

August 18, 2015

Mayor DuPree & Members of the City Council
City of Hattiesburg
PO Box 1898
Hattiesburg, MS 39403-1898

Dear Mayor and Council Members:

Greetings from the Hattiesburg Convention Commission. Following, you will find the proposed Hattiesburg Convention Commission's Fiscal Year Ending 2016 Budget. The Commission seeks your approval of this budget.

FISCAL YEAR ENDING 2016 BUDGET

Estimated Beginning Cash

With the Saenger Roof expense and the opportunity to complete Phase IV of the Historic Eureka School, we anticipate beginning the new fiscal year with approximately \$2.875 million as funds on hand. This number is slightly below the \$3 million reserve fund established for the range of Commission activities, however it allowed us to make the Saenger Roof replacement, seize additional grant opportunities for the Eureka Museum Project, and move forward with the State's Bond match funds of \$700,000 to expand the Hattiesburg Zoo.

Revenue

We project to receive \$4.65 million in the special sales tax revenue, which is a 4.0% projected growth rate. We have seen continuing optimism in the economy and a reflected increase in this funding stream. In addition, we are projecting growth in operational income based on a stronger convention market, increased attendance at the Zoo, and we are projecting continuing growth in our Food & Beverage operations because of the Zoo's growth.

Expenditures

Debt Service

Our Debt Service is fixed and thus, should remain consistent with last year.

Facilities Operations

Our building expansion at the Zoo (almost 40% since we became involved and comprised of new restrooms, an animal hospital, animal holdings, pavilions and substantial land spaces) as well as the addition of the Eureka Cafetorium as a completed part of that project, has increased utility demand, general maintenance and housekeeping costs. As such, we are projecting a 4% increase in Facility Operations expenses.

Repairs, Refurbishment, & Fixed Assets

We are not projecting an increase in this budget item over last year as we seek to balance replacement of key equipment over time. This year, we were not able to construct the on-site storage facility planned for the Convention Center nor complete specialty museum support equipment (humidity controllers and UV coatings on windows) at the USO. As such, we are again budgeting for these items in this year's line item while keeping the projected expense the same as last year.

Insurance, Professional Services, & Marketing

Property insurances continue to rise as we add value to the Eureka School, and liability insurances have risen as we open more guest spaces at the Hattiesburg Zoo. Through a very hard review of marketing programs, we have been able to project keeping this budget item the same as last year by reducing a few areas in marketing to offset this increase.

Staffing Costs

We have struggled to keep our staff costs from rising, but growth and a shifting of expense for the net benefit of the overall operation has caused the projected increase. Specifically, due to the number of facilities operated by the Commission and the expansion of air conditioned spaces, we have found it more economical to discontinue an HVAC maintenance contract and to employ a full-time HVAC technician. This concept is also true of our determination that employing additional carpentry and construction staff will produce a net savings over the long run instead of outsourcing a number of renovation/construction projects. In addition, as noted in Facility Operations, the new spaces that are newly operational require additional general maintenance, housekeeping, landscaping and attraction operation staff. The lion's share of these are dedicated to the Zoo (no pun intended). We are also projecting a slight increase in health care insurance costs, thus the requested increase in this area.

Special Projects

Income

As with last year's budget, for clarity we placed special projects income in this section because such income is restricted in its use to the projects identified.

We have received \$700,000 from the State dedicated to the Zoo. We anticipate receiving \$250,000 of state bond money from Landmark and \$130,000 in the form of a grant from the MS Dept. of Archives and History that has been designated to the Eureka School Museum project upon completion of Phase IV. And finally, we have another sponsor who will be donating \$10,000 per year for the next three years for a special Zoo development.

Expenditures

At the USO, we have budgeted \$10,000 for exhibit refurbishment and a special WWII Medal Exhibit of the 761st Tank Battalion. Certain exhibits that allow museum guests to sit within, or on the exhibit, will need some refurbishment this year due to wear-and-tear over the past 5 years.

We are budgeting \$200,000 of the ongoing Phase IV renovation of the Historic Eureka School Museum project to be paid upon completion of this phase early in the new fiscal year.

On the Saenger Theater, we have replaced all roofs, including the annex. The \$75,000 allocated is to replace 2 air conditioner units and repair the plaster damage in the main auditorium ceiling from the prior roof leaks.

At the Hattiesburg Zoo, we are budgeting \$300,000 to start the expansion of new exhibits and attractions. These are currently planned to occur in the Africa and South America sections, including the grass area visible from Hardy Street.

And, finally, as long as they continue to hold up, we plan to operate the two trolleys for USM Game Day parking and other limited civic parade and other purposes at a cost of \$6,000.

This budget proposal concludes at \$43,000 below the Commission's recommended reserve of \$3 million. However, this includes the State Bond-Zoo match pledge amount, which will likely not be spent this year. We believe that this minimal amount is prudent in making significant capital expenses at the Zoo, Eureka, and Saenger, which grows our ability to serve Hattiesburg with dynamic, popular civic attractions.

Sincerely,

FOR THE COMMISSION



Richard Taylor
Executive Director

attachment

Hattiesburg Convention Commission Fiscal Year 2015 - 2016 Budget Analysis for All Funds			BUDGET			
Classification	Category	FYE 2015 Totals	FYE 2016 Totals	\$\$\$ Variation	% Variation	FYE 2016 % of Totals
Income & Beginning Cash	Estimated Beginning Cash	\$3,892,873	\$2,875,000	-\$1,017,873	-26.1%	29.67%
	Special Sales Tax (2% Food & Beverage Tax Revenue)	\$4,477,300	\$4,656,392	\$179,092	4.0%	48.06%
	Saenger Theater/ Convention Center / USO / Zoo Revenue	\$1,085,269	\$1,246,352	\$161,083	14.8%	12.86%
	F&B Revenue	\$734,437	\$910,500	\$176,063	24.0%	9.40%
	Interest	\$1,124	\$1,124	\$0	0.0%	0.01%
	Estimated Total Income & Beginning Cash	\$10,191,003	\$9,689,368	-\$501,635	-4.9%	100.00%
Expenditures	Debt Service					
Convention Center	Principal & Interest - Saenger Bonds	\$125,124	\$125,124	\$0	0.0%	1.84%
Visitors Center	Sub-total Debt Service	\$125,124	\$125,124	\$0	0.0%	1.84%
Saenger Theater						
USO	Facilities Operations					
Eureka	Electricity, Natural Gas, Telecommunications, Janitorial Supplies, Safety Equipment, Training, Contracted Services, Animal Feed	\$1,922,044	\$2,001,763	\$79,719	4.1%	29.51%
Zoo						
	Repairs, Refurbishment, Fixed Assets					
	Refurbishment of Facilities/ Replacement of Equipment, Fixtures	\$450,756	\$450,756	\$0	0.0%	6.65%
	Insurance, Professional Services, Marketing					
	Trustee Fees, Insurance, Surety Bonds, Audit, Legal Fees, Saenger Talent Buying, Marketing, Show Production, etc.	\$652,200	\$652,200	\$0	0.0%	9.61%
	Staffing Costs (including benefits)					
	Full-time + benefits, Part-time & Event Based Staff	\$3,295,166	\$3,553,389	\$258,223	7.8%	52.38%
	Sub-total Estimated Expenditures	\$6,445,290	\$6,783,232	\$337,942	5.2%	100.00%
	Sub-total Cash - All Funds	\$3,745,713	\$2,906,136	NOTES:		
	Bond Money on Hand		(\$700,000)			
	Bond Money - State and/or Local	(\$450,000)	(\$380,000)			
	Special Projects Grants Income (Zoo & Eureka)	(\$10,000)	(\$10,000)			
Project Expenses						
	Historic USO Club & Museum Development	\$12,000	\$10,000			(WWII Medal Exhibit/Exhibits Refurbishment)
	Historic Eureka School Museum Renovation/Development	\$529,713	\$200,000			(Remainder of Phase IV)
	Saenger Theater	\$275,000	\$75,000			(Plaster Repair, 2 AC Units)
	Trolleys	\$6,000	\$6,000			
	Zoo	\$85,000	\$300,000			(Start of State/Local Match Funding)
	City Partnership for Hwy 49 Landscaping Improvements		\$25,000			
	Sub-total Estimated Ending Position	\$3,298,000	\$3,380,136			
	State Bond Match	(\$423,000)	(\$423,000)			
Designated Reserve Fund (All Facilities)		\$2,875,000	\$2,957,136			