\$223,677	\$223,677
Bond Issue - 2003 - Work in Progress	\$460,890	\$454,313
Total Proposed Capital Projects Expenditures	<u>\$24,498,824</u>	<u>\$30,406,849</u>
Excess / (deficiency) of Revenues over Expenses	<u><u>(\$7,160,915)</u></u>	<u><u>(\$17,293,027)</u></u>
Other Financing sources and uses		
Unobligated Cash - Beginning	\$0	\$0
Restricted Cash and Bond Proceeds	\$6,110,915	\$3,293,027
Bond / Loan Proceeds	\$550,000	\$14,000,000
Transfers in from other funds	\$500,000	\$0
Transfers out to other funds	\$0	\$0
Unobligated Cash - Ending	<u>\$0</u>	<u>\$0</u>

Note: Other Capital Projects are contained in the Water and Sewer Fund, CDBG Fund, FEMA Fund and Insurance Fund

Note: New FYE projects in the amount of \$14,000,000 will be specifically identified at a future time.

City of Gulfport
FYE 2012 Captial Projects - Work in Progress

**FYE 2012 Work In
Progress**

100 CAPITAL PROJECTS FUND

02039 FIRE STATION 7	20,123
02202 3 RIVERS-NORTH-CREOSOTE TO SEAWAY	213,946
02203 CREOSOTE/THREE RIVERS/US49/AIRPORT	29,140
02313 28TH ST.ELEM SCHOOL FOOT BRIDGE	27,700
02341 SEAWAY ROAD WIDENING TEA 21	1,485,043
02353 LORRAINE RD BRIDGE @ FRITZ CREEK'05	170,144
02354 AIRPORT ROAD OUTFALL - 3 RIVERS '05	2,195
02358 STREET PAVING '05	4,503
02375 COURTHOUSE ROAD BOAT LAUNCH '05	405,973
02382 JOSEPH T JONES MEMORIAL PARK	7,340
02383 PARKS-RECREATION-GREEN SPACE	136
02386 JONES PARK \ HARBOR IMP '07	935,960
02387 DOWNTOWN REVITALIZATION '07	83,454
02388 HWY 90 STREET LIGHTING REPAIRS 2007	5,862
02393 28TH STREET WIDENING(TEA 21)23RD-34	395,893
02394 LORRAINE ROAD BRIDGE @ BILOXI RIVER	86,760
02395 DEBUYS ROAD IMP (ENGINEERING) '07	28,667
02396 WATER AND SEWER STUDY - HWY 90 '07	19,400
02397 CITY WELCOME SIGNS	1,990
02402 ARTIMESE TUGGLE COMMUNITY CTR '07	41,500
02405 DEDEAUX ROAD WIDENING PHASE 2 - ENG	1,762,658
02406 TURKEY CREEK CIAP PROGRAM	8,816
02407 WEST SIDE PARK	10,239
02408 MUNICIPAL COMPLEX-DOWNTOWN	260
02410 ORANGE GROVE COMM CENTER	78,560
02411 FEMA AREA 1,2,3 EASEMENTS	157,854
02413 FORREST HGHTS LEVEE REPAIRS NRCS 07	260,473
02431 PASS RD WIDENING EAST OF COWAN	5,860
02434 LOREN D HEIGHTS DRAINAGE	1,146
02444 JONES PARK LIGHTING AND INFRAST	462,448
02445 GULFPORT SPORTSPLEX IMPROVEMENTS	12,120
02450 CIAP GRANT-BOATLAUNCH 20TH AVE	2,210,000
02459 FIRE STATION #9 LAND	1,407
02460 FACADE GRANT - CITY HALL	42,095
02463 AIRPORT RD IMPROVEMENTS 08	133,000

City of Gulfport
FYE 2012 Captial Projects - Work in Progress

**FYE 2012 Work In
Progress**

02464 CITY HALL IMPROVEMENTS	64,591
02465 CIAP GRANT-JONES PARK BOARDWALK	550,000
02466 CIAP GRANT-JONES PARK EDUC PAVILION	240,000
02468 A&E FEES FOR FIRE STATION #9	24,239
02469 EXPANSION OF FIRE STATION #7	100,000
02470 CUANDET RD WATER, SEWER, PAVING	80,886
02476 FIRE STATION 10 CONCRETE RESTORATIO	27,468
02477 FIRE STATION 3 ASPHALT UPGRADE	12,187
02478 JONES PARK INFRASTRUCTURE '09	26,477
02480 HARBOR MASTER BULKHEAD	333,854
02483 STREET PAVING CITYWIDE '09	147,505
02484 19TH ST COMMUNITY CENTER	33,816
02486 TIDELANDS BERT JONES YACHT BASIN 06	114,988
02487 TIDELANDS BERT JONES YACHT BASIN 08	50,000
02488 TIDELANDS BERT JONES YACHT BASIN 09	46,275
02489 VA NORTH PROPERTY IMPROVEMENTS	3,087
02490 SR 601 SEC 007B UTILITY RELOCATION	637,833
02491 SR 601 SEC 007A UTILITY RELOCATION	1,030,655
02493 DEPT OF ENERGY GRANT ARRA FUNDS	423,272
02495 OLD TAYLOR PLACE SUB IMPROVEMENTS	2,800
02497 RETREAT VILLAGE BULKHEAD	1,609
02498 ANNISTON AVE BOX CULVERT	2,424
02499 MOBILE STAGE	500
02744 PROPERTY SOUTH OF RAILROAD TRACKS	21,485
02746 PAVILION REPAIRS - KATRINA DAMAGE	1,954
02748 HARRISON CO DIST 4 PAVING PROJECTS	42,585
02751 HWY 90 STREET LIGHTING PHASE 2	76,070
02753 3 RIVERS WIDENING KLEIN TO ONEAL	901
02754 HARRISON CO DIST 2 PAVING PROJECTS	533
02755 CENTENNIAL MUSEUM	188,000
02757 MFC-HWY 605 LANDSCAPE IMP PROJ	15,000
02758 DRAINAGE PROJECTS 2010	1,721
02759 IMPROVEMENTS TO STRUTHERS PROPERTY	130,391
02761 NRCS FLAT BRANCH REPAIR-NO O'NEAL	1,008,179
02762 WARD 2 PARKS IMPROVE-REC/GREENSPACE	110,000
02763 TIDELANDS - 2010 - YACHT BASIN	300,000
02764 TIDELANDS - 2011 - YACHT BASIN	200,000
02765 JONES PARK IMP-BARKSDALE DONATION	500,000

City of Gulfport
FYE 2012 Captial Projects - Work in Progress

	FYE 2012 Work In Progress
02766 GOULD RD DRAINAGE REPAIRS	40,000
02768 SUNNYMEAD ROAD IMPROVEMENTS	2,912
02769 EAST TAYLOR RD DRAINAGE	22,000
TOTAL CAPITAL PROJECTS FUND	15,728,859
130 PUBLIC IMPROVEMENT 1998 FUND	
01033 HARDY CT SHOPG CTR SEWER	65,000
04011 EPA STORM WATER PHASE II - 2011	35,291
TOTAL PUBLIC IMPROVEMENT 1998 FUND	100,291
140 PUBLIC IMPROVEMENT 2001 FUND	
08001 ORANGE GROVE PARK	758
08003 SPORTS COMPLEX	5,919
08006 PASS ROAD WIDENING EAST OF COWAN	217,000
TOTAL PUBLIC IMPROVEMENT 2001 FUND	223,677
141 PUBLIC IMPROVEMENT 2003 FUND	
01013 28TH STREET FIVE LANE TEA21	156,696
01020 3RIVERS-NORTH-CREOSOTE TO SEAWAY	74,206
01026 STREET PAVING	11,402
01032 ONEAL ROAD WIDENING PHASE 2	40,486
01033 HARDY CT SHOPG CTR SEWER	122,424
02379 51ST STREET & WOODHAVEN DRAINAGE 05	15,823
02455 COLLINS BLVD DRAINAGE IMPROVEMENTS	32,310
02492 3 RIVERS WIDENING KLEIN TO WINDSONG	966
TOTAL PUBLIC IMPROVEMENT 2003 FUND	454,313
GRAND TOTAL - ALL CAPITAL PROJECTS FUNDS	16,507,139

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 9/30/2012

	FYE 2011 Current Budget	FYE 2012 Proposed Budget
Estimated Revenues		
General Property Taxes	\$1,520,764	\$1,206,100
Shared Revenue	\$43,800	\$34,600
Total Revenues	<u>\$1,564,564</u>	<u>\$1,240,700</u>
Proposed Expenditures		
PERS Contributions	<u>\$1,564,564</u>	<u>\$1,240,700</u>
Excess / (deficiency) of Revenues over Expenses	<u>\$0</u>	<u>\$0</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 9/30/2012

	FYE 2011 Current Budget	FYE 2012 Proposed Budget
 Estimated Revenues		
General Property Taxes	\$4,860,889	\$4,886,000
Shared Revenue	\$140,000	\$140,000
Total Revenues	\$5,000,889	\$5,026,000
 Proposed Expenditures		
Debt Service Payments	\$5,036,000	\$4,816,000
Excess / (Deficiency) of Revenues over Expenditures	(\$35,111)	\$210,000
 Other Financing and Sources / Uses		
Unobligated Cash - Beginning		\$3,500,000
Unobligated Cash - Ending		\$3,710,000

City Of Gulfport
Debt Service Schedule
Fiscal Year Ending 9-30-12

Bond and Interest Fund (supported by advalorem taxes)

Bond Description	Original Issue	Issue Date	Maturity Date	Interest Rate	Outstanding Principal 10/01/11	FYE 12 Principal Payment	FYE 12 Interest Payment	Total FYE 12 Debt Payment	Outstanding Principal 9-30-12
G/O Public Improvement 1998	6,000,000.00	07/01/98	07/01/18	4.920%	2,855,000.00	345,000.00	140,600.00	485,600.00	2,510,000.00
MS Development Loan PI 2001	9,100,000.00	01/01/01	01/01/21	3.000%	5,123,663.03	470,349.96	100,000.00	570,349.96	4,653,313.07
G/O Refunding 2002 (1993)	9,580,000.00	12/30/02	04/01/13	3.900%	2,320,000.00	1,125,000.00	82,250.00	1,207,250.00	1,195,000.00
G/O Public Improvement 2003	5,000,000.00	04/01/04	04/01/23	5.000%	3,505,000.00	225,000.00	133,702.50	358,702.50	3,280,000.00
G/O Refunding 2004 (1996)	6,160,000.00	08/04/04	12/01/15	3.700%	3,300,000.00	610,000.00	117,438.75	727,438.75	2,690,000.00
Cap Loans 5-202-CP01	922,903.00	08/04/97	08/01/15	3.700%	26,254.36	26,254.36	7,188.79	33,443.15	0.00
Cap Loans 6-202-CP01	425,000.00	08/04/97	08/01/12	3.700%	12,089.44	12,089.44	122.86	12,212.30	0.00
Lease Purchase-Machinery & Equip-2007	3,000,000.00	10/01/07	09/30/12	6.000%	326,456.94	326,456.94	6,300.63	332,757.57	0.00
G/O Bonds, Series 2007	10,000,000.00	10/01/07	09/30/27	6.000%	9,025,000.00	355,000.00	363,777.50	718,777.50	8,670,000.00

Total Municipal Debt Service Fund

26,493,463.77 3,495,150.70 951,381.03 4,446,531.73 22,998,313.07

Water and Sewer Fund (supported by rates and fees)

MS Development Loan PI 2001	420,000.00	01/01/01	01/01/21	5.000%	352,171.04	29,649.96	22,000.00	51,649.96	322,521.08
G/O Water/Sewer Refunding 2004	3,810,000.00	12/02/04	12/01/16	3.527%	2,605,000.00	390,000.00	88,115.00	478,115.00	2,215,000.00
EPA Mandate G/O Water/Sewer 2005	5,200,000.00	04/12/05	09/30/25		4,080,000.00	215,000.00	163,926.25	378,926.25	3,865,000.00
G/O W/S System Revenue Refunding 2005	47,565,000.00	07/01/05	07/01/27		38,210,000.00	1,800,000.00	1,984,725.00	3,784,725.00	36,410,000.00
NEW 2009 - Water Meters	9,500,000.00	06/01/09	06/01/19		7,840,000.00	870,000.00	261,856.00	1,131,856.00	6,970,000.00

Subtotal

53,087,171.04 3,304,649.96 2,520,622.25 5,825,272.21 49,782,521.08

State Revolving Loan Fund #01	1,422,072.00	04/15/92	11/15/11	3.042%	15,958.93	15,958.93	59.81	16,018.74	0.00
State Revolving Loan Fund #02	3,016,717.00	11/01/93	11/15/13	3.990%	358,035.56	211,957.40	10,463.56	222,420.96	146,078.16
State Revolving Loan Fund #03	2,818,618.00	12/01/94	05/01/14	3.990%	526,289.84	190,822.61	17,578.39	208,401.00	335,467.23
State Revolving Loan Fund #04	1,417,932.00	06/01/95	01/01/15	4.500%	336,113.17	95,604.53	13,169.23	108,773.76	240,508.64
State Revolving Loan Fund #05	3,229,424.00	03/10/05	10/10/24	1.750%	2,269,448.48	155,731.44	38,470.20	194,201.64	2,113,717.04
State Revolving Loan Fund #06	8,093,778.00	02/01/06	11/01/25	1.75%-5.00%	6,695,877.69	372,520.61	114,199.39	486,720.00	6,323,357.08
State Revolving Loan Fund #07	2,214,059.00	05/10/05	01/10/25	1.750%	1,582,311.07	106,302.14	26,840.50	133,142.64	1,476,008.93
State Revolving Loan Fund #08	15,025,311.00	03/01/08	10/01/27	1.750%	12,658,087.02	687,528.90	216,019.38	903,548.28	11,970,558.12
State Revolving Loan Fund #09	5,715,121.00	09/01/05	06/01/25	1.75%-5.00%	4,965,159.35	258,858.69	84,820.59	343,679.28	4,706,300.66

Subtotal

29,407,281.11 2,095,285.25 521,621.05 2,616,906.30 27,311,995.86

Total Water and Sewer Fund

82,494,452.15 5,399,935.21 3,042,243.30 8,442,178.51 77,094,516.94

Grand Total - All Funds

108,987,915.92 8,895,085.91 3,993,624.33 12,888,710.24 100,092,830.01

Note: The above schedule only includes existing debt and does not include new debt of \$17 million being proposed for the upcoming 2012 year.



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 9/30/2012

	FYE 2011 Adopted Budget	FYE 2012 Proposed Budget
Estimated Revenues		
Federal Grant Revenue	<u>\$23,495,829</u>	<u>\$12,828,367</u>
Proposed Expenditures		
CDBG Grant - Work in Progress	\$1,430,688	\$1,155,743
UDAG Grant - Work in Progress	\$610	\$610
HOME Grant - Work in Progress	\$2,513,775	\$2,444,767
MDA - Katrina Supplement Grant	\$17,988,407	\$9,227,247
Long Term Workforce Housing Grant	\$19,390	
Code Enforcement Grant	\$2,550	
Total Expenditures	<u>\$21,955,420</u>	<u>\$12,828,367</u>
Excess / (deficiency) of revenues over expenses	<u>\$1,540,409</u>	<u>\$0</u>

City of Gulfport	
CDBG FYE 2012 Work In Progress	
	FYE 2012 Work In Progress
511 COMMUNITY DEVELOPMENT	
05057 GULF COAST COMMUNITY MINISTRY '10	86
05058 GULF COAST FAIR HOUSING CENTER '10	5,000
05060 MS REGIONAL HOUSING AUTHORITY '10	5,000
05061 SORIA CITY CIVIC ORGANIZATION '10	3,304
05063 WEST GULFPORT CIVIC CLUB '10	1,010
05064 ST IMPROVEMENTS PROJECTS '10	246,396
05066 EMERGENCY HOUSING REPAIRS '10	150,000
05067 HOUSING PROGRAM ADMIN '10	30,609
05069 ARTIMESE TUGGLE COMMUNITY CENTER	125,112
05070 SORIA CITY WATER IMPROVEMENTS	78,830
05100 ADMINISTRATION 2011	162,069
05716 HOUSING PROJECT DELIVERY COST '08	9,701
05717 DEMO AND CODE ENFORCEMENT '08	54,974
05719 ANTI-BLIGHT PROGRAM '08	26,737
05730 ADMINISTRATION 2009	19,681
05732 CATHOLIC SOCIAL SERVICES '09	85
05738 GULFPORT PAL MOBILE EDUCATION '09	8,000
05742 BEAUTIFICATION PROJECTS LM AREA '09	75,000
05744 GASTON POINT SPLASH PAD '09	14,150
05745 HOUSING PROJECT DELIVERY COST '09	33,579
05746 GULF COAST FAIR HOUSING CNTR - PLAN	7,000
05748 EMERGENCY HOUSING REPAIRS	99,419
TOTAL COMMUNITY DEVELOPMENT	1,155,743
542 MDA GRANT - CDBG SUPPLEMENT	
05801 DOWNTOWN STREET SCAPE ENHANCE	2,384,619
05805 DOWNTOWN FASCADE IMPROVEMENTS	232,619
05810 COMPREHENSIVE PLANNING	117,600
05815 SMALL CRAFT HARBOR / 20TH AVE IMP	1,716,410
05820 MASTER DEVELOPER	67,907
05825 MUNICIPAL COMPLEX DOWNTOWN	457,283
05830 ARTS DISTRICT HEADQUARTERS	537,462
05835 MUNICIPAL COMPLEX DOWNTOWN PHASE II	1,526,179
05840 SEAWAY ROAD	1,818,810
05845 WEST HARBOR EXPANSION	368,357
TOTAL MDA GRANT - CDBG SUPPLEMENT	9,227,247

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
 Employees' Health Fund Proposed Budget
 For Fiscal Year Ending 9/30/2012

	FYE 2011 Current Budget	FYE 2012 Proposed Budget
Estimated Revenues		
Employee / Retiree Contributions	\$1,697,400	\$1,816,000
Misc (Interest Earnings)	\$10,000	\$10,000
Total Revenues	<u>\$1,707,400</u>	<u>\$1,826,000</u>
Proposed Expenditures		
Claims and Judgements	\$5,835,750	\$5,293,401
Insurance Premiums	\$500,000	\$435,000
Other services and charges	\$415,900	\$416,000
Total Expenditures	<u>\$6,751,650</u>	<u>\$6,144,401</u>
Excess / (Deficiency) of Revenues over Expenses	<u>(\$5,044,250)</u>	<u>(\$4,318,401)</u>
Other Financing Sources and Uses		
City Contributions - Billings to other departments	\$4,831,250	\$4,318,401
Transfers Out to General Fund		(\$470,000)
Unobligated Beginning Cash	\$0	<u>\$1,000,000</u>
Unobligated Ending Cash	\$0	\$530,000

City of Gulfport
Self Insurance Fund (Claims and General Liability) Proposed Budget
For Fiscal Year Ending 9/30/2012

	FYE 2011 Current Budget	FYE 2012 Proposed Budget
Estimated Revenues		
Misc (Interest Earnings)	\$70,000	\$70,000
Insurance Proceeds - Katrina		
Grant Revenue (State Grant)	\$1,050,000	
Grant Revenue (FEMA and MEMA)	\$0	\$0
Total Revenues	<u>\$1,120,000</u>	<u>\$70,000</u>
Proposed Expenditures		
Claims and Judgements	\$975,162	\$755,956
Insurance Premiums	\$1,500,000	\$1,650,000
Other services and charges	\$310,000	\$340,000
Katrina Damage Repairs (work in progress)	\$2,541,489	\$486,000
Total Expenditures	<u>\$5,326,651</u>	<u>\$3,231,956</u>
Excess / (Deficiency) of Revenues over Expenditures	<u>(\$4,206,651)</u>	<u>(\$3,161,956)</u>
Other Financing Sources		
City Contributions	\$2,715,162	\$2,675,956
Cash - (unobligated)		\$50,000
Cash - restricted and insurance proceeds	\$1,491,489	\$500,000
Estimated unobligated Ending Cash	\$0	\$64,000

Note: The above amounts do not reflect investments of \$1.7 million currently in a Trust Fund to comply with Mississippi State Tort Claims Law.

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. Due to the devastation from Hurricane Katrina, Harbor operations was suspended over the past 5 years but we are happy to report this new Harbor is now open for business. The current harbor is state- of -the-art at a cost in excess of \$30 million .



City of Gulfport
 Joseph T. Jones Yacht Basin Fund Proposed Budget
 For Fiscal Year Ending 9/30/2012

	FYE 2011 Current Budget	FYE 2012 Proposed Budget
Estimated Revenues		
Dockage Fees	\$225,000	\$200,000
Rents	\$6,000	\$20,000
Grants	\$200,000	\$200,000
Misc	\$0	\$118,000
Total Revenues	<u>\$431,000</u>	<u>\$538,000</u>
Proposed Expenses		
Personal Services	\$227,490	\$220,442
Materials and Supplies	\$21,148	\$41,000
Other Services	\$64,239	\$190,762
Capital Outlay	\$200,000	\$225,000
Total Expenses	<u>\$512,877</u>	<u>\$677,204</u>
Income / (Loss) from Operations	<u>(\$81,877)</u>	<u>(\$139,204)</u>
Other Financing sources and uses		
Unobligated Cash - Beginning		\$10,000
Operating Transfers in from Other Funds		<u>\$139,204</u>
Unobligated Cash - Ending		\$10,000

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. This is a \$27 million operation whose activities include: billing and collecting, routine water and sewer maintenance, system rehabs and new construction, and sewer treatment and solid waste pickup and disposal.

The City of Gulfport is in a joint venture with the Harrison County Utility Authority. "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 two representatives from the Harrison County Board of Supervisors. This Utility Authority provides for sewer treatment and solid waste pick-up and disposal. Approximately one half of the City's water and sewer fund's budget goes to the District for the above mentioned purposes.

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 9-30-2012

	FYE 2011 Revised Budget	FYE 2011 Estimated Actuals	FYE 2012 Proposed Budget
Revenues:			
Water Charges	\$5,880,000	\$5,870,200	\$6,241,824
Sewer Charges	\$8,132,000	\$7,573,440	\$8,449,939
Sewer Treatment Charges	\$8,950,000	\$7,686,050	\$9,400,000
Solid Waste Charges	\$3,925,000	\$3,997,420	\$3,840,000
Other Services and Charges	<u>\$1,891,000</u>	<u>\$2,378,890</u>	<u>\$1,678,042</u>
Total Revenues	\$28,778,000	\$27,506,000	\$29,609,805
Operating Expenditures:			
Billing and Collecting			
Personal Services			\$934,891
Supplies	\$102,500	\$72,500	\$77,500
Other Services	\$2,472,130	\$2,322,130	\$1,135,478
Capital Outlay	<u>\$87,640</u>	<u>\$87,640</u>	<u>\$0</u>
Total Billing and Collecting	\$2,662,270	\$2,482,270	\$2,147,869
Water Operations			
Personal Services	\$0		\$0
Supplies	\$873,150	\$773,150	\$897,150
Other Services	\$2,300,661	\$2,360,661	\$2,272,125
Capital Outlay	<u>\$24,000</u>	<u>\$24,000</u>	<u>\$0</u>
Total Water Operations	\$3,197,811	\$3,157,811	\$3,169,275
Sewer Operations			
Personal Services	\$92,145	\$92,145	\$127,402
Supplies	\$441,320	\$441,320	\$441,320
Other Services	\$2,043,591	\$2,043,591	\$1,933,939
Capital Outlay	<u>\$7,180</u>	<u>\$7,180</u>	<u>\$0</u>
Total Sewer Operations	\$2,584,236	\$2,584,236	\$2,502,661
City Debt (water and Sewer)	\$8,558,000	\$8,558,000	\$8,550,000
Harrison County Utility Authority:			
Sewer Treatment (debt and O&M)	\$8,900,000	\$7,850,000	\$9,400,000
Solid Waste	<u>\$3,925,000</u>	<u>\$3,525,000</u>	<u>\$3,840,000</u>
Total Operating Expenses	\$29,827,317	\$28,157,317	\$29,609,805
Excess / (deficiency) of Revenues over Expenses	<u>(\$1,049,317)</u>	<u>(\$651,317)</u>	<u>\$0</u>
Other financing sources and uses:			
Beginning Cash - Unobligated			\$370,361
Operating Transfers in from other funds	\$1,021,678	\$1,021,678	
Ending Cash - Unobligated		\$370,361	\$370,361

Note: This represents an operating statement and does not include carryover Capital Projects work in progress of \$1,660,000 or \$3,000,000 in new projects relating to the recent street survey. These projects are funded via obligated cash from loan and bond proceeds.

City of Gulfport

Water & Sewer Projects FYE 2012 Work In Progress

FYE 2012 Work In Progress

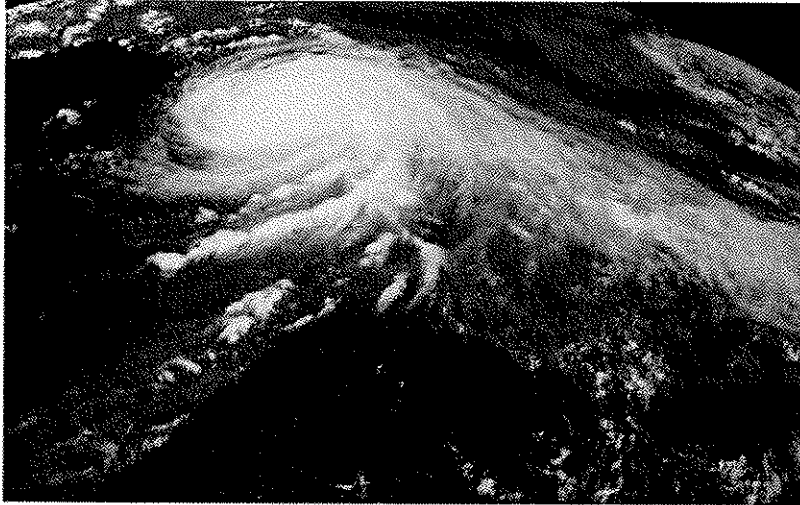
849 WATER AND SEWER PROJECTS

82553 CUANDET RD SEWER REPAIRS	21,665
83152 BILOXI RVR ESTATES SEWER CONNEC	1,014,992
83146 BILOXI RIVER ESTATES WATER	65,357
83147 VA WATER TANK RESTORATION	2,150
83148 WATER AND SEWER PROJECTS '09	19,182
83150 25TH AVE & 14 ST SEWER REPAIRS	31,101
83151 LADNER HOUSING TANK REMOVAL	21,000
82532 NORTH GULFPORT SEWER	67,503
82537 SOUTHERN PINE APTS SEWER REPAIR	30,446
82549 WATER & SEWER PROJECTS '09	131,515
82552 DEDEAUX RD SEWER REPAIR	200,000
82554 25TH AVE & 14TH ST SEWER REPAIR	55,000

Total Water and Sewer Projects Work In Progress

1,659,910

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 9/30/2012

	FYE 2011 Adopted Budget	FYE 2012 Proposed Budget
Estimated Revenues		
Grants - FEMA & MEMA	\$94,239,649	\$49,551,213
Proposed Expenditures		
Work In Progress	\$82,464,588	\$53,551,213
Excess / (Deficiency) of Revenues over Expenditures	\$11,775,061	(\$4,000,000)
Other Financing Sources and Uses		
Loan / Bond Proceeds		\$4,000,000

City of Gulfport

Disaster Relief Fund FYE 2012 Work in Progress

FYE 2012 Work in Progress

030 DISASTER RELIEF FUND

18004 MUNICIPAL COM HARDENING - 404 MIT	191,598
18005 CHARLES WALKER HARDENING - 404 MIT	811,047
18083 HARBOR MASTER'S OFFICE PW 5937	1,412,166
18087 LEASED BLDG HARBOR SHOP PW 4223	472,679
18088 CHUCK'S FISH CAMP PW 9266	201,638
18089 HARBOR DREDGING PW 10859	550,466
18093 CRTHOUSE RD BOAT LAUNCH GPSCH01	125,544
18109 FIRE STATION #7 CONTENTS PW 18105	152,687
18111 28TH ST CEMETARY PW #18121	2,070
18159 CENTENNIAL MUSEUM PW#18092	301,267
18160 DEDEAUX RD CC SITEWORK PW#COG1074	2,676
18170 FIRE STATION #7 SITEWORK	290,582
18181 SCH PILES & BULKHEAD REPAIR PW 4722	1,162,486
18184 FIRE STATION #7 PW 18104	425,292
18251 WATER/SEWER REPLACE AREA 1 PW 18213	7,304,343
18252 WATER/SEWER REPLACE AREA 2 PW 18214	11,289,758
18253 WATER/SEWER REPLACE AREA 3 PW 18215	4,988,233
18255 WATER & SEWER PERM REPAIR PW 18222	63,253
18256 WATER/SEWER REPLACE AREA 3BPW 18223	14,126,444
18257 WATER/SEWER REPLACE AREA 3A PW18223	2,678,229
18258 REPLACE WATER/SEWER AREA 3D PW11167	2,849,849
18290 JONES PRK (RICE PAV) FENCE PW 8781	14,165
18405 CITY HALL BLDG	20,707
18406 LEISURE SERV ADIN BLDG PW #18403	82,249
18408 RICE PAVILION PW 10046	330,718
18410 GRASSLAWN MUSEUM PW 18401	18,035
18460 JONES PARK PW 9551	68,243
18500 WEST SIDE PARK PW #18506	178,335
18501 HARDY BLDG CONTENTS PW 18501A	23,314
18505 CHARLES WALKER COM CNTR PW#18503	73,915
18506 CHARLES WALKER PAVILION PW #18503A	600
18510 RICE PAV BLDG CONTENTS PW 9708	3,826
18512 CHARLES WALKER STORAGE PW #18503B	22,817
18518 URIE PT LIGHTHOUSE PW 9851	133,178
18711 CITY OF GULFPORT ROADS PW #18707	287,911
18802 GASTON HEWES REC CENTER PW 1801802	71,482
18830 LEASED BLDG WHITECAP PW 4234	1,567,708
18890 ADMINISTRATION - OUTSIDE CONSULTANT	940,446
18911 MOSES PIER - GUSTAV #297	68,985
18913 URIE & FINGER PIER - GUSTAV #287	17,847
18924 KEN COMBS PIER - GUSTAV #294	161,280
18931 URIE JETTY REPAIR - GUSTAV #415	63,146
TOTAL DISASTER RELIEF FUND	53,551,213



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.

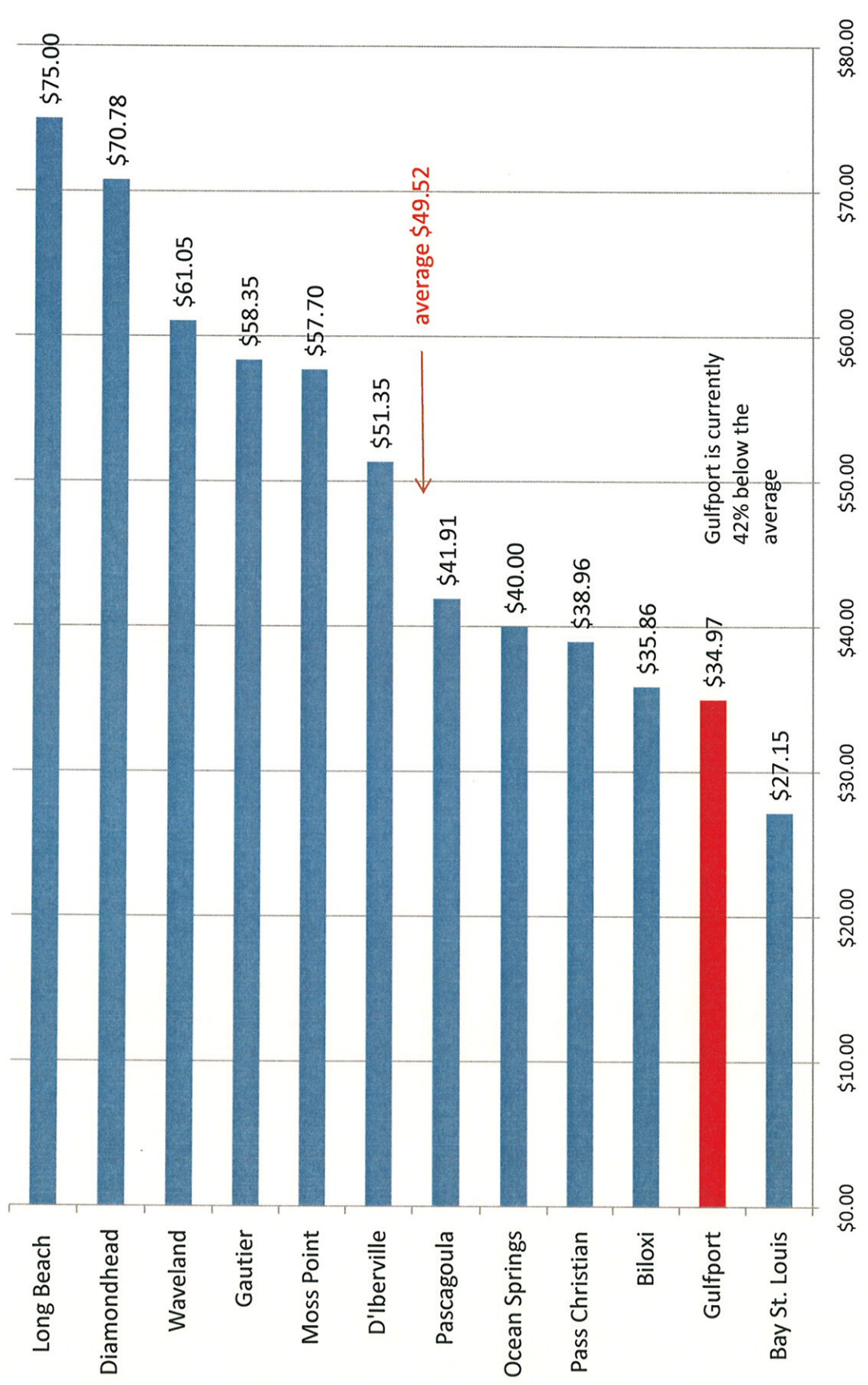
City of Gulfport
 Police Forfeiture and Seizure Fund
 For Fiscal Year Ending 9/30/2012

	FYE 2011 Current Budget	FYE 2012 Proposed Budget
Estimated Revenues		
Shared Revenue (Federal and County)	\$457,754	
Proposed Expenditures		
Personal Services	\$38,281	\$34,148
Materials and Supplies	\$258,655	\$201,962
Other Services and Charges	\$118,470	\$105,282
Capital Outlay	\$2,070,911	\$957,295
Total Expenditures	<u>\$2,070,911</u>	<u>\$1,298,687</u>
Excess / (deficiency) of Revenues over Expenses	<u>(\$1,613,157)</u>	<u>(\$1,298,687)</u>
Other Financing sources and uses		
Restricted Cash	\$1,613,157	\$1,298,687

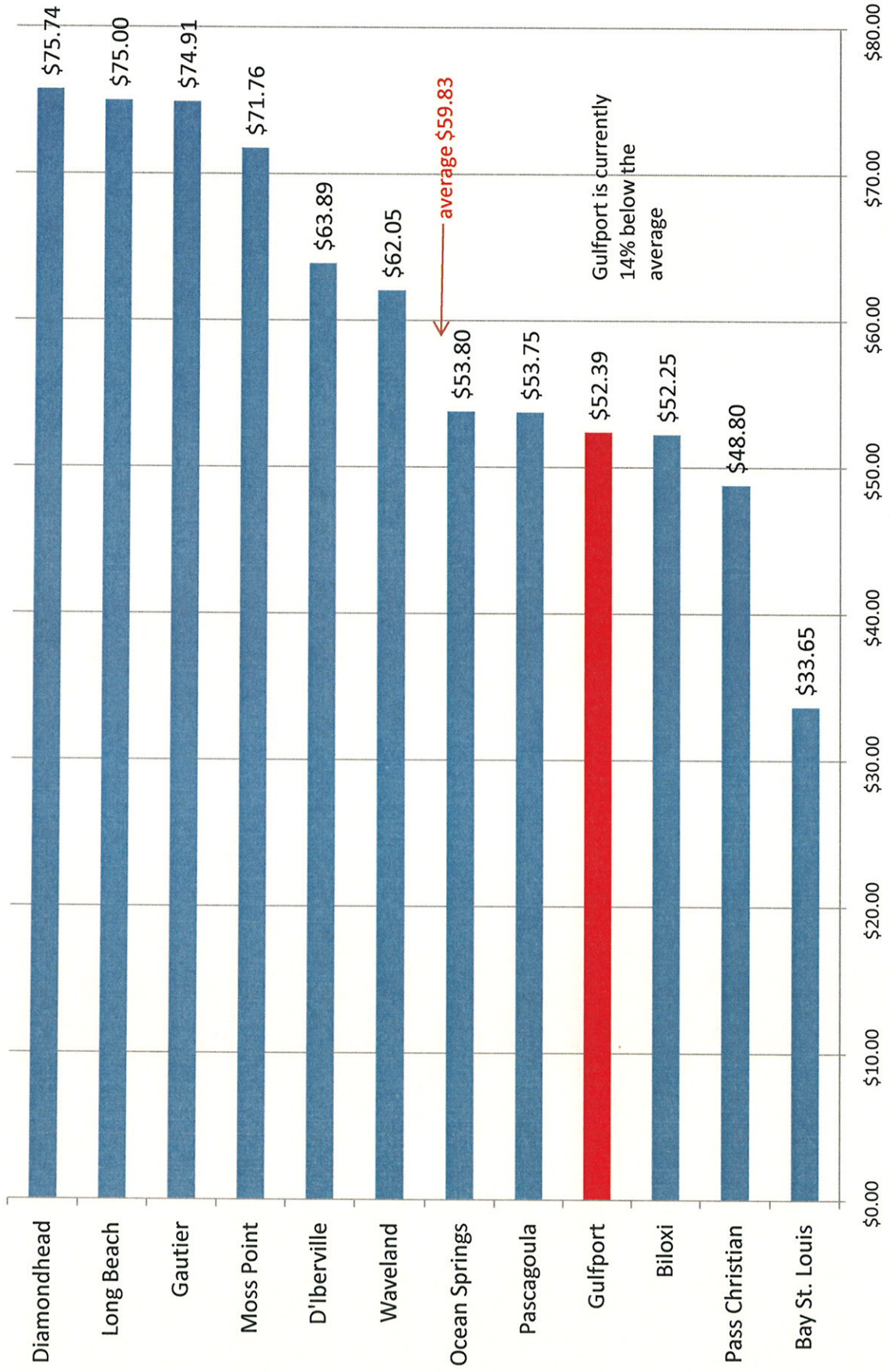
City of Gulfport
 Water and Sewer Rate Table and Consumption Statistics
 FYE 2011 (current year)

	Existing Rates (per 1,000 gallons)	Gallons Consumed (in thousands)
Water		
0-3,000 Gallons	1.62	1,042,185
4-6,000 Gallons	1.71	522,043
7-10,000 Gallons	2.07	380,340
Greater than 10,000 Gallons	2.30	<u>951,862</u>
Total		2,896,430
 Sewer		
0-3,000 Gallons	2.42	847,516
4-6,000 Gallons	3.30	426,192
7-10,000 Gallons	3.66	305,603
Greater than 10,000 Gallons	4.21	<u>777,208</u>
Total		2,356,519
 Wwater		
0-3,000 Gallons	2.70	847,516
4-6,000 Gallons	3.70	426,192
7-10,000 Gallons	4.12	305,603
Greater than 10,000 Gallons	4.24	<u>777,208</u>
Total		2,356,519

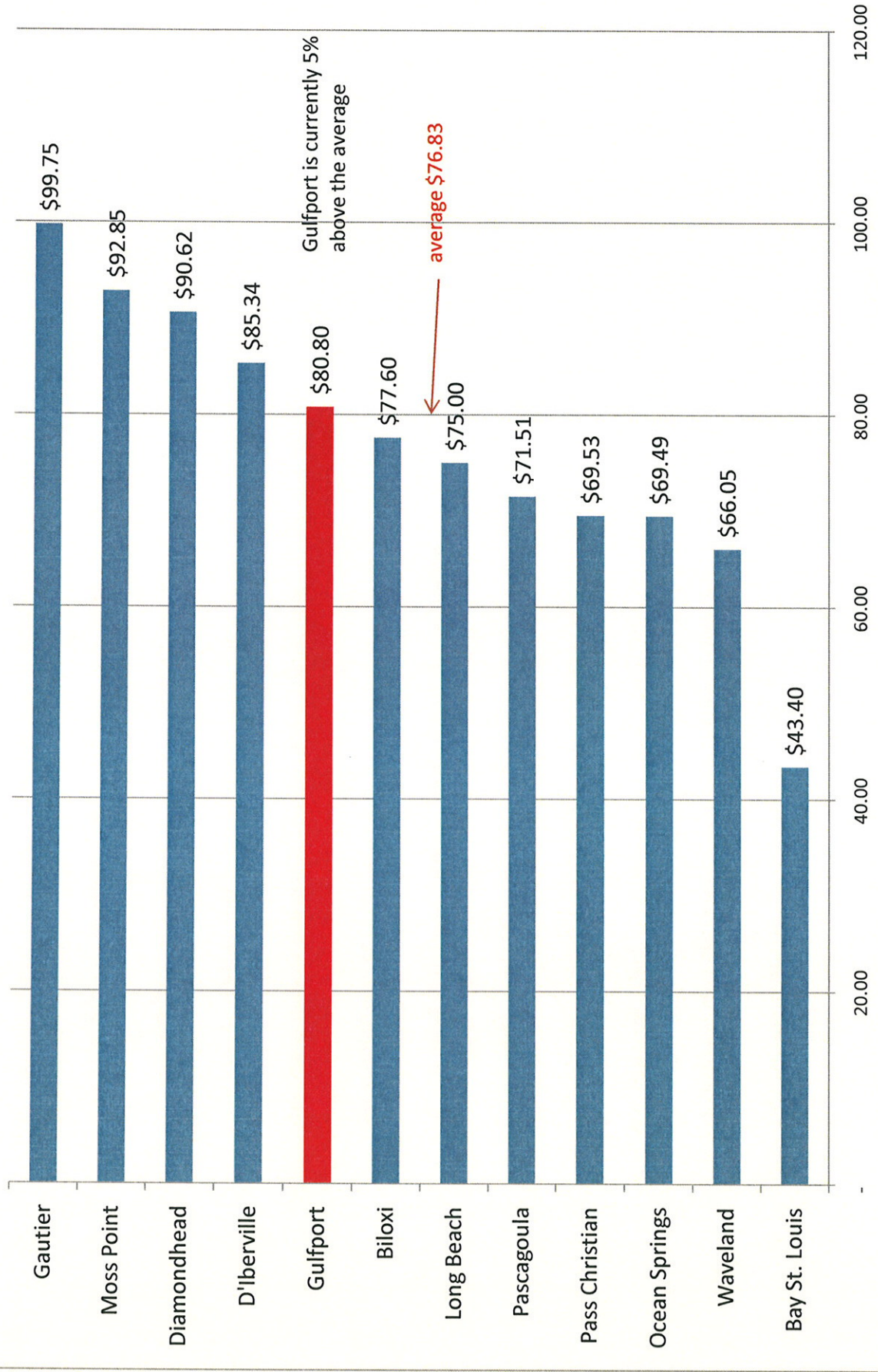
Monthly Combined Water, Sewer, Sewer Treatment, and Garbage Comparison - Coastal Municipalities - assuming 3,000 gallons of usage



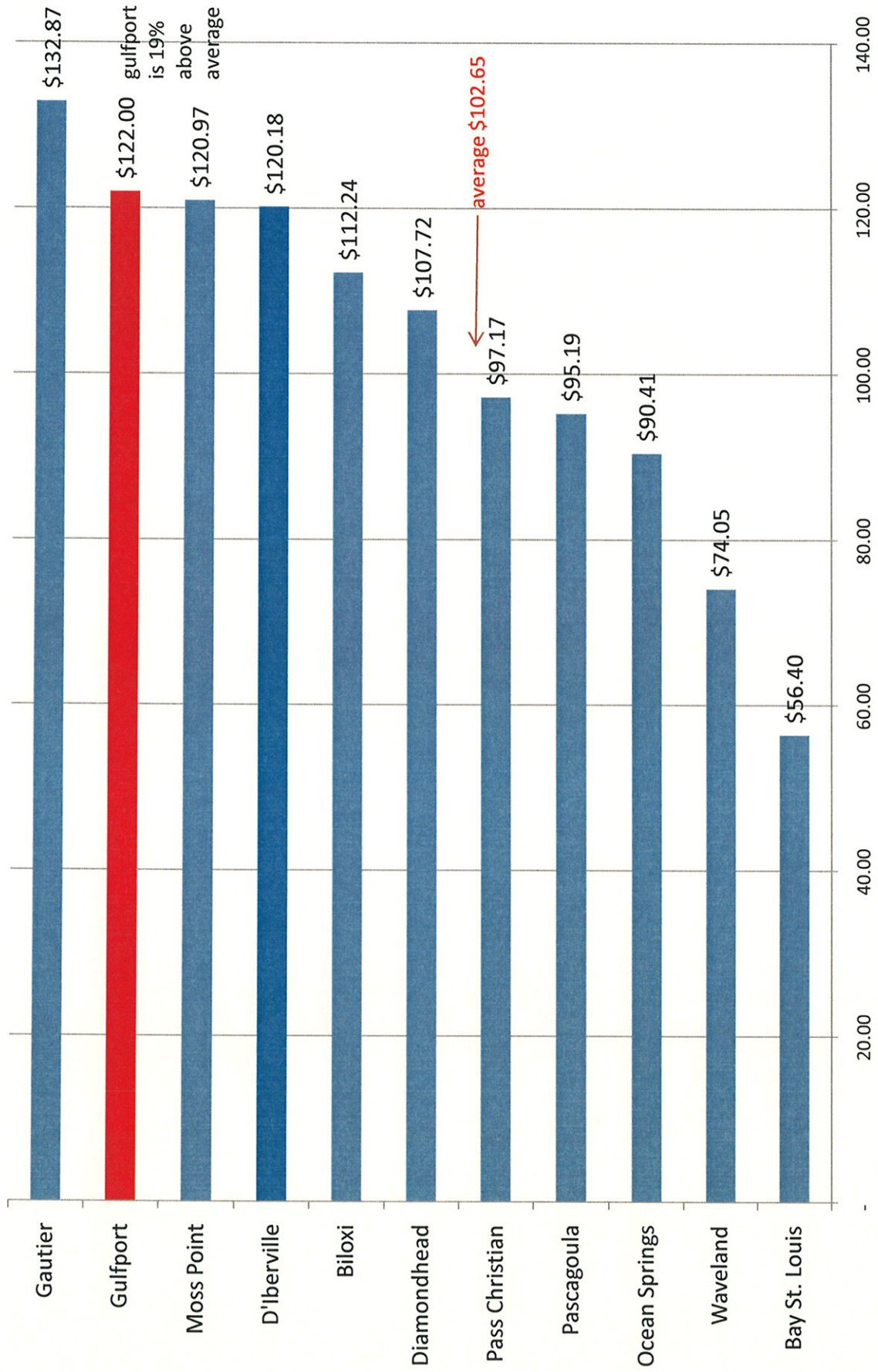
Monthly Combined Water, Sewer, Sewer Treatment, and Garbage Comparison - Coastal Municipalities - assuming 5,000 gallons usage



Monthly Combined Water, Sewer, Sewer Treatment, and Garbage Comparison - Coastal Municipalities - assuming 8,000 gallons of usage



Monthly Combined Water, Sewer, Treatment, and Garbage Comparison - Coastal Municipalities - assuming 12,000 gallons of usage



Monthly Combined Water, Sewer Treatment, and Garbage Comparison - Coastal Municipalities - assuming 30,000 gallons of usage

