

CITY OF MOBILE, ALABAMA

Popular Annual Financial Report



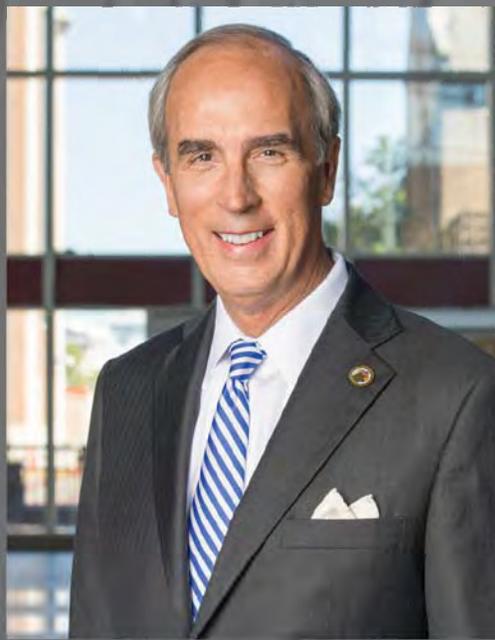
FOR THE YEAR ENDED SEPTEMBER 30, 2019



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ABOUT THIS REPORT



William S. Stimpson
Mayor

We are pleased to present the Popular Annual Financial Report (PAFR) of the City of Mobile for the year ended September 30, 2019. The PAFR is presented as a means of increasing public understanding of City finances through user-friendly financial reporting. As you review our PAFR, we invite you to share any questions, concerns or recommendations that you may have.

Summer 2019
Medal of Honor Park
Sprayground Express
Grand Opening



AWARD for OUTSTANDING
ACHIEVEMENT
POPULAR ANNUAL
FINANCIAL REPORTING



Government Finance Officers Association

Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting

Presented to
City of Mobile
Alabama

For its Annual
Financial Report
for the Fiscal Year-Ended

September 30, 2018

Christopher P. Merrill
Executive Director

The PAFR 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 some of the 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 online at www.cityofmobile.org.

The PAFR is unaudited and 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.

The Government Finance Officers Association of the United States and Canada (GFOA) has given the City of Mobile an Award for Outstanding Achievement in Popular Annual Financial Reporting for its fiscal year September 30, 2018 PAFR. This is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

This award is valid for one year only. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA to determine its eligibility for another Award.

QUICK FACTS

GEOGRAPHY

LAND 148.2 sq. miles

WATER 40.3 sq. miles



GENDER²



Male
47.4%



Female
52.6%



DIVERSITY²



50.6% Black &
African American

43.1% White

2.6% Hispanic
& Latino

3.7% Asian
& Other

DEMOGRAPHICS & ECONOMY

Residents² 189,572

Median Household Income² \$40,588

Unemployment Rate³ 3.6%

SETTLED

1702

FOUNDED

January

1814

¹ U.S. Census Bureau, Annual Estimates of Resident Population: April 1, 2010 to July 1, 2018, Metropolitan Statistical Area.

² U.S. Census Bureau, QuickFacts, Population Estimates, as of July 1, 2019.

³ U.S. Dept. of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics, Civilian labor force and unemployment by metropolitan area (Seasonally Adjusted), as of Sep. 2019.

See the Statistical Section of the CAFR for more details.

CITY GOVERNMENT



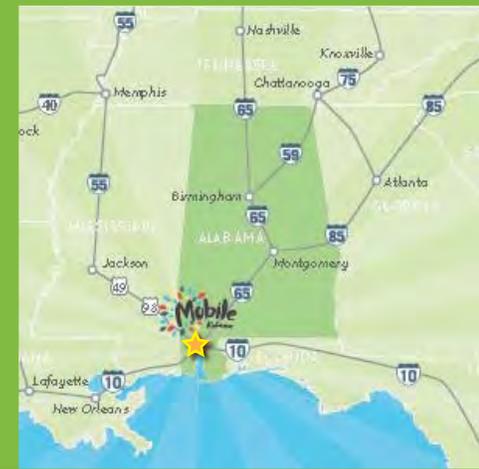
Left to Right:
 Joel Daves, District 5
 John C. Williams, District 4
 Levon C. Manzie, District 2
 William S. Stimpson, Mayor
 Gina Gregory, District 7
 Fredrick D. Richardson, Jr., District 1
 Bess Rich, District 6
 C.J. Small, District 3

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.

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.



MOBILE IS THE
3RD

LARGEST METRO
 AREA IN ALABAMA¹

**WITH A POPULATION
 OF OVER 400,000**

CITY ACTIVITIES

THE CITY'S GOVERNMENT-WIDE FINANCIAL ACTIVITIES ARE MADE UP OF TWO BROAD CLASSIFICATIONS

GOVERNMENTAL ACTIVITIES



General Government

Culture & Recreation



Economic Development

Engineering, Development,
& Build Mobile



Finance

Public Safety



Public Works

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



Azalea City Golf Course

Civic Center



Convention Center

Cruise Terminal



Emergency Medical Services

Mobile Tennis Center



Neighborhood Renewal Program

Parking Garage



Saenger Theater

WAVE Transit System



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.

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FINANCIAL HIGHLIGHTS

GOVERNMENT-WIDE NET POSITION

	2019	2018	2017
ASSETS	\$ 1,007	\$ 963	\$ 936
DEFERRED OUTFLOWS	60	55	55
LIABILITIES	577	645	675
DEFERRED INFLOWS	73	21	8
NET POSITION	417	352	308

AMOUNTS IN MILLIONS

GENERAL FUND BUDGET-TO-ACTUAL

Category	Budget	Actual
Revenues	\$230	\$245
Expenditures	\$230	\$215
Other Financing Sources & Uses	\$5	\$5

TAXES WITHIN THE CITY ARE SHARED

SALES TAXES

PROPERTY TAXES

Category	Rate
CITY SALES TAXES	5 CENTS
STATE SALES TAXES	4 CENTS
COUNTY SALES TAXES	1 CENT
CITY PROPERTY TAXES	7 MILS
COUNTY PROPERTY TAXES	16 MILS
SCHOOLS PROPERTY TAXES	29.5 MILS

SALES TAXES 5-YEAR TREND

Year	Amount (Millions)
2015	\$188
2016	\$190
2017	\$189
2018	\$196
2019	\$204

PROPERTY TAXES 5-YEAR TREND

Year	Amount (Millions)
2015	\$18.5
2016	\$19.5
2017	\$21.0
2018	\$21.5
2019	\$22.5

REVENUES

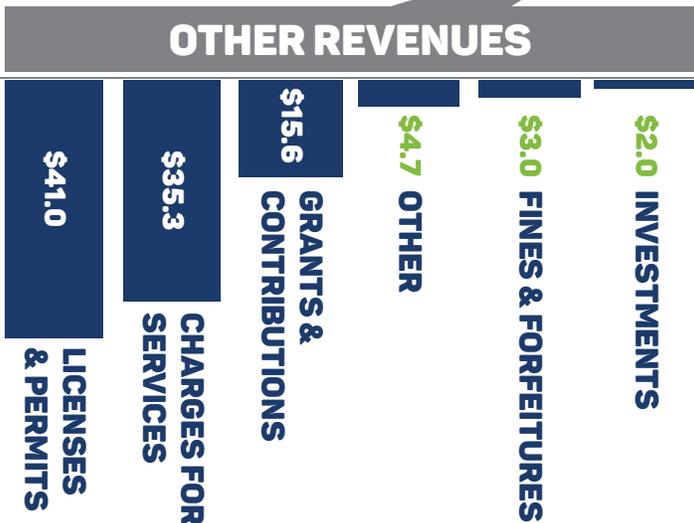
WHERE DOES THE MONEY COME FROM?

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.



GOVERNMENT-WIDE REVENUES

\$367.0



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.

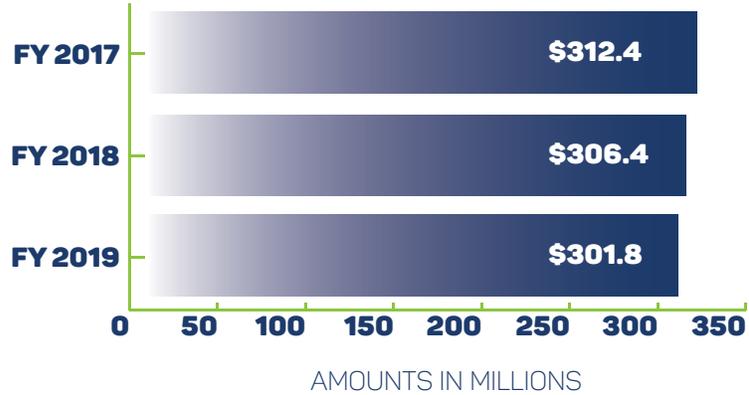
ALL AMOUNTS IN MILLIONS

EXPENDITURES

WHERE DOES THE MONEY GO?

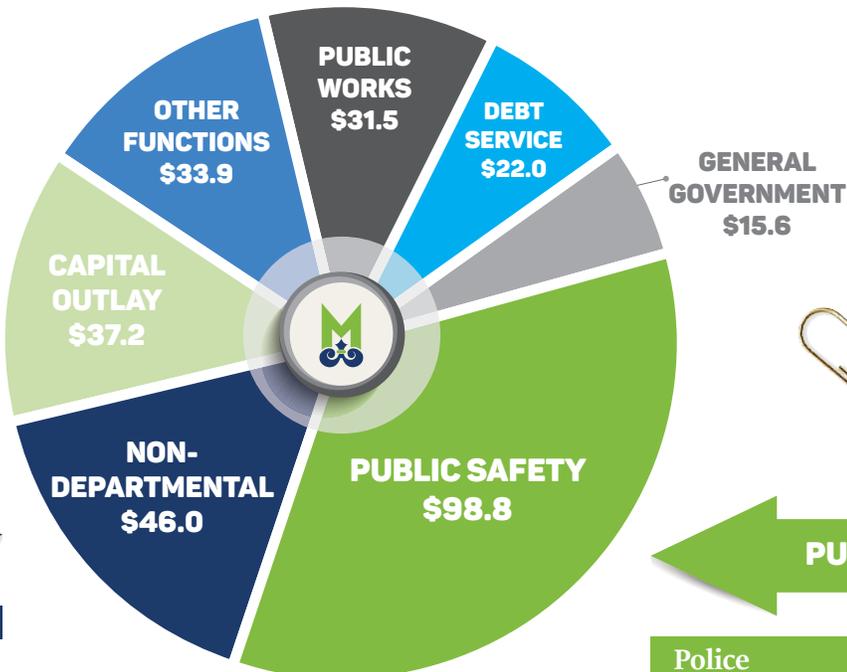


GOVERNMENT-WIDE EXPENSES



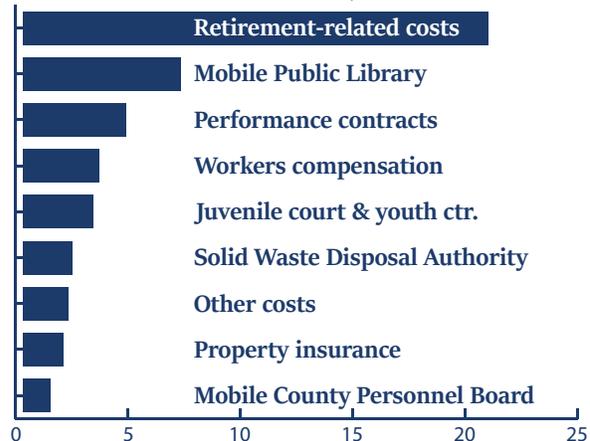
Government-wide amounts represent all expenses for the City including governmental and business-type activities

GOVERNMENTAL FUNDS 2019 EXPENDITURES

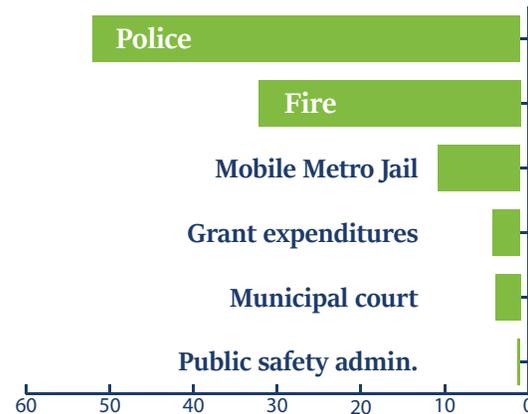


Governmental funds include the General Fund, the Capital Improvements Fund, and other non-major funds such as capital projects, debt service, and special revenue funds.

NON-DEPARTMENTAL



PUBLIC SAFETY



ALL AMOUNTS IN MILLIONS

ASSETS

WHAT DO WE OWN?

CAPITAL ASSETS

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.

OTHER ASSETS

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 \$35.4 million. **OTHER ASSETS** include inventory and other prepaid expenses and totaled \$3.6 million. See note 4 in the CAFR for more details.

CASH & INVESTMENTS

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.



LIABILITIES

WHAT DO WE OWE?



BONDS, WARRANTS & NOTES PAYABLE

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. See Note 8 & 9 in the CAFR for more details.

OPEB LIABILITY

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. See Note 10 in the CAFR for more details.

NET PENSION 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. See Note 10 in the CAFR for more details.

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

OTHER LIABILITIES

OTHER LIABILITIES include accounts payable, payroll-related liabilities, insurance claims, legal liabilities, and liability for revenue received but not yet earned. See Note 8 & 14 in the CAFR for more details.

GENERAL FUND

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).

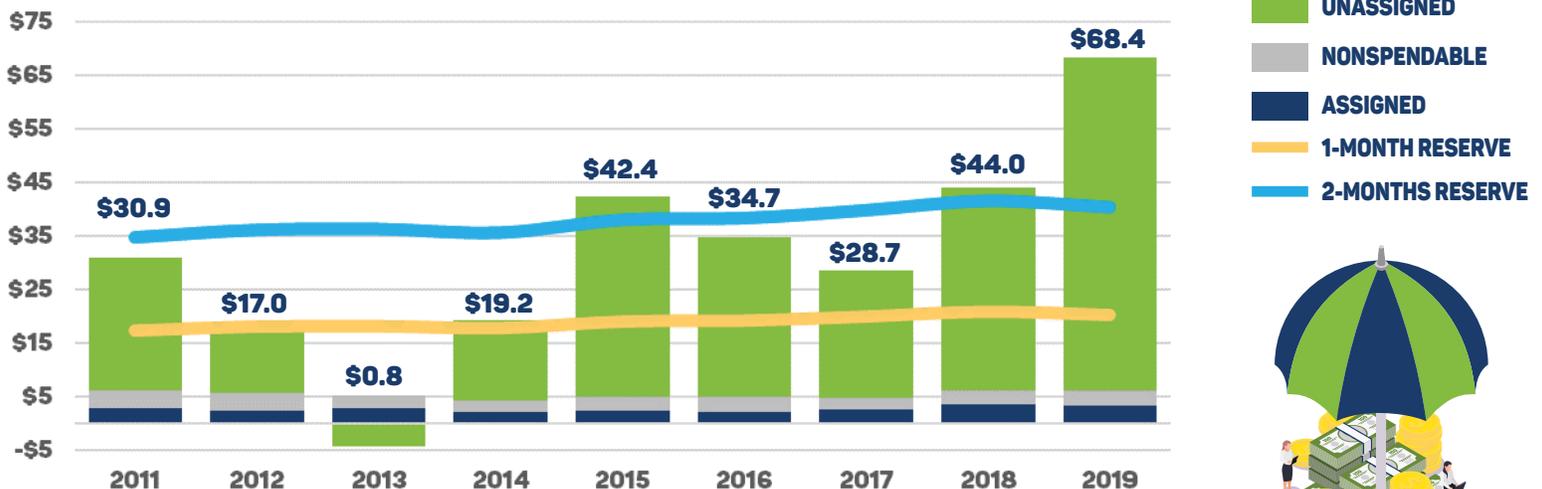
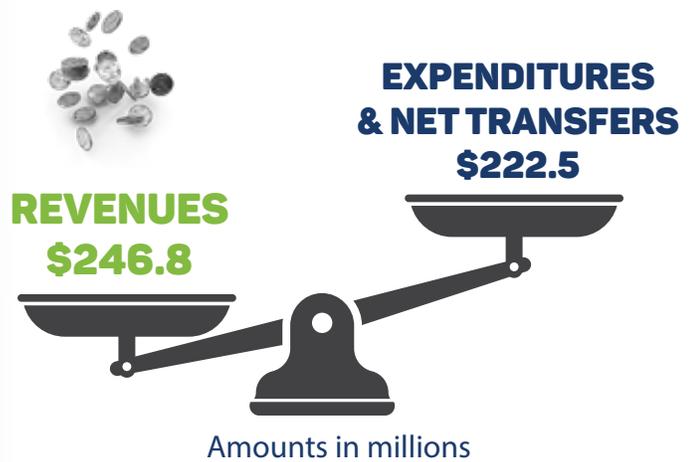
There is no single number in governmental accounting and financial reporting that attracts more attention than fund balance. Maintenance of an adequate fund balance is important because it provides a financial “safety net” in the event of emergencies, economic downturns, or other unforeseen circumstances.

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

The **GENERAL FUND** is the City’s primary operating fund and accounts for the revenues and expenses associated with the main functions of the City such as police, fire, public works and parks and recreation.



2019 RESULTS



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 2019. Highlights for selected enterprise funds are discussed below.

WAVE TRANSIT SYSTEM

The WAVE Transit's operating deficit of \$10.6 million does not include federal grant revenue totaling \$5.7 million, which is considered non-operating revenue or a capital contribution. The WAVE was also subsidized by the General Fund and Capital Improvements Fund in the amount of \$7.8 million.

CONVENTION CENTER

The Convention Center's operating deficit of \$6.6 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 \$2.6 million out to other funds, primarily for debt service.

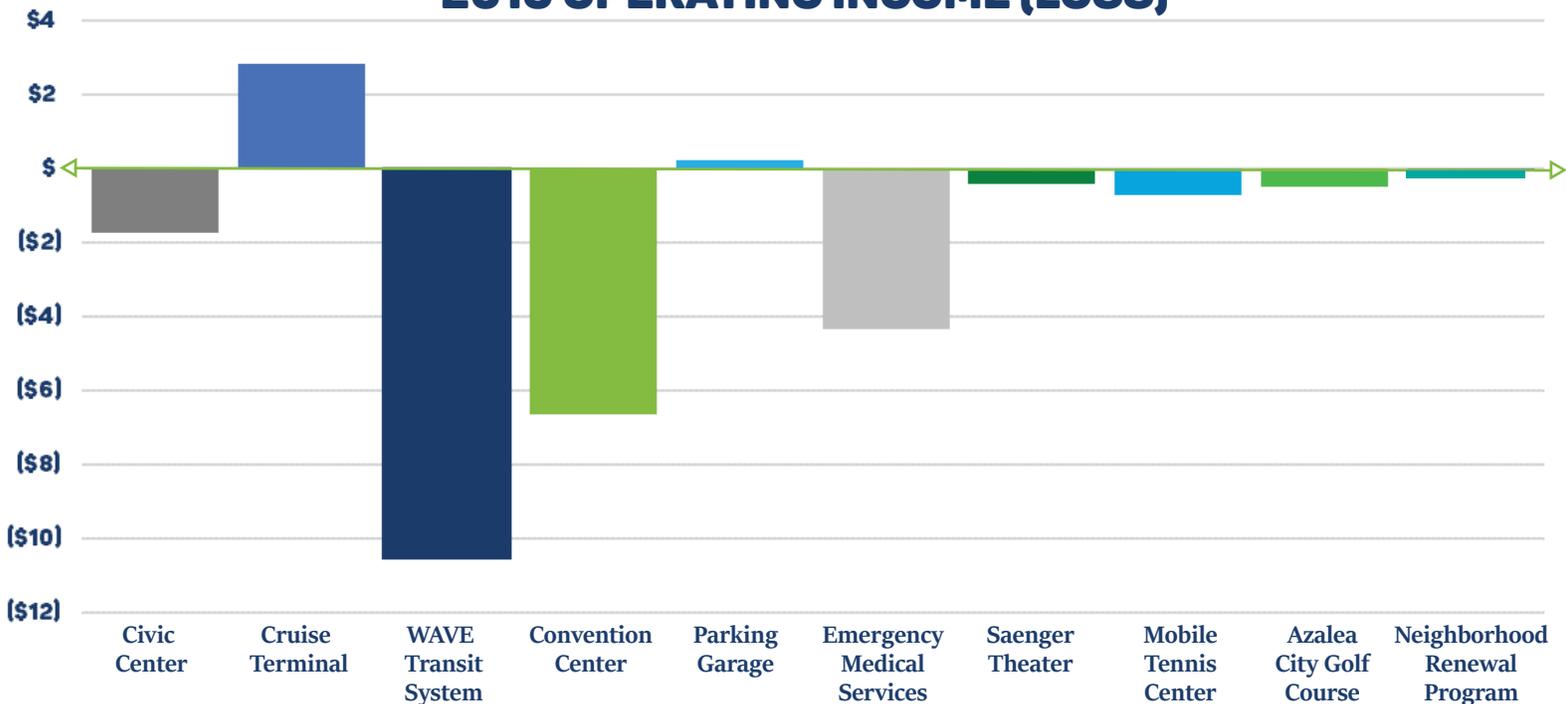
CRUISE TERMINAL

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 2019. Carnival has extended their contract for cruises from Mobile through 2022 which should allow the Cruise Terminal to continue with profitable operations for the next fiscal year.

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 \$5.4 million in FY 2019.

2019 OPERATING INCOME (LOSS)



Cruise Terminal



Convention Center



Saenger Theater

UNDERSTANDING DEBT

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 \$427 million under the State of Alabama's legal debt limit.



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 2019, the City issued the 2018A Warrants debt refinancing transaction. The 2018A Warrants refinanced the 2009A & 2009B Warrants resulting in approx. \$1.74 million in savings.

Over the past 4 years, City management has refinanced the majority of the outstanding debt. This has resulted in interest savings of approximately \$23 million through FY 2030.

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

See the Government-Wide financial statements and Note 8 & 9 in the CAFR for more details.

CREDIT RATINGS

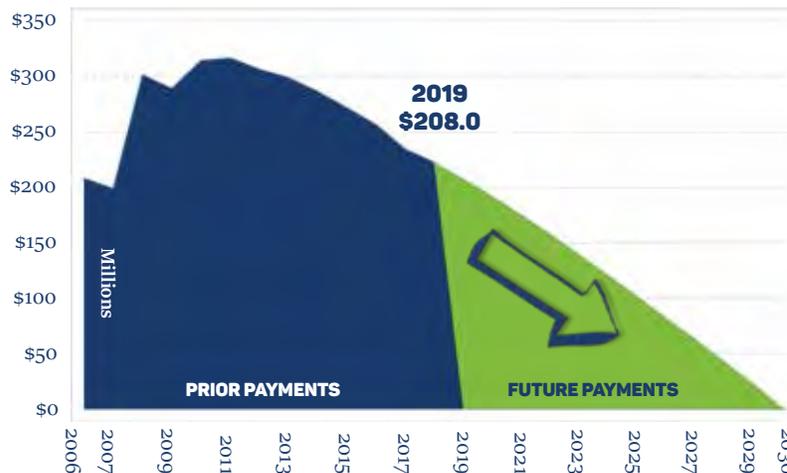
The City currently maintains a Aa2 Bond rating by Moody's Investor Services and a AA- Rating by Standard and Poor's. These high-quality municipal ratings save Mobile taxpayers money by allowing the City to repay investments at a low interest rate.

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	little prospect for recovery
C	C	In default
/		

BONDS, LEASES & NOTES PAYABLE PRINCIPAL REPAYMENT



CAPITAL IMPROVEMENTS

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.

2019 CAPITAL IMPROVEMENTS BUDGET

The FY 2019 adopted capital improvements budget was \$56 million. The amount allocated for debt service and transfers totaled \$22 million leaving \$34 million for capital improvements.

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

Medal of Honor Park \$1.3 million

Including improvements to athletic fields, synthetic turf, field lighting, and a splash pad.



City-wide Resurfacing Program \$2.9 million

Including removal, resurfacing, and restriping City streets.

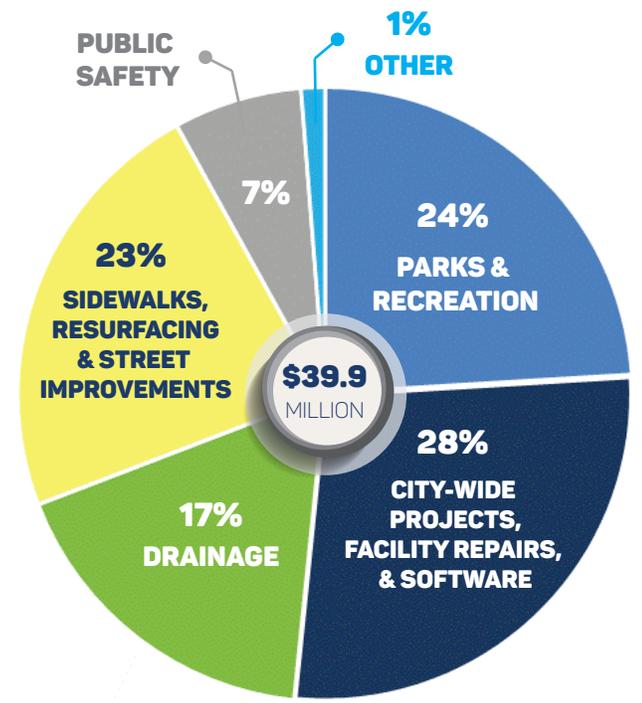


Water Street \$1.3 million

Including street striping, signals, and gateway elements. This is part of a larger project to install new control equipment for the traffic signals, improving flow; ADA-compliant curbs; and a re-striping that would give the street fewer lanes for vehicles, but would add new pedestrian and bicycle lanes.



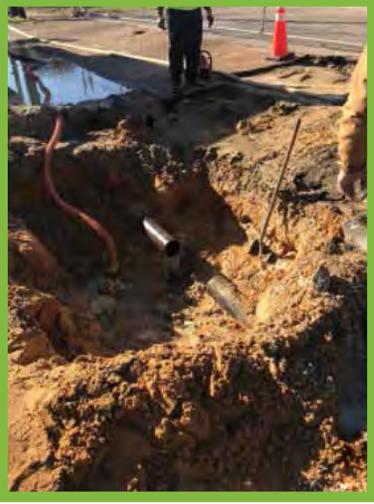
2019 CAPITAL IMPROVEMENTS SPENDING



ACCOMPLISHMENTS



MOBILE TIGER GRANT BROAD STREET IMPROVEMENT PROJECT



Construction is underway on Broad Street! This project will revitalize this widely-used corridor with new streets, bicycle lanes, sidewalks, drainage, and landscape architecture. Keep up to date with progress and road closure information and sign up for newsletters at the project website: www.cityofmobile.org/reconnectingmobile.

MOBILE FIRE-RESCUE DEPARTMENT RECEIVES ISO-1 RATING



In November 2018, the Insurance Services Office (ISO) classified the Mobile Fire-Rescue Department as one of the top departments nationwide by awarding the Department an ISO-1 rating. Only 320 out of 44,000 departments have an ISO-1 rating. In previous years, MFRD received an ISO-3 rating.



To achieve this top rating, MFRD worked for over a year and a half to inspect 11,000 businesses, 14,000 fire hydrants and 90 schools ensuring the safety of Mobile's homes, workforce and school children. Additionally, the City purchased five new fire engines and one ladder truck to expand the fleet and ensure reliability.



ACCOMPLISHMENTS

CARNIVAL CRUISE LINE SIGNS THREE-YEAR EXTENSION



In October 2019, for the first time, Carnival inked a three year deal with the city, meaning they will remain in Mobile through November 2022.

With the agreement, Carnival Fantasy will continue its popular four- and five-day cruises to Mexico from the Alabama Cruise Terminal, bringing 170,000 guests to Mobile annually. Many guests extend their vacation with pre- or post-cruise stays in the Mobile area.

MCGREGOR AVE REOPENING



After an extensive project, McGregor Avenue, an important thoroughfare, was reopened. Improvements to the street included the addition of a center turn lane, sidewalks, bike lanes, curbing, gutters, a dedicated right-turn lane, and a new bridge at the bottom of the hill, along with other improvements.

MOBILE SAKI SITE TEAM BEST PRACTICES



Mobile is the only city in the nation to receive the U.S. Department of Justice's Sexual Assault Kit Initiative (SAKI) Grant every year since its inception since 2015. These flagship grants address the issue of backlogged sexual assault kits, and provide funding to change the way communities investigate, prosecute, and advocate sexual assault crimes. Recently, the U.S. Department of Justice SAKI Program announced plans to disseminate the best practices created by the Mobile Police Department SAKI Site Team to other agencies across the country.

AMROSA 51ST ANNUAL SUMMER CONFERENCE



The Alabama Municipal Revenue Officers Association's (AMROSA) Summer Conference was held in Mobile at the Riverview Renaissance Hotel in July 2019. The conference was organized by AMROSA President Gwen Hall, City Revenue Director, and was highlighted with a Mardi Gras themed banquet. Delpha White, City Revenue Department employee, was elected Secretary 2019-2020 at the business meeting.

GLOSSARY

FUND	<p>A fund is 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.</p> <p>The funds of the City are divided into governmental and proprietary funds. Governmental funds include the general fund, capital projects funds, debt service funds, and special revenue funds.</p> <p>Proprietary funds are further divided into enterprise and internal service funds.</p>	<p>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.</p>	PROPRIETARY FUNDS
FUND BALANCE	<p>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:</p> <p>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.</p> <p>Restricted – Amounts with limitations imposed on their use either through enabling legislation adopted by the City or through restrictions imposed by external parties.</p> <p>Committed – Amounts which can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council.</p> <p>Assigned – Amounts with constraints on their use imposed by the City where those constraints do not meet the definition of restricted or committed.</p> <p>Unassigned – Amounts remaining available to commit or spend.</p>	<p>Assets are what the City owns. They are reported on the balance sheet.</p> <p>Common assets include: cash, investments, inventory, land, buildings, infrastructure, and equipment.</p>	ASSETS
GOVERNMENTAL FUNDS	<p>Governmental funds are those which are generally used to account for tax-supported activities.</p>	<p>Liabilities are what the City owes. They require future spending as a result of past transactions or events.</p> <p>Liabilities are reported on the balance sheet and are divided into current and long-term based on when they are expected to be paid.</p> <p>Common liabilities include: accounts payable, payroll, bonds and warrants, notes payable, and pension and other retirement costs.</p>	LIABILITIES
GENERAL FUND	<p>The general fund is the primary operating fund of the City which is used to account for the day-to-day operations of most City functions.</p>	<p>Revenues are financial resources other than transfers and proceeds from debt issued.</p> <p>Common examples of revenue are taxes, licenses, charges for services, and investment income.</p>	REVENUES
OTHER GOVERNMENTAL FUNDS	<p>CAPITAL PROJECT 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.</p> <p>DEBT SERVICE FUND A governmental fund created to account for the accumulation of funds for the payment of long-term debt principal and interest.</p> <p>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.</p>	<p>Expenditures are reported in governmental funds and are decreases in resources (such as cash) which are not considered an other financing use.</p> <p>Expenses are reported in proprietary funds and on the government-wide statements. These are similar to expenditures reported in governmental funds.</p>	EXPENSES & EXPENDITURES
		<p>Operating income is the net amount of operating revenues less operating expenses. Operating expenses include costs of goods sold and costs of services provided to customers and the revenue generated from those sales and services. This is typically found in association with proprietary funds.</p>	OPERATING INCOME
		<p>Deferred inflows and deferred outflows are reported on the balance sheet but they are not assets or liabilities. They are also not revenues or expenses. However, the events associated with the deferred inflows and outflows have, in fact, already occurred. The thing that is being deferred is the recognition of those inflows and outflows as revenues and expenses. Recognition of revenues and expenses is deferred until the future fiscal year to which the inflows and outflows are related.</p>	DEFERRED INFLOWS & OUTFLOWS

MARDI GRAS IN MOBILE





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