



CITY OF MOBILE, ALABAMA

2018

YEAR ENDED SEPTEMBER 30, 2018

**POPULAR ANNUAL
FINANCIAL REPORT**

ORGANIZATION | PERFORMANCE | FINANCIAL REVIEW

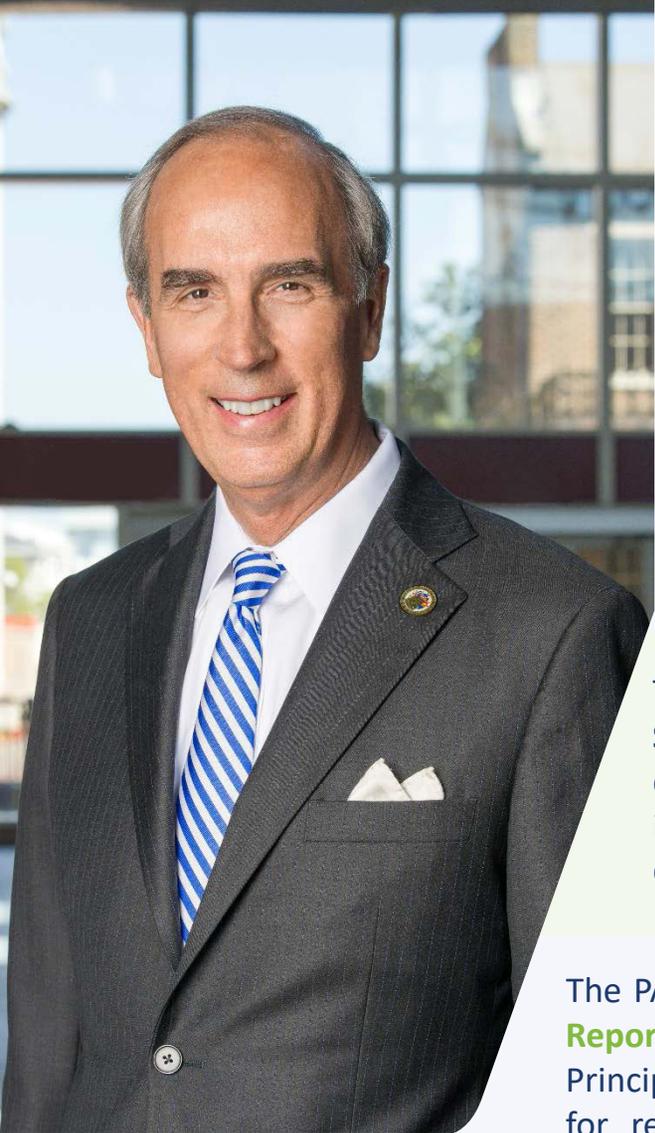


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WILLIAM S. STIMPSON
MAYOR

ABOUT THIS REPORT

2018 POPULAR ANNUAL FINANCIAL REPORT



The **Popular Annual Financial Report (PAFR)** of the City of Mobile is presented as a means of increasing public understanding of City finances through more user-friendly financial reporting. As you review our PAFR, we invite you to share any questions, concerns or recommendations that you may have.

The City is pleased to present to you with its inaugural PAFR for the year ended **September 30, 2018**. This report is written in a simplified manner that will summarize and communicate the City's financial condition at a high level. In addition to providing information on City finances and government operations, this report also helps demonstrate what makes Mobile a great place to live, work and play.

The PAFR summarizes financial information contained in the **Comprehensive Annual Financial Report (CAFR)**. The CAFR is prepared in accordance with Generally Accepted Accounting Principles (GAAP) and is independently audited by Wilkins Miller, LLC. The full CAFR is available for review online at www.cityofmobile.org/financials. The PAFR is unaudited and not presented in GAAP format. It does not include information on all of the City's Funds or Component Units. However, to the best of our knowledge, the information presented in the PAFR accurately represents the financial position and results of operations for the fiscal year.

Inside this year's PAFR, you will find general information about your City and the City government, highlights showing how some of your money was spent this fiscal year, how well your City government did this year, and finally, some accounting definitions to help you understand the charts and graphs located throughout this report.

QUICK FACTS

2018 POPULAR ANNUAL FINANCIAL REPORT



MOBILE IS THE
3RD

**LARGEST METRO AREA
IN ALABAMA¹**

WITH A POPULATION OF
OVER 400,000

SETTLED FOUNDED

1702
JANUARY 1814

GEOGRAPHY

LAND 148.2 SQ. MILES
WATER 40.3 SQ. MILES

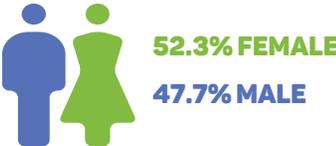
DEMOGRAPHICS & ECONOMY

RESIDENTS² 190,265
MEDIAN HOUSEHOLD INCOME² \$40,020
UNEMPLOYMENT RATE³ 4.7%

DIVERSITY²



GENDER²



EDUCATION

HIGH SCHOOL GRADUATES² 88.2%
BACHELOR'S DEGREE OR HIGHER² 28.1%
NUMBER OF COLLEGES & UNIVERSITIES⁴ 4
ANNUAL COLLEGE & UNIVERSITY ENROLLMENT⁴ 20,491

¹U.S. Census Bureau, Annual Estimates of Resident Population: April 1, 2010 to July 1, 2017, Metropolitan Statistical Area.

² U.S. Census Bureau, QuickFacts, Population Estimates, as of July 1, 2018.

³ U.S. Dept. of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics (Seasonally Adjusted), as of Sep. 2018.

⁴ Mobile Chamber of Commerce

See the Statistical Section of the CAFR for more details.

CITY GOVERNMENT

2018 POPULAR ANNUAL FINANCIAL REPORT



Policy making and legislative authority are vested in a seven-member **City Council** which is, among other things, responsible for passing local ordinances, adopting budgets, appointing committees and board members of related organizations, and approving the appointment of executive directors of the City.

All executive powers of the City are vested in the **Mayor**. The Mayor is the head of the executive and administrative branches of City government. The Mayor is responsible for carrying out certain ordinances of the City Council, supervising the operation of the City and appointing executive directors. The Mayor and Council members are elected to four-year terms. All council members are elected from within their respective districts.

The City operates under a Mayor and seven-member Council form of government, with the council members each elected by district.

Responsibility for day-to-day operations of the City rests with the Mayor. Various City Council committees also work closely with the Mayor and department heads.

*Left to Right: Joel Daves, Council District 5
John C. Williams, Council District 4
Levon C. Manzie, Council District 2
William S. Stimpson, Mayor
Gina Gregory, Council District 7
Fredrick D. Richardson, Jr., Council District 1
Bess Rich, Council District 6
C. J. Small, Council District 3*



GOVERNMENTAL ACTIVITIES



GENERAL
GOVERNMENT



CULTURE &
RECREATION



ECONOMIC
DEVELOPMENT



ENGINEERING,
DEVELOPMENT &
BUILD MOBILE



FINANCE



PUBLIC SAFETY



PUBLIC WORKS

BUSINESS-TYPE ACTIVITIES



AZALEA
CITY GOLF
COURSE



CIVIC
CENTER



CONVENTION
CENTER



CRUISE
TERMINAL



EMERGENCY
MEDICAL
SERVICES



MOBILE
TENNIS
CENTER



NEIGHBOR-
HOOD
RENEWAL
PROGRAM



PARKING
GARAGE



SAENGER
THEATER



WAVE
TRANSIT

THE CITY'S GOVERNMENT-WIDE FINANCIAL ACTIVITIES ARE MADE UP OF TWO BROAD CLASSIFICATIONS: GOVERNMENTAL AND BUSINESS-TYPE.

GOVERNMENTAL ACTIVITIES

The city's basic services are considered to be governmental activities and are primarily funded by taxes, licenses, and inter-governmental revenues such as grants. Governmental activities include functions like public safety, public works, culture and recreation, and general government. Detailed information on governmental activities can be found in the CAFR in the Government-Wide financial statements, the Governmental Fund financial statements, the General Fund Budget-to-Actual Schedule, and the combining Internal Service Fund financial statements.

BUSINESS-TYPE ACTIVITIES

The City has certain activities which function more like a private business and are funded predominately by fees paid by external parties. Charges for these services are designed to cover the cost of operations, though some require additional subsidization by the City. Detailed financial information on these activities can be found in the CAFR in the Government-Wide financial statements and the Proprietary Fund financial statements, and the combining Non-Major Enterprise Fund financial statements.

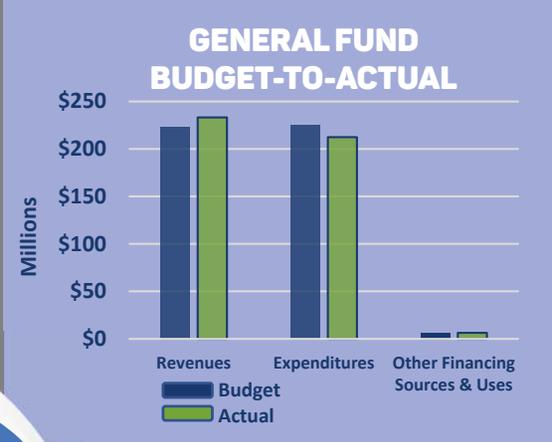
FINANCIAL HIGHLIGHTS

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GOVERNMENT-WIDE NET POSITION		
	2018	2017
Assets	\$963	\$936
Deferred Outflows	\$55	\$55
Liabilities	\$645	\$675
Deferred Inflows	\$21	\$8
Net Position	\$352	\$308

2017 Amounts Restated Millions



PROPERTY TAX 5-YEAR TREND



SALES TAX 5-YEAR TREND



GENERAL SALES TAXES PAID WITHIN THE CITY ARE SHARED

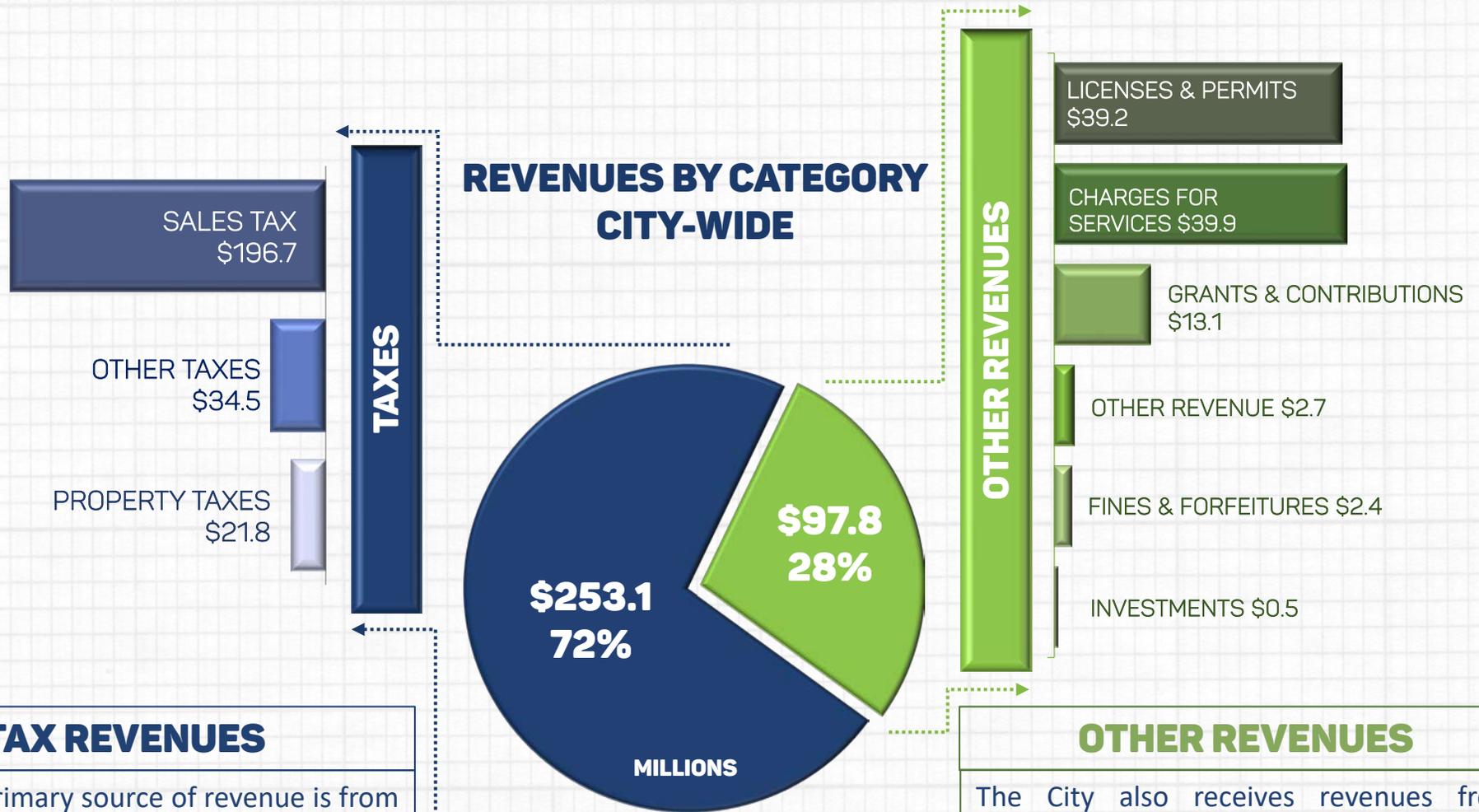


PROPERTY TAXES PAID WITHIN THE CITY ARE SHARED



WHERE DOES THE MONEY COME FROM?

2018 POPULAR ANNUAL FINANCIAL REPORT



TAX REVENUES

The City's primary source of revenue is from taxes. Taxes are involuntary fees levied by governments. The City's primary taxes are derived from sales taxes imposed on the exchange of goods and services. The City also receives other taxes including property taxes assessed on the value of real and personal property. Tax revenues are mainly used to support governmental activities.

OTHER REVENUES

The City also receives revenues from sources other than taxes. These include various licenses and permits, the largest source of which is related to business licenses. Additionally, the City receives income from grants and contributions, charges for goods and services, fines and forfeitures, and investments.

See the Government-Wide financial statements in the CAFR for more details.

WHERE DOES THE MONEY GO?

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Governmental Funds Include the General Fund, the Capital Improvements Fund, and other non-major funds such as capital projects, debt service, and special revenue funds.

GOVERNMENTAL FUND TYPE EXPENDITURES BY FUNCTION



GOVERNMENTAL FUND EXPENDITURES 2017 & 2018



\$25.2 Retirement-related costs

- \$7.0 Mobile Public Library
- \$3.5 Performance contracts
- \$3.4 Workers compensation
- \$3.3 Juvenile Court & youth ctr.
- \$2.3 Solid waste disposal authority
- \$2.0 Other costs
- \$1.4 Mobile County Personnel Board
- \$1.3 Property insurance

amounts in millions

- \$48.3 Police
- \$29.5 Fire
- \$9.2 Mobile metro jail
- \$3.5 Grant expenditures
- \$2.6 Municipal Court
- \$0.9 Animal shelter
- \$0.3 Public safety admin.

amounts in millions

See the Governmental Funds financial statements in the CAFR for more details.

FUND BALANCE

**WHAT IS IT?
WHY IS IT IMPORTANT?
HOW HAS IT CHANGED?**

FUND BALANCE is the excess of what the City owns (assets) over what the City owes (liabilities).

There is no single number in governmental accounting and financial reporting that attracts more attention than fund balance. Maintenance of an adequate fund balance is important because it provides a financial **"safety net"** in the event of emergencies, economic downturns, or other unforeseen circumstances.

Fund balance is also a major factor considered by bond rating agencies when evaluating the City's **credit worthiness**.



GENERAL FUND

2018 POPULAR ANNUAL FINANCIAL REPORT



2018 RESULTS



\$4 MILLION INCREASE REVENUES



\$2 MILLION DECREASE DEBT SERVICE



\$2 MILLION INCREASE PUBLIC FACILITIES

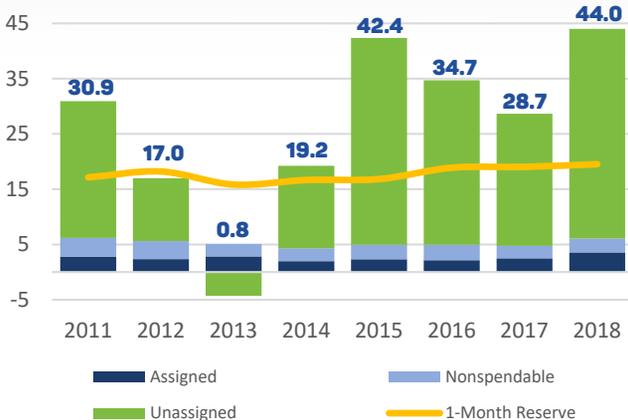


\$2 MILLION INCREASE PUBLIC SAFETY



\$2 MILLION INCREASE PUBLIC WORKS

**FUND BALANCE - GENERAL FUND
FY 2011 - 2018**



**REVENUES
\$233.1**

**EXPENDITURES & TRANSFERS
\$217.8**



amounts in millions

2019 BUDGET

See the General Fund financial statements and General Fund Budget-to-Actual schedule in the CAFR for more details.



ENTERPRISE FUNDS

Enterprise funds are those which operate similarly to a private-sector business. These funds report activities for which a fee is charged to external users for goods or services. The City has ten enterprise funds. The chart below displays the results of operations for each fund for FY 2018. Highlights for selected funds are discussed below.

WAVE TRANSIT SYSTEM

The WAVE Transit's operating deficit of \$11.1 million does not include federal grant revenue totaling \$4.3 million, which is considered non-operating revenue. The WAVE was also subsidized by the General Fund and Capital Improvements Fund in the amount of \$7.0 million.

CONVENTION CENTER

The Convention Center's operating deficit of \$6.0 million does not include \$11.8 million of tax revenue, which is considered non-operating revenue. The Convention Center also transferred cash totaling a net of \$8.0 million to other funds, primarily for debt service.



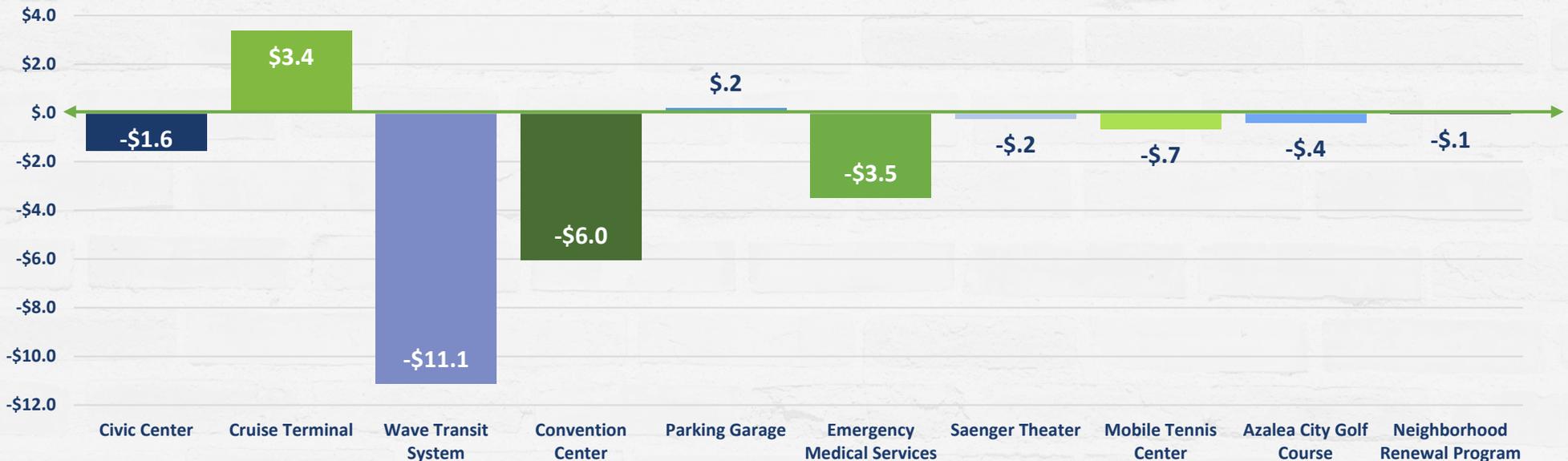
CRUISE TERMINAL

The Cruise Terminal primarily receives revenues from parking, wharfage fees, and facility rentals. The Cruise Terminal is self-sustaining and did not require subsidization in FY 2018. Carnival has extended their contract for cruises from Mobile through November 2019 which should allow the Cruise Terminal to continue with profitable operations for FY 2019.

EMERGENCY MEDICAL SERVICES

The Emergency Medical Services fund is used to account for the Fire-Rescue Department's ambulance service. Fees for services are received from insurance companies, legal settlements, and patients. The EMS fund required subsidization by the General Fund in the amount of \$4.0 million in FY18.

ENTERPRISE FUNDS 2018 OPERATING INCOME (LOSS)



amounts in millions

See the Proprietary Fund financial statements in the CAFR for more details.



The FY 2018 adopted capital improvements budget was \$48.5 million. The amount allocated for debt service and transfers totaled \$18.2 million leaving approximately \$30 million for City-wide capital improvements.

The majority of the funds available for capital improvement projects (\$21 million) are allocated via the Capital Infrastructure Program (CIP).



Where does the money come from?

On November 18, 2014, the City implemented the Capital Infrastructure Improvements Program with money collected from a 1-cent sales tax increase. From the additional sales tax revenue collected, \$3 million was allocated to each of the City's 7 council districts, \$21 million in total, for district priority projects. The remainder of the revenue was allocated to various other capital needs.



Police & Fire Vehicles



\$4 million

2018 CIP Spending



- Police and Fire Buildings and Equipment
 - Street Resurfacing, Traffic Signals, General Repairs & Equipment
 - Parks and Rec. Renovations & Repairs
 - Drainage Repairs
 - Cultural, Libraries and Museums
- amounts in millions*

New Fire Station

Coming in 2019

Gus Rehm Crichton Fire Station opened in FY 2018.

Funded with \$3.2 million from CIP.



In FY 2019, the City approved a \$55.9 million Capital Improvement Fund Budget. Great things are coming!

2019



FIGURES PARK BASKETBALL COURT

The new Figures Park Basketball Court was generously donated by Mobile's own DeMarcus Cousins.



NEW CRICHTON FIRE STATION

New fire station opens in Crichton!

THREE-MILE CREEK

Multiple activities underway for projects along Three-Mile Creek.



RIVERSIDE PARK FLOATING DOCK

Serves as a pick-up and drop-off point for wildlife excursions around the delta and underwater diving trips to areas of interest in the bay and gulf.

WHAT DO WE OWN?

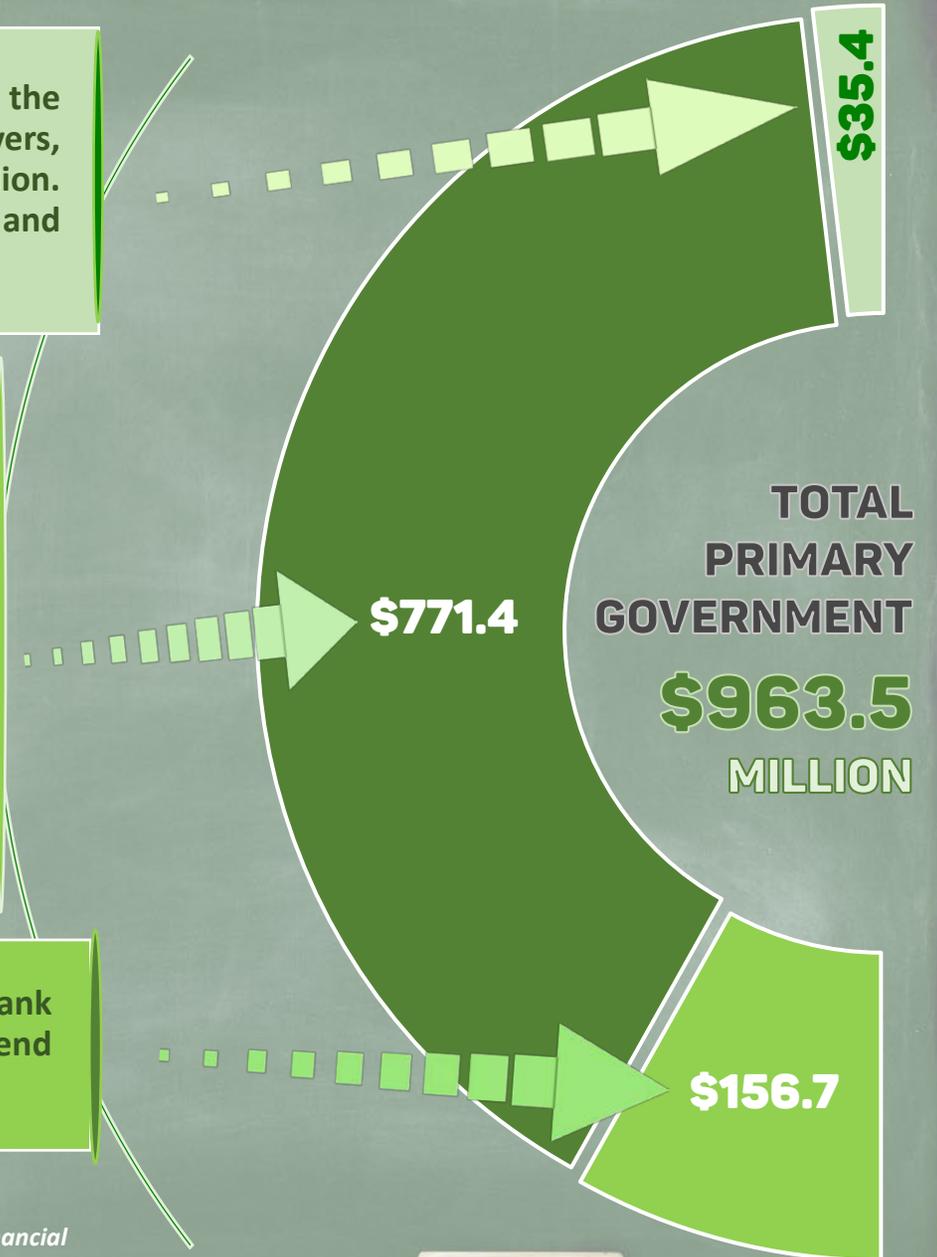
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ACCOUNTS RECEIVABLE are amounts owed to the City as of the end of the fiscal year. These amounts are owed from taxpayers, customers, and other governments and totaled \$32.4 million. **OTHER ASSETS** include inventory and other prepaid expenses and totaled \$3.0 million. See note 4 in the CAFR for more detail.

CAPITAL ASSETS include land, buildings, equipment, infrastructure, and improvements to those assets. These assets are used in operations and are expected to be used for more than 1 year. Capital assets are reported net of accumulated depreciation, which represents the total amount of asset costs that have been allocated to depreciation expense since the assets were put into service. See Note 7 in the CAFR for more details.

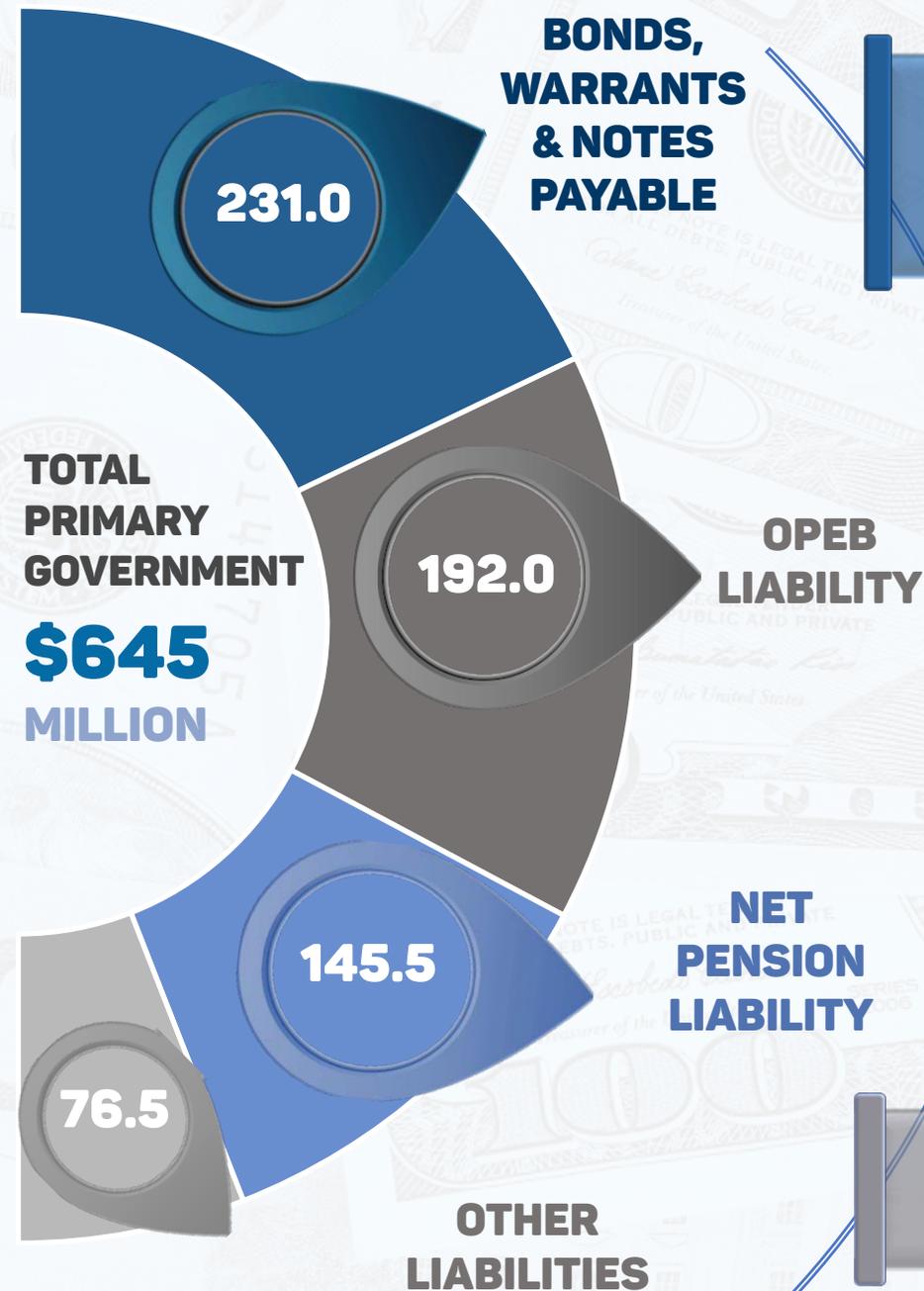
CASH & INVESTMENTS represent the amounts of cash in City bank accounts, petty cash, and other amounts invested as of the end of the fiscal year. See Note 3 in the CAFR for more details.



See the Government-Wide financial statements in the CAFR for more details.

WHAT DO WE OWE?

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In prior years, the City has issued debt in the form of bonds, warrants and notes payable for the acquisition and construction of major capital facilities, economic development, and other large projects. These are repaid over time with added interest.

Other post-employment benefits (OPEB) refers to the benefits, other than pensions, that a government employee receives as part of his or her package of retirement benefits. The City offers health and life insurance to retirees under the age of 65, along with a Medicare supplement plan for those above the age of 65. These benefits account for the OPEB liability.

The City has 4 pension plans with active retirees. The net pension liability is the total pension liability less assets set aside to fund benefits.

Plans: Employees Retirement System of Alabama, Police and Firefighters Pension Plan, Transit Workers Pension Plan, and General Municipal Employees Pension Plan

Other liabilities include accounts payable, payroll-related liabilities, insurance claims, legal liabilities, and liability for revenue received but not yet earned.

See the Government-Wide financial statements and the Notes to the financial statements in the CAFR for more details.



UNDERSTANDING MUNICIPAL DEBT

Most people don't pay cash for major investments, like a home, but instead responsibly use debt to spread the cost of larger purchases over time. In prior years, the City has financed large expenditures by issuing debt.

Like a household with finances in good shape, the City's debt is moderate. The City's general obligation debt is \$389 million under the State of Alabama's legal debt limit.

The City repays this debt, along with interest, through future collections of taxes and other general revenues.

CREDIT RATINGS

The City currently maintains a Aa2 Bond rating by Moody's Investor Services and a AA- Rating by Standard and Poor's. These high-quality municipal ratings save Mobile taxpayers money by allowing the City to repay investments at a low interest rate.

Periodically, ratings agencies evaluate Mobile for its overall debt burden, financial management, financial performance, and economic base and prospects.

Moody's	S&P	Rating description
Aaa	AAA	Highest grade, prime
Aa1	AA+	High grade
Aa2	AA	
Aa3	AA-	
A1	A+	Upper medium grade
A2	A	
A3	A-	
Baa1	BBB+	Lower medium grade
Baa2	BBB	
Baa3	BBB-	
Ba1	BB+	Non-investment grade speculative
Ba2	BB	
Ba3	BB-	

Moody's	S&P	Rating description
B1	B+	Highly speculative
B2	B	
B3	B-	
Caa1	CCC+	Substantial risks
Caa2	CCC	Extremely speculative
Caa3	CCC-	Default imminent with little prospect for recovery
Ca	CC	
	C	
C	D	In default
/		

SAVING THROUGH REFINANCING

The City has continued to take advantage of lower interest rates when possible by refinancing existing debt. Full details of these transactions are disclosed in the CAFR.

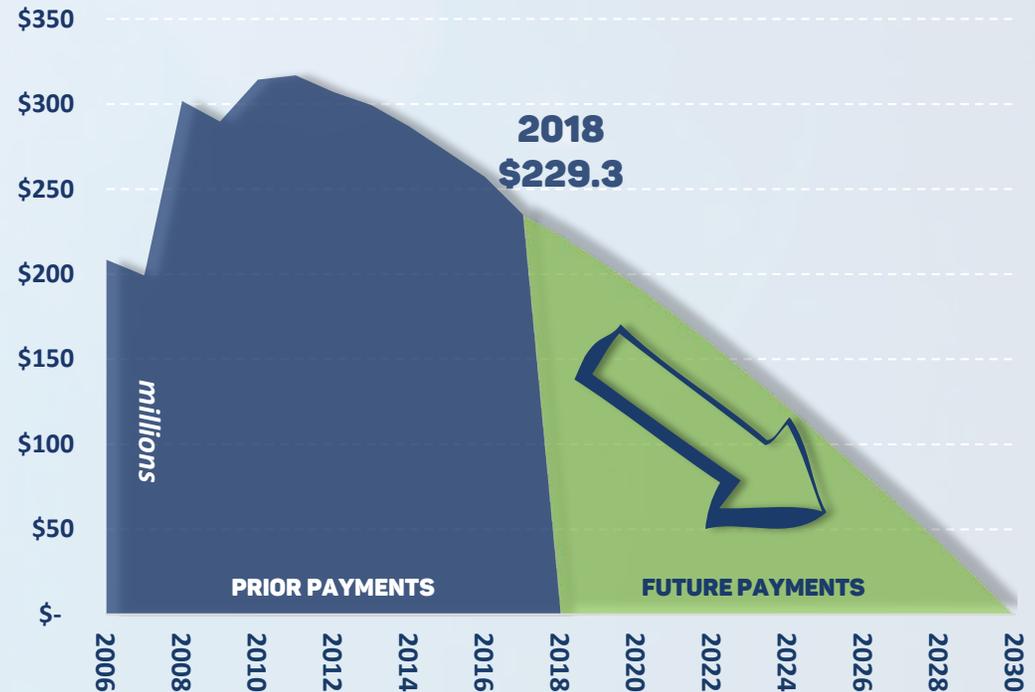
In FY 2018, the City issued the following debt refinancing transactions:

- 2017C Warrants refinanced the 2008B Warrants resulting in approx. \$422K savings
- 2017D Warrants refinanced the 2009A Warrants resulting in approx. \$4.3 million in savings

Over the past 3 years, City management has refinanced the majority of the outstanding debt. This has resulted in interest savings of approximately \$21 million through FY 2030.

As illustrated in the chart below, existing general obligation debt will be paid in full by 2030.

BONDS, LEASES & NOTES PAYABLE PRINCIPAL REPAYMENT





ISO-1 BY THE NUMBERS

8 LADDER TRUCK TESTS

14,000+ Hydrant Inspections

90 SCHOOL INSPECTIONS

100,000+ FEET OF FIRE HOSE TESTED

85,000+ GENERAL TRAINING HOURS

5 NEW FIRE ENGINES



35,000 SPECIALIZED TRAINING HOURS

11,000 BUSINESS SURVEYS

32 PUMP TESTS



MARDI GRAS BEHIND THE SCENES

“Every year, we pull off one of the largest celebrations in the country thanks to the hard work of our City employees. Our Carnival is a safe, family-friendly time of parties, parades, and revelry. As the birthplace of Mardi Gras, we are one of America’s top destinations for global travelers.” – Mayor Stimpson

THE BREAKDOWN:

- Pick up litter and recycling along **6** parade routes.
- Clean **10** miles of streets following every parade.
- 10,000** barricades on the parade routes.
- Install **7,200** feet of fencing to protect public buildings.
- 5** police units monitor the streets.
- Firefighters respond to **160** medical calls.
- Hosting the country’s oldest Mardi Gras celebration:

PRICELESS



BLIGHT REMEDIATION

A beautiful home now stands where a drug den stood for decades.

**CARNIVAL CRUISES**

Carnival extends contract for an additional year.

**MOBILE POLICE DEPARTMENT
TECHNOLOGY & CYBER-INTELLIGENCE UNIT**

In August 2018, the Mobile Police Department, U.S. Secret Service and Baldwin County Sheriff's Office launched the Gulf Coast Technology Center, a regional partnership to foster an innovative technology center to combat violent crimes.

**POLICE CYBER UNIT
ESTABLISHED**

**YOUTH EMPOWERED FOR SUCCESS
YES INITIATIVE**

Through the YES initiative, 100 students worked their summer jobs at City Hall. The part-time employment focused on job skills training and gaining work experience.



Manage your plans, permits and code enforcement cases.

ONLINE PERMITTING

With Citizen Self Service, you can now manage permits and code enforcement cases online.

Fund

- A grouping of related accounts used to maintain control over resources which have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.
- The funds of the City are divided into governmental and proprietary funds.
- Governmental funds include the general fund, capital project funds, debt service funds, and special revenue funds.
- Proprietary funds are further divided into enterprise and internal service funds.

Fund Balance

- Fund balance is the accumulated excess of revenues and other financing sources over expenditures and other financing uses. Fund balance can be further broken down as follows:
 - Nonspendable – Amounts cannot be spent because (1) they are not spendable in form (such as inventory) or (2) they are legally required to be maintained intact.
 - Restricted – Amounts with limitations imposed on their use either through enabling legislation adopted by the City or through restrictions imposed by external parties.
 - Committed – Amounts which can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council.
 - Assigned – Amounts with constraints on their use imposed by the City where those constraints do not meet the definition of restricted or committed.
 - Unassigned – Amounts remaining available to commit or spend.

Governmental Funds

- Funds generally used to account for tax-supported activities.

General Fund

- The primary operating fund of the City which is used to account for the day-to-day operations of most City functions.

Capital Projects Fund

- A governmental fund created to account for financial resources to be used for the acquisition or construction of major capital facilities, infrastructure, or equipment.

Debt Service Fund

- A governmental fund created to account for the accumulation of funds for the payment of long-term debt principal and interest.

Special Revenue Fund

- A governmental fund used to account for proceeds of specific revenue sources which have restraints on their use. These types of revenue sources include grants, certain State gas taxes and fuel inspection fees, tax-increment revenues, and equitable sharing (forfeiture) revenues.

GLOSSARY OF KEY TERMS

2018 POPULAR ANNUAL FINANCIAL REPORT



Enterprise Fund

- A proprietary fund is used to account for activities which are similar to those found in the private sector. These are typically financed through fees charged to external parties.

Component Unit

- Legally separate organization for which the City is financially accountable. Includes the Mobile Public Library, the Public Park & Recreation Board (Ladd-Peebles Stadium) and the Solid Waste Disposal Authority.

Assets

- What the City owns.
- Assets are reported on the balance sheet.
- Common assets include: cash, investments, inventory, land, buildings, infrastructure, and equipment.

Liabilities

- What the City owes.
- Liabilities require future spending as a result of past transactions or events.
- Liabilities are reported on the balance sheet and are divided into current and long-term based on when they are expected to be paid.
- Common liabilities include: accounts payable, payroll, bonds and warrants, notes payable, and pension and other retirement costs.

Revenues

- Financial resources other than transfers and proceeds from debt issued.
- Common examples of revenue are taxes, licenses, charges for services, and investment income.

Expenses & Expenditures

- Expenditures are reported in governmental funds as decreases in resources (such as cash) which are not considered an other financing use.
- Expenses are reported in proprietary funds and on the government-wide statements. These are similar to expenditures reported in governmental funds.

Operating Revenues and Expenses

- Costs of goods sold and costs of services provided to customers and the revenue generated from those sales and services. Typically found in association with proprietary funds.

See the Notes to the financial statements in the CAFR for more details.

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**CITY OF MOBILE
P.O. BOX 1827
MOBILE, AL 36633**

