

MISSISSIPPI
LEGISLATIVE & CONSULTING GROUP

November 13, 2014

The City of Gautier
3330 Highway 90
Gautier, MS 39553

SUBJECT: ENGAGEMENT LETTER

Dear City Council,

We are pleased that you have asked Mississippi Legislative and Consulting Group, LLC (“MSLC Group”) to provide government relations and legislative lobbying services for your Organization. This engagement letter (“Agreement”) will confirm our discussions with you regarding engagement of our firm and will describe the basis upon which our firm will provide government relations and legislative lobbying services to The City of Gautier, (the "Organization"). Accordingly, we submit for your approval the following provisions governing our engagement. If you are in agreement, please sign the enclosed copy of this letter in the space provided below. If you have any questions, do not hesitate to call.

Client Scope of Representation. Our client in this matter will be the Organization. We will be engaged to provide strategic counsel and tactical guidance on legislative, political and financial matters as more fully set forth in Exhibit A (“Strategy and Timeline”) attached hereto. The initial scope of service shall be for a period of seven (7) months. All resources of MSLC Group, LLC will be available to Organization as MSLC Group undertakes to work for and represent Organization.

You may limit or expand the scope of our representation from time to time, provided that any substantial expansion must be acknowledged and agreed upon by us. While we would be interested in assisting you in other matters, unless we are specifically engaged for some other future project, this will confirm that our representation of you is limited to the foregoing government relations and legislative lobbying matter.

Fees. Our fee for an initial service period of 7 months (December 1, 2014 through June 30, 2015) shall be U.S. \$14,000. The first payment of \$2,000 for one month of service is due on January 2, 2015 and client will be billed monthly for remainder of term. The term of this engagement will be seven months and shall be renewable thereafter at a mutually agreeable rate. Any out-of-state travel required by Mississippi Legislative and Consulting Group, LLC for purposes of government relations or legislative lobbying for Organization shall be reimbursed by the Organization. The organization must approve out-of-state travel by Mississippi Legislative and Consulting Group, LLC before expense is incurred.

Potential Conflicts. As we have discussed, you are aware that our firm represents many other companies and individuals. This can create situations where work for one client on a matter might preclude us from assisting other clients on unrelated matters. It is possible that during the time that we are representing the Organization, some of our present or future clients will have disputes or transactions with the Organization or engage in similar business activities. To avoid undue restriction on our practice, the Organization agrees that we may continue to represent or may undertake in the future to represent existing or new clients in any matter that is not substantially related to matters concerning which we represent, or adverse to, the Organization. Specifically, however, we will not undertake a state government or private services representation for any enterprise directly competing with the Organization. Moreover, we do not intend for you to waive your right to have our firm maintain confidences or secrets that you transmit to our firm; and we agree not to disclose such confidential information to any third party without your consent. We would, of course, take commercially reasonable steps to keep such information confidential.

Compliance with Law. We represent to you that the terms of this Agreement comply with applicable State of Mississippi law.

Notice Addresses.

TO MSLC Group:
Mississippi Legislative and Consulting Group, LLC
1037 Lake Village Circle, Suite A
Brandon, MS 39047

To Organization:
The City of Gautier
3330 Highway 90
Gautier, MS 39568-0908

We appreciate the opportunity to represent you. If these terms of our engagement are acceptable to you, please return a signed copy of this letter to MSLC Group. Our representation of you will commence on December 1, 2014.

Sincerely,

Matthew K. Armstrong
Mississippi Legislative and Consulting Group, LLC

The foregoing is understood and accepted:

By:
Name:
Title:

Exhibit A – Strategy and Timeline

The primary focus of this contractual agreement will be to provide strategic and tactical guidance, government relations and legislative lobbying services in relation to The City of Gautier's 2015 Legislative White Paper Packet. Included in these services is a joint effort between The City of Gautier and The City of Pascagoula to establish a Community Redevelopment and Restoration Act for the purposed of economic development and to eliminate slum and blight.

Phase One: 12/01/14 – 01/28/15:

Phase One shall include, but shall not be limited to, the following:

1. Meetings on Organization's behalf with the relevant committee chairpersons, Lt. Governor, and Governor of Mississippi.
2. Initial drafting of the bill, designating and assigning authors/co - authors.
3. Such other objectives as set forth by Organization.

Phase Two: 01/28/15 – 04/05/15 (SINE DIE):

Phase Two shall include, but shall not be limited to, the following:

1. Final drafting of the bill.
2. Bill presentation to all relevant committees/sub committees and help secure that a floor vote on the Bill takes place. (Floor vote is estimated to occur on or before 02/25/15)
3. Use diligent and best effort to ensure Bill is passed and no opposition to Bill succeeds.
4. Such other objectives as set forth by Organization.

Phase Three: 04/06/15 – 06/30/15:

Phase Three shall include, but shall not be limited to, the following:

1. Monitor bill until it is signed into law by the Governor. The Bill is expected to become "official" on or about 07/01/15.
2. Such other objectives as set forth by Organization.

CITY OF GAUTIER

Nature's Playground

2015 Legislative Priorities

Mississippi State Legislature



Gautier City Council

Gordon Gollott, Mayor

Adam Colledge, Ward 5

Rusty Anderson, Ward 4

Casey Vaughan, Ward 3

Hurley Ray Guillotte, Ward 2

Johnny Jones, Ward 1

Mary Martin, Councilman-At-Large

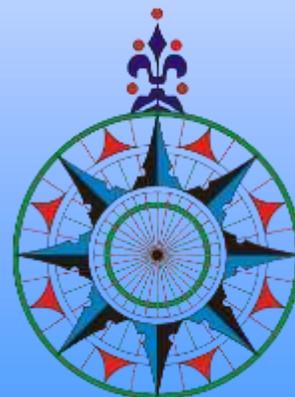


TABLE OF CONTENTS

<i>Mission, Vision, Values</i>	3
<i>City Strategic Priorities</i>	4
<i>Facts About the City of Gautier</i>	5
<i>Legislative Priorities</i>	6
<i>Supporting Documents</i>	10

Prepared by
The Office of the City Manager

City Hall
3330 Highway 90
Gautier, Mississippi 39553

CITY OF GAUTIER

MISSION

To enhance the quality of life of the citizens of Gautier and our neighborhoods by providing exceptional government services.

VISION

We strive to achieve efficient and responsible service; a highly trained, competent workforce; and responsible stewardship of resources.

VALUES

⌘ PEOPLE ⌘ INTEGRITY ⌘ PROSPERITY

STRATEGIC PRIORITIES

In June 2009, the City of Gautier unanimously adopted a Comprehensive Plan that provides the foundation for the following eight strategic priorities. These initiatives are reflected throughout our legislative package either by specific requests or through the City's stance on issues of regional or statewide significance.

Our Strategic Priorities are:

- **Community Maintenance**
... aesthetically improve all areas of the City
- **Strengthening a Recreational Waterfront**
... cultivate public and private investments in the economic engine of the Coast
- **Focus on the Town Center Master Plan and I-10 Corridor**
... promote economic renewal and strategic development
- **Environmentally Sustainable Local Government Policies**
... develop and implement pro-environmental policies
- **College Park Community Redevelopment**
... stimulate further redevelopment opportunities
- **Operational Performance and Efficiency**
... focus on improving efficiency and performance
- **Promote Public Safety**
... reduce violent crime among youth and adults
- **Customer Service**
... maintain and improve the quality our customers' experiences

While recognizing that the City is involved in many other important activities, these eight initiatives will be our focus as we plan future activities and deploy resources.

FACTS ABOUT THE CITY OF GAUTIER

The City of Gautier is home to the Mississippi Gulf Coast Community College's Jackson County Campus, nationally ranked as a top ten community college and established in 1911. Gautier enjoys one of the highest elevations along the Gulf Coast, with sprawling bluffs and also low-lying fishing villages within its 33 square miles. More than 70 miles of waterfront line Gautier, nestled between bayous, barrier islands, and the only unimpeded waterway in the United States, the Pascagoula River. Gautier is "Nature's Playground", boasting numerous parks and coastal recreation, including the 19,000-acre U.S. Fish and Wildlife's Sandhill Crane Refuge and 395-acre Shepard State Park.

Gautier lies one hour west of Mobile and less than two hours east of New Orleans, in the center of Jackson County on the Mississippi Gulf Coast. Gautier is also centrally located between the City of Pascagoula (the largest industrial area of Mississippi with thousands of high-paying manufacturing jobs), and the Biloxi-Gulfport area (with a high concentration of tourism related jobs, many in the gaming industry).

Historic Profile

In 1699, the King of France sent Pierre Lemoyne D'iberville to establish a fort on the bluff in Gautier where the prominent homestead referred to as La Maison Gautier, or "The Old Place" still stands today. The Gautier family moved from New Orleans after the Civil War, and established a sawmill and several sprawling homesteads along the bluffs and beachline that can still be visited today.

The City of Gautier was incorporated in 1986. In February, 2002, the City of Gautier completed its annexation process, which tripled the size of our city. The annexation included large areas of land to the west and north of the city. The annexation increased population by approximately fifty percent and positioned the city for additional growth along the Mississippi Highway 57 (MS 57) and U.S. Highway 90 (US 90) corridors. It also placed legal requirements for expansion of city services and infrastructure to the newly annexed areas.

Government

Gautier operates under a progressive and business-friendly "City Manager-Council" structural form, in which the city and city employees are directed by a professional city manager. Oversight is provided by City Council with one member elected from each ward, one member elected at large and one member elected as mayor. The mayor serves as chairman for council meetings and honorary representative of the city. Both the Mayor and the members of the City Council are elected for concurrent four-year terms.

LEGISLATIVE PRIORITIES

General Principles

Gautier supports legislation to foster economic prosperity along the Gulf Coast and protect the City's ability to provide basic municipal services to its citizens.

- Defend against state revenue reductions or legislation that hampers the City's ability to extend basic city services.
- Protect shared state revenue sources available to the City, and provide new revenue options and flexibility in the use of existing revenues.
- Support long-term sustainability efforts related to City financial, environmental and transportation goals.

City of Gautier 2015 Legislative Priorities

1. Gautier opposes any new mandates that draw on City resources, and opposes any further shifting of costs or services from federal and state government to cities.
2. Gautier supports an overhaul to the 1972 Growth Management Act as it relates to requirements for the rezoning of property. Changes are necessary in the interest of sustainability and economic development.
3. Gautier supports special legislation to create a pilot program for the elimination of blight and to encourage the redevelopment of commercial and residential areas. The "Community Redevelopment and Restoration Act", grants pilot communities the authority to rebate redevelopers a portion of the increase in the local government's new sales tax generated from the project.
4. Gautier supports legislation to repeal Senate House Bill No. 3100, Section 42 Housing Law.
5. Gautier supports legislation to repeal the 1987 Certificate of Need process for hospital facilities.
6. Gautier supports all efforts on behalf of the Mississippi Gulf Coast Community College's Jackson County Campus.

LEGISLATIVE PRIORITIES

- 1. Gautier opposes any new mandates that draw on City resources, and opposes any further shifting of costs or services from Federal and State Government to cities.**

July 1, 2014, the Gautier Mayor and Council approved Resolution 54, a resolution responding to the Environmental Protection Agency's proposed new rule to define "Waters of the U.S." and place local drainage ways under the permitting and regulatory authority of the U.S. Army Corp of Engineers. The city joins other governments nationwide who object to the proposed over-reach. The result is a gross hindrance to private property rights and unfunded mandates, by giving the federal government discretion on a case-by-case basis of what constitutes "water of the US". As Gautier is surrounded by waterway on three sides and thousands of miles of waterways, the proposed rule is a major threat to sustainability and sovereignty.

- 2. Gautier supports an overhaul to the 1972 Growth Management Act as it relates to requirements for the rezoning of property, in the interest of sustainability and economic development.**

An overhaul to Mississippi's Growth Management Act is long overdue, considering how both the world economy and local community development practices have changed in the last forty years. Rezoning is only one component of the GMA that needs updating. However, this law has become a choking point for smart growth. The solution is to allow economic development to be a legally permissible justification for the "need" to rezone, if the rezoning request is made by the property owner, and not government.

Furthermore, rezoning property *only* after there is a change in the character of the land is reactionary; it is the stark opposite of sound planning. For the purposes of conservation and sustainability, governments must be permitted to rezone property prior to a change in the character of the land.

State law requires either an error in the initial zoning; a change in the character of the use of the land; or some compelling "need" before existing zoning may be changed. The Mississippi Supreme Court has found that the law does not allow a municipality to consider the finding of "need" to be justified by economic development. This greatly hinders private property rights. Governments base their Official Zoning Map on a long-range comprehensive plan which does not provide for a response to unforeseen opportunity. Governments cannot anticipate physical, cultural, and economic obstacles or opportunities. Government should not be dictating the free market by rigid laws which do not allow for consideration of free market opportunities. Private property owners should be able to request a rezoning public hearing in consideration of the best use of their property. However, existing law

prohibits most privately-initiated rezoning requests because a government is unclear how to justify "need" by data and analysis, if economic development is not a consideration.

- 3. Gautier supports special legislation to create a pilot program for the elimination of blight and to encourage the redevelopment of commercial and residential areas. The "Community Redevelopment and Restoration Act", authorizes pilot communities the authority to rebate developers a portion of the increase in the local government's new sales tax generated from the project.**

The purpose of the pilot legislation is to utilize these cities as a testing ground for measuring the "before and after" applications of economic revitalization incentives to eliminate slum and blight. The pilot program allows for the creation of a Community Redevelopment Area (CRA) which allows for "home rule" local decision-making to address community redevelopment needs.

The CRA does not affect school or state share of taxes. The district merely allows for the CRA Board to enter into a development agreement to rebate a developer with local public funds based on the increment of new sales tax generated by the project. The project must be a redevelopment project within in area recognized as "blighted". The remaining portion of the increase in sales tax may be used to revitalize areas within the CRA district.

Currently municipalities have no way to directly incentivize commercial developers to renovate existing privately owned buildings for reuse/redevelopment. This is not the case for most other states. Not being able to attract this type of investment results in:

- Increased debt burden by cities utilizing bonds and loans as opposed to development agreements to address community development needs
- Loss of commercial development projects
- Increase in commercial blighted properties/vacant buildings
- Increase in sprawl, as it is more financially feasible to construct new buildings as opposed to redeveloping existing commercial buildings.

Community Redevelopment Areas: What, When, and How

CRA's, as they are known, are quite common in other states. Local governments are able to designate areas as Community Redevelopment Areas when certain conditions exist. Since all the monies used in financing CRA activities are locally generated, CRA's are not overseen by the state, but redevelopment plans must be consistent with local government comprehensive plans.

Who is the Community Redevelopment Authority?

The activities and programs offered within a Community Redevelopment Area are administered by either the City Council or a created "Board". A local government may establish multiple CRA districts within its designated Urban Renewal Area, yet there may be only one Board. Each district must maintain separate trust funds, and expend those funds only in that district.

What is a Community Redevelopment Plan?

The Board is responsible for developing and implementing the redevelopment plan that includes the overall goals for redevelopment in the area, as well as identifying the types of projects planned for the area.

Examples of traditional projects include: streetscapes and roadway improvements, building renovations, new building construction, flood control initiatives, water and sewer improvements, parking lots and garages, neighborhood parks, sidewalks and street tree plantings. The plan can also include redevelopment incentives such as grants and loans for such things as façade improvements, sprinkler system upgrades, signs, and structural improvements. The redevelopment plan is a living document that can be updated to meet the changing needs within the Community Redevelopment Area; however, the boundaries of the area cannot be changed without starting the process from the beginning.

CRA's are a specifically focused financing tool for redevelopment. The Board does not establish policy for the cities – they develop and administer a plan to implement that policy. The Board has certain powers that the city by itself may not do, such as leverage local public funds (sales tax). In summary, the CRA does not affect school or state share of taxes. The district merely allows for the Board to enter into a development agreement to rebate a developer with a portion of the new sales tax generated by the project. The remaining increase in new sales tax can be used to leverage loans, bonds, or other existing incentives for the revitalization of blighted areas, within the CRA.

4. Gautier supports legislation to repeal Senate House Bill No. 3100, Section 42 Housing Law.

For the last eight years, local governments have struggled under the burden of an unfair and expensive law that allows some of the most valuable properties in our counties to escape payment of local property taxes. The continuing situation has serious ramifications for county and city budgets, on school district funding and on the property tax burdens of other hard working local taxpayers.

These federally subsidized developments (called Section 42 properties because their owners receive extremely valuable federal subsidies under Section 42 of the IRS Code in exchange for building them) provide low and moderate income housing. In 2005, the Mississippi Legislature passed a law giving the owners of these multi-million dollar developments another large tax benefit resulting in their payment of little, if any, local property taxes. The bottom line is that for the last eight years, these taxpayers' unfair avoidance of local tax liability has resulted in a substantial loss of revenue to local governments, from hundreds of thousands to millions of dollars, depending on the county in question. As a consequence, the tax breaks have caused an unfair and disproportionate shifting of tax burdens in counties and cities across the state to single family homeowners and less valuable multi-family housing properties, some of which are losing tenants to the federally subsidized

properties and struggling to remain in business. Jackson County needs your help to change this law.

Local governments have had enough. The day is fast approaching when local millage rates will have to be raised in order to provide basic services like road maintenance, police and fire protection and public education to the residents of these developments whose owners do not pay a proportionate share of local taxes, and in some cases no taxes, to help pay for these services.

As a result of the recent court decision, Gautier will be required to refund these section 42 housing developers \$101,885.00 and an additional \$833,000.00 over the life of the project, or \$32,000 per year.

Counties, municipalities and local school districts are once again marshaling resources to convince the legislature to correct this inequity and restore tax fairness to our local communities. We call on our local legislators to vote to repeal the 2005 law that allows Section 42 developments to avoid payment of local taxes that other, less financially able taxpayers are being required to pick up. Property taxes should be based on the local property's true value determined by taking into consideration all factors that lend value to that property. Preventing that in all cases but in the case of these federally subsidized properties is an injustice that can no longer be tolerated. Our legislators must be responsive to this unified cry for help from local governments and schools across the state if they are to retain reputations as supporters of their local constituents and their interests rather than the interests of wealthy developers.

5. Gautier supports legislation to repeal the 1987 Certificate of Need process for hospital facilities (House Bill 457).

The antiquated 1974 Certificate of Need process critically hampers the free competition of medical services, driving up costs and severely limiting access to quality healthcare. It's time for Mississippi to remove its certificate-of-need requirement that limits where hospitals, nursing homes and other health care facilities can open and what services they can offer. Facilities that have CONs have a seemingly financial interest in keeping the system in place to minimize their potential competition. The CON process is incredibly lengthy and competing health care facilities get bogged down in protracted legal battles to deny the issuance of a CON rather than let the free market determine the need and demand. For example, if a nursing home wants to add beds or if a medical office wants to add a magnetic resonance imaging machine, each would need to file a CON application that lists details of the proposal, including the cost.

On its website, the Mississippi State Department of Health publishes a timetable for trying to get a certificate of need. Even without opposition from a competing facility, it takes months during a volatile market given federal healthcare reform. With opposition, it can drag on for years, with no guarantee an applicant will be granted a CON. It is time to repeal this 1974 law for the growth of the health care industry, the Coast's medical corridor, and the State.

6. Gautier supports all efforts on behalf of the Mississippi Gulf Coast Community College's Jackson County Campus.

The Jackson County campus is a vital part of Gautier's community. It boasts a strong workforce development program through on-going training partnerships with such Jackson County industries as Huntington Ingalls and ChevronTexaco. MGCCC promotes its community by partnering with local industries such as WLOX TV, The ChevronTexaco Pascagoula Refinery, and Keesler Federal Credit Union. MGCC's campus provides top notch cultural and performing arts facilities.

The Estuarine Education Center (EEC) provides a great service to the community, giving residents and visitors tourism opportunities, including birding, photography and paddling. The center is a hub of experientially-based learning, and it will expand environmental and marine technology educational offerings, and add natural resource management and outdoor recreation leadership opportunities, for associate degree programs, community-based outreach programs, and research-based programs.

SUPPORTING DOCUMENTS

Order authorizing the City Manager to forward the 2015 Legislative Priorities Packet to Mississippi Legislators

Resolution for the Repeal of Senate Bill No.3100, Section 42 Housing Law

Resolution 54, A Resolution responding to the Environmental Protection Agency's proposed new rule to define "Waters of the U.S." and place local drainage ways under the permitting and regulatory authority of the U.S. Army Corp of Engineers.