



**Fiscal Year 2018 Budget
City of Alabaster, Alabama
October 2017 – September 2018**

City of Alabaster

Fiscal Year 2018 Budget

Mayor

Marty Handlon

City Council

Ward 6 – Scott Brakefield, Council President

Ward 1 - Sophie Martin

Ward 2 – Rick Ellis

Ward 3 – Stacy Rakestraw

Ward 4 – Greg Farrell

Ward 5 – Russell Bedsole

Ward 7 – Kerri Pate

Management Team

City Manager / City Clerk

Chief of Police

Fire Chief

Finance Director

Treasurer

City Engineer

Planning & Zoning Coordinator

Library Director

Clerk of Court

Public Works Director

Parks and Recreation Director

Human Resources Director

Environmental Services Director

Brian Binzer

Curtis Rigney

Jim Golden

John Haggard

Marsha Massey

Brett Tucker

Sherri Proctor

Nan Abbott

Sandra Harika

Mark Harris

Tim Hamm

Candace Connell

Glen McCord

City of Alabaster
Budget for Fiscal Year 2018

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INTRODUCTION

Organization of this Document

This budget document is designed to provide the reader with a comprehensive guide to the City's fiscal plan for the upcoming year while also serving as a guiding document to City management and staff. To maintain transparency with the public, this information is provided, in full, via the City's website at: www.cityofalabaster.com/392/Alabaster-Fiscal-Year-Budget-Information. The following provides a brief overview of the principal areas of the budget document:

Introductory Information – The initial section contains the budget message from the Mayor, which provides the basic overview of the City's financial position and strategy for the upcoming year. This message concentrates primarily on the City's General Fund activities from a "big-picture" perspective. As the City's largest fund, the General Fund is where most of the City's departmental and non-departmental operations are recorded. By comparison, the City's Enterprise Funds, which account for business-type activities (sewer and solid waste services), are largely self-contained with rates set to finance the necessary ongoing activities of each fund.

The General Fund accounts for most of the City's resources as well as a diverse set of municipal activities that require numerous decisions to be made on the allocation of these resources. These resource allocation decisions are influenced by the priorities expressed by Alabaster citizens, City Council, the City Manager, and the Mayor. The budget message not only gives a brief overview of the City's financial position, but also explains how those priorities translate into spending and policy recommendations.

General Information – This section contains a description of everything that influences the budget process including a combined view of all budgeted funds. As the budget is guided by several policy and planning documents, this section contains the City's financial policies, a description of the budgetary system, summary of authorized personnel, and the *Financial Overview*, which gives a much more in-depth review of the City's resources and revenues, as well as debt.

General Fund – This is the largest section of the document and it contains revenue projections and proposed departmental and non-departmental expenditures in various presentation formats at a high level of detail. This section breaks down all the various non-departmental expenditures such as debt service to provide a clear picture of where the City's resources are allocated in an easy to understand format.

Enterprise Funds – Enterprise fund activities encompass services which are paid through user fees, such as solid waste and sewer services. Since there is a very narrow set of activities within these funds, and the revenues are restricted to those activities only, the enterprise section stands somewhat independent from the rest of the document.

Other Funds – This section contains special revenue funds, the debt service fund, and the capital projects fund, which each have narrow, purpose-restricted revenues and expenditures.

Capital Plan – This section details the capital plans for each department for the next five years and provides details on certain long-term capital projects the City plans to undertake.



August 22, 2017

Council Members
City of Alabaster, Alabama

Dear Council:

I am pleased to present the City of Alabaster's proposed budget for the 2018 fiscal year. Our focus remains on providing taxpayer value while continuing to deliver quality services. Therefore, the budget represents the continuing commitment of a municipal government dedicated to delivering superior services while striving towards excellence and efficiency.

Within this document you will see how the City's goals and objectives will be funded for the next fiscal year as well as the City's historically conservative management policies. As always, input from the citizens helps direct our budget development. It is my hope that this budget document clearly outlines our commitment to judiciously spend taxpayer resources in accordance with the desires and priorities of our residents and our City Council.

Current Financial Status

Revenues have continued to see growth over the past several years and the local economy appears to have recovered from the effects of the previous economic downturn. Total revenues to the City's General Fund finished \$1.1 million higher than projected for the 2016 fiscal year budget. Sales and use tax receipts have continued to steadily increase since 2012 with overall sales and use tax revenues in fiscal year 2016 76% higher than fiscal year 2007. The average annual increases in sales and use tax over the prior 5 years (adjusted for the 1% increase) is equal to 5%.

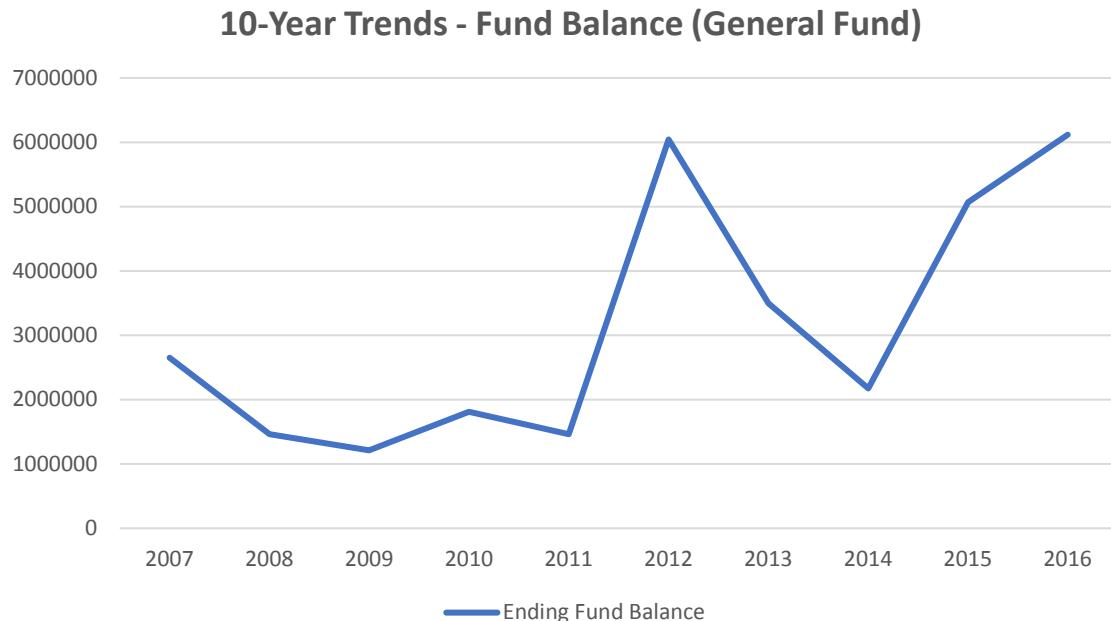
Figure 1

10-Year Trends - Top 3 General Fund Revenues



Because of Alabaster's growing economy coupled with sound fiscal management by the City, the ending fund balance in the City's General Fund has grown significantly over the past 10 years, culminating in an all-time high ending fund balance for fiscal year 2016 of \$6,118,380, which is a 131% increase from fiscal year 2007. This provides a strong level of reserves for the City and the ability to fund significant capital projects using cash rather than by issuing long-term debt.

Figure 2



With a growing economy comes a growing service area, population, and demand for services. Alabaster continues to be the largest city entirely within Shelby County and the 16th largest city in the state with a population of 32,948 in 2016. According to the United States Census Bureau, Alabaster has experienced population growth of 11% over the past decade while the average growth for the State of Alabama during that same period was only 3%. More right-of-way to maintain, more children in our recreation programs, and a need to provide more services of all types continue to present a challenge for the City. Particularly, the Police buildings are all at capacity in older buildings that are not conducive to modern day police operations. In addition, the size of the City's workforce has not kept pace with the growing demand for services.

To continue our tradition of excellence and to maintain our current quality of life, the proposed budget reflects the issues noted above and seeks to address head-on the challenges that come with living in a growing and changing community.

FY2018 BUDGET STRATEGY

Revenues and Resources Outlook for the General Fund

Revenues across all City funds continue to perform at or above expectation. As of June 2017, total revenues in the General Fund were up by \$1,231,267 (4.99%). Sales tax is up 2.60%, property tax is up 7.10% and business licenses are up 3.13%. In addition, the City has seen new revenue through the addition of Amazon to the simplified sales tax program during fiscal year 2016. While revenues have

continued to increase steadily, the City budgets conservatively and has not budgeted for aggressive revenue growth but instead for revenue to maintain current levels.

Expenditures

As we enter the next fiscal year, the City has many major initiatives underway. At the time the budget was developed, construction on the widening of Alabama State Route 119 was not yet underway. The City anticipates this project will cost the City an estimated \$4.0 million and when completed will dramatically improve the traffic flow along one of the City's major roadways. The City hopes that this improved traffic flow will have a significant positive impact on the quality of life for everyone who lives within the City. This initiative will have a significant impact on capital investments over the next several years, and as such will require a capital investment plan with sufficient flexibility to adapt as these plans are approved by staff, our residents, and City Council. The proposed budget considers these uncertainties along with identified needs.

The proposed FY2018 budget is designed to address citizen concerns and city priorities through the allocation of available funds to each department and fund within the City.

School Funding – The Alabaster City School System is one of the best in the State of Alabama and maintaining this level of excellence remains a high priority for the City. For the FY2018 budget the City will continue to fund the school system by providing 1 penny of all sales and use tax to the school board. The board of education continues to move forward on construction of a new high school as well as other major school improvements. The City understands that continued funding to the school board is vital to help them achieve their objectives in a timely manner.

Public Safety – The police division continues to occupy multiple buildings throughout the City that are outdated and over capacity. The City has determined that housing the police department in one facility is the best long-term solution for the City. The police department capital improvement plan includes funds for the construction of a new public works facility with construction slated to begin in FY2019.

In addition, the City the FY2018 budget proposes the addition of a new police officer position as well as funding for replacement of old Crown Victoria police vehicles with new Chevrolet Tahoes.

To allow the Fire Department to meet the continued demands of the department, the FY2018 budget calls for changing a building inspector position from part-time to full-time. In addition, funding for a new fire engine and new turnout gear is included in the budget.

Parks and Recreation Facilities & Programs – With record participation and a growing population, our Parks and Recreation facilities require continued maintenance and improvement to keep up with the demand of citizens. The Parks & Recreation capital plan calls for the replacement of playground equipment at each of the City's major parks over the next 5 years. In addition, funding has been increased for field maintenance and repair.

Infrastructure Improvements – To keep pace with our continued growth, the City will need to maintain a high level of capital investment in the City's infrastructure. The Proposed FY2018 budget includes \$200,000 for the completion of County Road 26 (Fulton Springs Road) extension, \$100,000 for repairs along Alabaster Boulevard, and \$200,000 for the next phase of State Route 119 widening. The Capital Projects Fund capital plan shows the City expects significant expenditure of funds to complete the State Route 119 widening in FY2019 and FY2020.

Other City Services and Projects – To meet the challenges of our continued growth we have several new and ongoing initiatives to help maintain the quality of services for citizens.

- The City will continue to invest in technology improvements. To better address the IT needs within the City, a separate IT department has been established in the FY2018 budget. The proposed budget also includes funding of a new GIS Specialist position to help address the need for better data and informational analysis for City use.
- The City will begin providing its own garbage service in FY2018 after years of contracting with Advance Disposal for service. The City believes that by providing garbage service internally the citizens will receive higher quality and more timely service. The proposed budget includes \$250,000 of funding for 5 new garbage truck driver positions as well as the issuing of long-term debt in the amount of \$3.8 million for the purchase of new garbage trucks, garbage and recycling bins, and construction of a new mixed-use garbage and public works building to house garbage trucks.
- The City conducted a compensation and classification study in FY2017 to assess the sustainability and competitiveness of the current employee pay structure. The findings of the study included a recommendation that 18 positions be reclassified to a higher grade to bring them up to market rate. In addition, the City moved from an 8 step pay plan with 5% raises between each step to a 12 step pay plan with 3% raises between each step. The City believes that these changes were necessary to maintain a sustainable pay plan as well as to retain the best talent. Included in the proposed budget is \$120,000 to reclassify the 18 positions noted above.

These are just a few of the initiatives our City will undertake in the upcoming budget year. I encourage you to read more about the proposed plans by examining each department's detail budgets and capital plans.

In Closing...

The residents of Alabaster expect superior service and accountability for their tax dollars. Therefore, the City has created a budget that provides high quality services in a manner that is cost-effective and respects the tax dollars we collect. Alabaster is a wonderful place to live and raise a family, and I believe that the services provided by the City are a primary contributor to the quality of life in Alabaster. This budget is the first step towards the City's continued success for the 2018 fiscal year.

There is a lot of work that goes into developing a budget; hundreds of accounts, facts, figures, and decisions. All that work put into this budget is essential towards determining the best use of the available resources. I am confident that this budget submitted for your consideration does just that and ensures Alabaster will be one of the best cities in the entire state to call home.

The staff and I appreciate the continued support of the City Council and the citizens we serve and welcome any questions you may have about the budget.

Sincerely,

Marty Handlon



GENERAL INFORMATION

City of Alabaster Financial Policies

Overview

The City of Alabaster (the City) establishes these financial policies to provide guidance to the City's management and staff in conducting the financial activities of the City. Financial policy statements provide broad guidance and are not intended to be a detailed statement of procedures to be performed. Separate policy and procedure manuals for specific, detailed processes exist separately and are distributed to applicable City employees as necessary. Financial policies are proposed by the management staff and are presented to the City Council for approval via adoption of a Council resolution. The financial policies may be amended from time to time, as conditions change or the need for additional policies is identified.

Legal Compliance

The City's financial activities shall be conducted in accordance with the provisions of relevant federal and State of Alabama laws and regulations. Examples of such legal requirements include regulations concerning the use of borrowed monies, regulations concerning financial disclosures, State bid law, and State law governing conflicts of interest. The City's financial activities shall also be conducted in compliance with City policies that have been approved by the City Council and/or the boards of the City's component unit.

Generally Accepted Accounting Principles (GAAP)

The City's financial activities shall be accounted for and reported on in accordance with generally accepted accounting principles established for local governments within the United States. At the time of the approval of these financial policies, the primary source for GAAP for local governments is the Governmental Accounting Standards Board (GASB). If legal requirements conflict with GAAP, the Finance Department shall account for and report the transactions in accordance with GAAP and maintain detailed subsidiary records as necessary to demonstrate legal compliance.

Internal Controls

A system of internal controls consists of all measures that management of an organization implements to protect assets from theft, loss, or misuse (both intentional and unintentional) and to ensure the accuracy of the financial statements. The management of the City is responsible for developing, monitoring, and maintaining a cost beneficial system of internal controls over all financial activities. The Finance Department shall fulfill this responsibility, under the direction of the City Manager and Mayor.

The Finance Department shall assess the effectiveness of existing internal controls and make recommendations to the City Manager or Mayor for improvements when necessary. If at any time the Finance Department identifies a significant weakness in internal controls, the deficiency shall be reported to the City Manager or Mayor immediately. The Finance Director is responsible for evaluating the results of changes made to internal controls to determine if these changes have strengthened internal controls and whether the benefit of these changes to internal controls outweigh the cost.

Component Unit

The Commercial Development Authority is a discretely presented component unit of the City. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. Therefore, as much as is practical, the financial policies and accounting

systems used for the component unit shall parallel the City's to ensure accurate and timely financial data to government officials.

Financial Reporting

Annual Reports

The City's Finance Department shall prepare and publish annual financial reports for the City as required by generally accepted accounting principles (GAAP). The City's annual financial report shall include all component units required to be included by GAAP. In addition to meeting GAAP reporting requirements as administered by the Governmental Accounting Standards Board (GASB), the annual financial reports published by the City shall be prepared in a spirit of full disclosure for the benefit of the citizens of Alabaster.

Monthly Reports

The City's Finance Department shall prepare and present to City Council monthly financial reports to demonstrate the budget status of revenues and expenditures, as well as the City's financial position at the end of each month.

Interim Reports

The Finance Department shall prepare such other financial reports as requested by the City Council, City Manager, Mayor or department heads. Requests for special financial reports shall be made directly to the Finance Director. If department heads request reports that are available from the City's financial management software, the Finance Director will train the department head or selected department staff on generating such reports.

Funds Structure

The City shall use the fund basis of accounting as prescribed by GAAP. Within the funds structure requirements prescribed by GAAP, the City shall maintain the smallest number of funds as allowed to increase efficiency and clarity of financial processes. If grant agreements state that separate funds are required, the Finance Department shall inquire of the grantor to determine whether separate accounting within an existing funds may be used to meet the requirements of the grant agreement. City Council approval shall be required to open or close any City fund. Council approval of any borrowing shall be deemed approval to open a fund to account for receipt and expenditure of the borrowing proceeds.

Interfund Transactions

Any significant interfund transaction that is not authorized by the budget shall be documented as to the amount and purpose and approved by the City Manager or Mayor. Significant interfund transactions are defined as any transfer of money between funds \$5,000 or greater. The documentation shall include a statement of whether the transferred amount is intended to be repaid and the repayment timeframe.

Fund Balance and Net Position

General Policies for Fund Balances and Net Position

It is the City's policy that all funds shall have a positive fund balance or net position. In developing the proposed budget and any budget amendments, City staff shall not propose revenue projections and budgeted expenditures that would result in a deficit fund balance or net position for any fund. If any City fund other than General Fund should have a deficit fund balance or net position at fiscal year-end, the City's General Fund shall extend a short-term loan to such fund and the City's Treasurer shall determine how to address the deficit as expeditiously as possible.

General Fund

The fund balance goal for the City's General Fund shall be 15% of the City's expenditures from the most recently available audited financial statements. The 15% goal applies to the total fund balance, including all reservations and designations of the General Fund. This goal is established in recognition that Alabama's tax structure is such that a significant amount of the General Funds total revenues is derived from a single source, sales tax, and that sales tax is a revenue source which is highly sensitive to general and local economic conditions. This fund balance goal is a goal and is not intended to be a legal requirement. There may be economic conditions under which attainment of this goal is not possible.

Cash Management

The Treasurer shall be responsible for managing the City's cash in compliance with State law and applicable federal regulations. The Treasurer shall monitor cash balances to ensure that balances are adequate to provide for all anticipated cash disbursements. Any concerns about the adequacy of cash balances shall be reported to the City Manager or Mayor immediately.

The City Council shall authorize the depositories into which City funds may be deposited; this authorization shall be documented in a Council resolution, duly adopted during a regularly scheduled City Council meeting. However, if a depository that has been authorized by the Council fails to meet criteria for such depositories imposed by State law, the Treasurer shall not maintain City accounts therein until the depository meets State requirements. When significant, non-routine deposits or withdrawals of City funds are anticipated, the Treasurer shall notify the affected depository in advance to ensure that collateralization requirements are satisfied.

Demand deposit accounts shall be reconciled monthly. Each bank account reconciliation shall be reviewed and approved in a timely manner by an appropriate management-level staff member. Such review shall be documented in writing and dated. Reconciling items will be reviewed from month-to-month for reasonableness. Unusual and continuing reconciling items shall be promptly investigated.

Investments

City funds shall be invested in accordance with State law. Priorities for City investments shall be legal compliance, liquidity, and safety of the investment. The Treasurer shall be responsible for investment of City funds, even though specific investment duties may be delegated to other staff members. Investment income shall be allocated among City funds based on the allocation of monies that comprise the investment.

Accounts Receivable

Monies due to the City for which amounts are calculable shall be billed promptly and monitored continuously by the appropriate City staff members. Collection efforts for delinquent balances shall begin with a reasonably timed, courteous reminder and shall progress to more rigorous collection procedures which may include use of collection agencies, citations, liens against real property, and all other legal actions as deemed appropriate by the Finance Director in consultation with the City Attorney. All collection efforts shall be conducted in a legally compliant, professional, and equitable manner. The extent of collection efforts shall, however, recognize the inherent costs of collection, and the Finance Department is authorized to establish a *de minimus* delinquent account balance below which only a minimum of collection effort will be employed.

In the case of City licenses, fees, and taxes which are based on amounts self-reported by taxpayers and which are unknown to the City until tax returns are filed, the Finance Department shall endeavor to collect delinquencies for failure to file tax returns and pay the related taxes and license fees as provided by the City's license fee and tax ordinances, including the business license ordinance, and in accordance with the procedural requirements of the Municipal Court. The Finance Director may choose to waive failure to file and failure to pay penalties when deemed appropriate in extenuating circumstances, but under State law, may not waive interest calculated on late payments under any circumstances.

To encourage compliance and facilitate payment of delinquencies, the Finance Department may choose to enter into a payment agreement for delinquent taxes and licenses that can extend no longer than one calendar year from the date of the agreement. Payment agreements must be documented in writing, signed by the taxpayer, a revenue official, and the Finance Director. In addition, all payment agreements must be notarized.

Inventories (non-capital)

Inventories of materials and supplies shall be controlled through the use of physical controls and inventory procedures that account for the receipt and issuance of inventory items. Periodic counts of inventory items should be completed by staff members at a minimum of once annually. Inventory items that are issued for use on a project that are not used for completing the work shall be returned to inventory and the amount of returned materials shall be documented. Commodities in inventory that are no longer usable shall be disposed of properly and recorded in accordance with GAAP. The disposal of surplus inventory items shall be approved by the appropriate department head. Any resources received on the disposal of surplus assets shall be returned to the fund which owned the surplus assets at the time of disposal.

The Finance Department is responsible for designing procedures and documents to account for all receipts and issuances of inventories, as well as for periodic physical counts of inventories on hand for all City departments. In developing inventory control procedures, the materiality of the cost of the inventory items will be considered together with the costs of implementing the control procedures. It is expected that inventory control procedures will be cost-beneficial. The operational requirements of the departments that maintain commodities inventories will be taken into consideration in the development of inventory control procedures.

In the event that material inventory losses are detected, such losses shall be reported to the appropriate department head, the Finance Director, Mayor and the City Manager. Inventory losses shall be accounted for in accordance with GAAP. Each material loss of inventory items shall be analyzed to determine if the loss could have been prevented through stronger internal controls. Stronger controls shall be implemented if an evaluation of the improved controls projects that such would be cost-beneficial.

Capital Assets

The City shall account for its capital assets, including infrastructure assets, in accordance with GAAP as administered by GASB. All items meeting the definition of capital assets and having a cost greater than \$1,000 and an expected useful life greater than three years shall be accounted for as capital assets. The City shall maintain a detailed listing of capital assets that identifies the cost and location of each capital asset. For capital assets whose historical cost is unknown, an estimated cost shall be developed as provided by GAAP.

Department heads shall be responsible for all capital assets assigned to their respective departments. Transfers of capital assets from one department or division to another shall be reported to the Finance Department immediately upon transfer. Missing and surplus capital assets shall be reported to the Finance Department. Surplus capital assets shall be disposed of in accordance with State law and optimize City resources. All surplus of capital assets shall be approved of by City Council prior to disposal of the capital asset. Department heads are responsible for maintaining a list of items for surplus for their respective department. Surplus requests should be submitted to the City Clerk's office in a timely manner to allow their inclusion on the agenda of a regularly scheduled City Council meeting.

Accounts Payable

The City shall record all obligations of funds prior to the issuance of orders for goods and services, to ensure effective budgetary control over expenditures. The City shall pay all legal obligations promptly upon the receipt of original billings which have been generated by the party providing the goods or performing the service. The Finance Department shall maintain documentation of all City payments in an easily retrievable manner to facilitate the resolution of accounts payable issues as well as the completion of the City's annual audit. The Finance Department is responsible for developing detailed procedures and deadlines for the processing of the City's accounts payable, and for providing training to City staff concerning accounts payable procedures and for notifying City staff of accounts payable deadlines.

Auditing Services

Consistent with Alabama Code 11-43-85, the Mayor shall engage an independent auditor to perform a financial statement audit in accordance with generally accepted accounting principles (GAAP). At least every 3 years, the Mayor shall interview prospective candidates to ensure the City is receiving auditing services from a competent firm at a competitive price.

Revenue Administration

The City shall administer its ordinances concerning and directly collect all taxes, license fees and other revenues as allowed under State law. The Finance Department shall maintain a taxpayer database which documents the collection of such revenues and enables the prosecution of delinquent taxpayers as provided under State law and City ordinances. All revenue administration processes shall be performed in an equitable manner and all taxpayers shall be treated without discrimination. Procedures shall be established to preserve and protect the confidentiality of taxpayer information as required by State law. Taxpayer audits shall be selected by the Chief Revenue Examiner based on the results of analytical review of taxpayer data, the need to verify the validity of a refund request, credible evidence of taxpayer non-compliance, or by random selection.

The Finance Department shall conduct a revenue review at least once every four years. The purposes of the Revenue Review are to evaluate the City's tax structure and consider recommendations for revisions therein

based on changes in economic conditions and revenue trends; and to evaluate the City's revenue ordinances to determine the need for revision based on changes in circumstances and the identification of procedures in need of improvement. Financial projections shall be used as part of the Revenue Review process to assist in the evaluation of the need for changes in revenue rates. Revenue reviews may be done more frequently than every four years as deemed necessary by the Finance Department or at the request of City Council. This policy is not intended to restrict the consideration of changes in tax structure or revenue administration procedures to the revenue review. It is intended to ensure that an overall review of the revenue structure and revenue administration procedures is done once every four years.

Purchasing

All City purchasing activities shall be conducted in accordance with State law governing municipal purchases. Such activities include the maintenance of bidders' lists, the issuance of bid invitations, the receipt and opening of sealed bids, and the awarding of bid contracts. The City Clerk shall be responsible for managing the issuance of bid invitations and the opening of sealed bids, except for bids wherein the preparation of project specifications, the issuance of the bid invitations and the opening of sealed bids shall be conducted by an architectural, engineering or other specialized consulting firm. In such exceptional circumstances, the City Clerk shall be notified by the department head prior to the issuance of the bid invitations and the City Clerk shall review and approve the bid invitation documents and bidders list prior to the issuance of the bid invitations by the consultant.

The purchase of any item with a cost of the State bid law minimum (currently \$15,000) or more, if included in the approved budget, shall be placed upon the City Council agenda for Council consideration. The agenda item shall state whether or not bids were taken and if so, the results of those bids. The agenda item shall also state whether or not the item is budgeted and for items proposed to Council for purchase that are not budgeted, the department requesting approval of the purchase shall state whether the purchase can be absorbed in the department's approved budget. In the event that a contract change order is proposed in which the change order amount is an increase in the contract of 10% or more of the original contract amount or in which the change order amount is an increase in the contract price of more than the State Public Works Project bid law amount (currently \$50,000), the change order shall be submitted to the City Council for approval. This policy shall also apply to change orders that in themselves do not constitute 10% of the original contract amount or an amount greater than the State Public Works Project bid law amount, but which, when combined with all previous change orders to that contract, produces a dollar amount that exceeds either of these thresholds (10% of the original contract amount or the State Public Works Project bid law amount).

Debt Management

The City's annual revenues typically are not adequate to finance all the expenditures proposed to and approved by the Council. The acquisition or construction of capital assets benefit the citizens for the long term and generally have significant costs; therefore, it is reasonable to spread the cost of such expenditures over more than one year. Borrowing is the mechanism through which the City is able to allocate the costs of large purchases so their costs can be paid from the revenues of several years. The City must weigh the benefits of these larger purchases against the costs of borrowing, which include principal, interest, issuance costs, and administrative costs.

The City shall strive to maintain conservative policies for managing the City's level of outstanding indebtedness and annual expenditures for debt repayments, as follows:

- All debt issuances will be accomplished in compliance with federal regulations, State law, City ordinances and all other applicable legislation.

- The City will engage a competent and reputable attorney specializing in municipal financing in the State of Alabama and will employ specialized attorneys as necessary for special financing arrangements.
- The City will engage a competent and reputable bond underwriter specializing in municipal financing in the State of Alabama.
- City debt will be issued only to finance the acquisition or construction of capital assets, to purchase land for future City use, or for economic development purposes. Annual operating costs, including costs of employees' personal services, will be financed from current revenues or fund equities.
- The repayment periods for long term debt issuances will not be extended beyond the expected useful life of the capital asset being acquired or the expected life of the economic development project. Debt repayment periods will be as short as feasibly possible in order to minimize interest costs and maximize flexibility for future financial planning. Financial projections shall be used to evaluate the appropriate repayment period for individual borrowings.
- If the impact of significant capital outlays proposed to be budgeted on projected ending fund equities will cause fund equity to be less than 15% of annual budgeted expenditures, other financing sources (proceeds of long term debt) for specified significant capital outlays will be considered for inclusion in the proposed budget in order to maintain fund balance at an acceptable level. Financial projections shall be used to evaluate the effect of the repayment of such proposed borrowings on fund balances in future fiscal years.
- Capital leasing may be used for the acquisition of equipment items with an expected useful life of three years or longer and a purchase price of more than \$50,000 with the approval of the City Manager, Mayor, and City Council upon the request of the department head for whose department the equipment purchase is proposed. Lease payment terms may not exceed three years. Debt service expenditures (including principal, interest and any related administrative costs) for capital leases will be budgeted in the department for which the equipment was purchased.
- The City will seek to obtain the highest possible credit rating from an independent rating agency and will implement all the necessary improvements to increase the credit rating of the City so long as those improvements are deemed to be cost effective for the City.

Employee Benefits

In an effort to recruit and retain well qualified employees, the City shall strive to provide a competitive compensation and a comprehensive benefits package. Employee benefit programs shall be designed to meet the needs of employees. Periodically, the City shall conduct a salary and benefits study to help ensure that the City retains its competitive position in the employment market. Close attention shall be paid to the design of the City's compensation structure and employee benefits plan to ensure that wages and benefits are attractive to current and potential future employees, that benefit costs are manageable, and that overall performance of the organization meets expectations of City management officials and City Council. The City will seek to provide competitive compensation and benefits to employees while also providing the best value possible to taxpayers.

Budgeting

The City shall develop and adopt budgets in compliance with State law. City staff shall develop a proposed annual budget as well as a five-year capital plan for the City Council's consideration. The proposed budget shall be presented to the City Council prior to the first of the fiscal year being budgeted.

The Finance Department shall develop revenue projections for the proposed budget, based on trend information available for each revenue source, knowledge of general and local economic trends, new State laws and City ordinances that may affect revenues, and other relevant factors. The City Manager or Mayor shall review and revise revenue projections as necessary.

The City Council shall then engage in a priority-setting process in which each Council member assigns priorities to a list of initiatives that is developed by the City Manager, Mayor, or Finance Director and to which the Council members may add their own initiatives. The Mayor will develop a consensus of the Council's priorities based on the individual Council members' priorities.

The Mayor, City Manager, and Finance Director will determine a budget strategy based on the revenue projections and the Council's consensus priorities and shall communicate the budget strategy to the department heads to guide the development of the departmental goals and proposed budgets. The Finance Director shall also establish procedures for development of the proposed long-term capital plan.

The City Manager or Mayor shall compile the departments' budget requests and review for consistency with Council priorities. With support from the Finance Director, the City Manager or Mayor shall review the revenue projections and budget requests to evaluate their effects on fund balance. Then, the City Manager or Mayor shall determine the extent of reductions in proposed expenditures that may be necessary, the extent to which revenue rate increases may be necessary and the extent to which borrowing may be advisable. A long-term financial projection shall be developed to determine the long-term effects on fund balance of various revenue, expenditure and borrowing alternatives. The City Manager or Mayor shall determine which alternatives to employ in developing a proposed budget that meets the City's current and long-term goals and that is consistent with the City's financial policies.

The proposed budget shall be presented to the Mayor for approval by the City Manager and Finance Director prior to presenting the budget to City Council. The City Manager will then evaluate any suggestions made by the Mayor to determine what changes are necessary to the budget prior to presenting the final proposed budget to City Council for approval. The proposed budget shall be presented by the City Manager, Mayor, and Finance Director to the City Council for its consideration in one or more meetings during which the strategies and components of the proposed budget shall be explained and Council members may pose questions about the proposed budget. The proposed budget shall identify the key decisions affecting the budget that are to be made by the Council.

The budget adoption ordinance shall be placed on the Council agenda no later than the second regular Council meeting in September of each fiscal year. If the City Council fails to adopt a budget prior to any fiscal year-end (September 30), the provisions of State law shall be followed concerning the budget for the new fiscal year.

Budgetary control shall be at the fund level, with managerial control exercised by the City Manager or Mayor at the department level. The City Manager or Mayor may authorize the Finance Director to make minor adjustments (of no more than \$10,000) of appropriated amounts between and among the various expenditure accounts (line items) without prior approval of the City Council. The City Council shall be informed of any such adjustments made.

A mid-year budget review shall be held after March (50% of the fiscal year elapsed). During the mid-year budget review, the approved budget may be amended by the Council. The Council may also show its commitment to significant changes to the budget at other times during the year by approval of a resolution.

Capital Projects

Capital projects shall be managed by the department responsible for operating the project upon its completion; however, the City Manager or Mayor may designate a specific department head to manage a specific capital project. The Finance Department shall be responsible for assigning project account numbers, which shall be used to accumulate all project costs for capitalization according to GAAP. The Finance Department shall prepare specialized reports as necessary to report on the financial status of all capital projects.

Contracts Management

City contracts may be executed only by the Mayor or City Manager. Prior to the execution of City contracts, the proposed contract document shall be reviewed by the City Attorney, and may be reviewed by other City staff, as deemed appropriate. Originals of all executed contracts shall be routed to the City Clerk for filing. Copies of executed contracts shall be routed to affected City departments and other offices, as appropriate.

City of Alabaster
Description of the Budgetary System

The Budget Process

The budget process begins when the Mayor and the City Manager outline their goals for the upcoming year. A budget kickoff meeting is then held with the department heads. This meeting outlines the expectations and goals of the Mayor, City Manager, and City Council for the upcoming budget year. Current financial information is presented to department heads to help lay the foundation for the upcoming year.

After the budget kickoff meeting, the department heads are instructed to update their 5-year capital plans in accordance with the plans and goals outlined by the Mayor and City Manager in the budget kickoff meeting as well as what has been accomplished in the previous and current years. The Mayor and City Manager review the 5-year plans to better assess the budget requests for the upcoming years.

After the first half of each fiscal year is complete (March 31), the Finance Department reviews the budget-to-actual performance of revenues, updates revenue trend data, and determines whether the current fiscal year's revenue projections should be adjusted. If the mid-year budget review shows that existing revenue projections may not be met, the Mayor and City Manager would direct department heads on the amount and manner of expenditure reductions that would be needed.

After completing the mid-year budget review, the Finance Department proceeds with developing revenue projections for the upcoming budget year, incorporating the most recent budget-to-actual revenue results and current information about the economy and legislation that may affect revenue sources. The Mayor and City Manager review these revenue projections as well as fund balance projections to determine if any adjustments to previously set budget goals need to be made.

Each department head is responsible for compiling and submitting budget requests for both operating and capital expenditures. The personnel budget is handled as a collaboration between the Human Resources Director and the Finance Director and include items such as new positions, reclassification requests, and any new service initiatives. The Human Resources Department is in charge of reviewing requests for new positions, reclassifications, and staffing changes. The Human Resources Director then meets with the Mayor and City Manager to discuss the proposed personnel changes. In this meeting with the Mayor and City Manager decisions are made as to which personnel requests will be considered for incorporation into the budget process. In developing the budget strategy for personnel requests, an overriding budgetary goal is to maintain salaries and benefits at no more than 60% of the General Fund's budgeted expenditures.

Once the department heads submit their budget requests, the Finance Department analyzes all operating and capital requests in accordance with the Mayor and City Manager's goals. All segments of the budget are assembled and are balanced to the revenue forecasts. Based on this analysis, a draft recommendation is formulated for the Mayor and City Manager's review.

During the month of July, the Finance Department and Mayor meet to discuss changes that need to be made to the budget and communicate with City Council on the budget process. Once these meetings conclude, a draft version of the budget is sent to department heads and the Mayor and City Manager hold follow-up meetings with department heads if necessary.

Once the Mayor's final recommendations are ready, the budget document is prepared and distributed to City Council and city administration. The recommended budget is presented at a City Council work session in August. The budget is then adopted at a City Council meeting in August or September.

Basis of Budgeting

The annual budgets adopted by the City of Alabaster are structured to be consistent with generally accepted accounting principles (GAAP). Budgets for the governmental fund types are prepared on the modified accrual basis of accounting as prescribed by GAAP. The governmental funds include the General, Special Revenue, Capital Projects, and Debt Service funds. The City has no primary revenue sources that are treated as being susceptible to accrual. The City does not accrue property or sales taxes because those revenue sources are budgeted to finance the fiscal year in which they are scheduled to be received. Each fiscal year's budget and financial statements include twelve months' revenue from those sources.

For the proprietary funds, a hybrid approach is used for the budget. In accordance with GAAP, the full accrual basis of accounting (revenues are recognized when earned) is used for estimating revenues. However, for greater control over Enterprise Fund expenses, the full accrual basis (expenses recognized when incurred) is modified. In addition to the full accrual basis expenses, capital outlays and any debt service principal payments are included as budgeted expenses. The basis of accounting used for budgeting is the same basis used for accounting and financial reporting for all funds, except for inclusion of capital outlay and debt service principal expenses in proprietary fund budgets. The only exception to this hybrid approach is in net position comparisons. The City cannot reasonably determine what prior period proprietary fund balances would be under the modified accrual approach; therefore, when proprietary fund net position is compared with prior year audited net position, the full accrual method is used. The City has made notations on each individual comparison when the full accrual basis of accounting is being used for comparison purposes.

City of Alabaster
Budget Calendar

May 2017

- May 1 – Budget Kickoff Meeting
- May 31 – Department 5-year Capital Plans Due

June 2017

- June 16 – Updated Budget-to-Actual Reports Sent to Department Heads

July 2017

- July 14 – New Position Requests Due
- July 21 – Department Budget Requests Due

August 2017

- August 3 – Draft Budget Ready for Mayor and City Manager Approval
- August 7 – Department Budget Meetings Begin
- August 14 – Final Department Budget Requests Due
- August 22 – Budget Document Distributed to City Council and 1st Work Session Discussion

September 2017

- September 7 – 2nd Work Session Discussion
- September 21 – 3rd Work Session Discussion
- September 25 – Final budget adopted by City Council

City of Alabaster Financial Overview

To meet the needs of the citizens, the City of Alabaster must fund operations and provide government services in a sound financial manner. To accomplish this, the development of a budget document must be a foundation for management practice. The document serves to provide a look to the future and lays out the fiscal plans of management. The Finance Director and Treasurer, under the direction of the Mayor and City Manager, are tasked with multiple duties in regard to fiscal plans including revenue projections, data analysis, and budget development. These duties provide the framework for developing sound budgets for operational expenditures and capital expenditures. In addition, these duties are vital to developing a long-term financing strategy to meet the funding needs of the City. The financial overview will provide the reader with a description of the process used to project revenue as well as an overview of the City's current and future borrowing activities.

Revenue Projections

The recording and maintaining of accurate financial records is the starting point of the budget process. A detailed history of all revenue transactions is maintained for all funds and past budgets are reviewed to determine how accurate previous years projections were with actual final results. The budget document contains the final product of this work conducted by multiple employees within the Finance Department as well as City management.

The Finance Director begins projection analysis by looking at historical data. For most revenue types, the most recent 5 years data is used as a baseline for projections. Trends over the past 5 years are identified and maintained with notations of significant factors that affected each revenue type each year. These notations include: opening and closing of businesses within the City that generate significant tax revenue, rate increases by the City or other governing bodies, changes in laws at the state and federal level, significant economic events that would explain deviation from the norm, and overall changes in market conditions. Examples include: the cap being removed from business license gross receipts in FY2013, one-time significant increase in audit revenue in FY2015, the City's lodging tax increase in FY2017, the opening of a new hotel in FY2017, and the passage of SB316 in May 2017 by the Alabama legislature which allows retailers to deliver up to \$10,000 in merchandise annually to a municipality before requiring the purchase of a business license.

The trends and the respective notations are analyzed by looking at year-over-year changes and yearly cycles of collection, which helps establish a baseline for each revenue type. These baseline numbers are reviewed in conjunction with known data and anticipated events that could affect the revenue line item. Examples include: the addition of Amazon to the Simplified Sellers Use Tax system, new home construction which directly impacts ad valorem tax, and retail development within the City that affects the sales tax base.

For the 2018 fiscal year, consideration of Alabaster's economic growth has been made; however, the nation's economic situation continues to vary, resulting in a level of uncertainty. In addition, changes in retail trends and possible legislative changes add an additional level of uncertainty for Alabaster. Based on the uncertainty noted above, revenue projections continue to be conservative.

The Finance Director determines the initial revenue estimates, considering the information and documentation outlined above. The initial estimates are reviewed by knowledgeable staff including the Treasurer and are then sent to the Mayor and City Manager for review.

The Mayor and City Manager's review ensures that relevant factors known only at the chief executive level are considered in projecting the revenue sources for the upcoming fiscal year. If projected revenues are not

adequate to fund the expenditures proposed, an analysis of the City's fund balances, capital budget requests, and operating budget requests is completed to determine whether reductions in proposed expenditures, fund balance draw-downs, or borrowing is needed to meet the financial objectives of the City. After any revisions resulting from the executive-level review, additional revisions to revenue projections are made as new information becomes available during the budget process. The Mayor proposes a revenue budget that is consistent with the City's financial policies. The projected revenue must finance the proposed expenditures while meeting the City's ending fund balance goals.

The Finance Department's Revenue Office administers the collection of all taxes and fees with the exception of ad valorem (property) taxes which are collected at the county level as provided by state law, alcohol taxes which are collected by the state and fees which are collected by individual City departments.

Each month, interim financial reports are prepared that provide information for that month as well as year-to-date information. The interim reports are presented to management and City Council at a public work session for review and discussion. The revenues and expenditures are evaluated for items that could necessitate an adjustment to current or future projections. Any concerns about the information in these interim financial reports is brought to the attention of the Finance Director to address.

At mid-year budget adjustment review in the spring of each year, the City's management team reviews the operating results of the first six months of the fiscal year. The Finance Director updates revenue projections for any known socio-economic changes during the first six months of the fiscal year and performs a thorough analysis of the actual revenues received compared to the projections. The Finance Director compiles the City department's revised expenditures requests and compares this to updated revenue projections to determine the feasibility of implementing the revised expenditure requests. If adjustments are necessary, the proposed revenue and expenditure changes are brought to council and are reflected in the mid-year budget adjustment ordinance passed by the City Council.

In August or September of each fiscal year, the Finance Director performs a review of actual revenues and expenditures compared with budgeted projections approved by City Council. Typically, there will be a final budget amendment ordinance in September of each fiscal year, incorporating any approved non-budgeted expenditures and adjusted revenue projections as deemed necessary.

Review of Top Revenue Sources

General Fund Revenues

As is typical in the State of Alabama, the City of Alabaster property taxes are relatively low and therefore are not the City's primary revenue source. Sales and use taxes are the largest revenue source in the City's General Fund, providing 65.8% of revenue for fiscal year 2016. The second largest revenue source for the General Fund is business licenses which provided 11.9% of revenue for fiscal year 2016. The third largest revenue source is property taxes which provided 11.6% of revenue for fiscal year 2016.

Together, the top three revenue sources provide approximately 89.3% of the funds to finance the City services provided by the General Fund. The two largest revenue sources can be increased by a vote of the City Council without a citizens' referendum. Property tax increases are governed by the State Constitution and require approval from the taxpayers via a referendum.

Figure 1 provides a breakdown of the City's largest revenues by source for fiscal year 2016 (audited amounts).

Figure 1

**General Fund
Largest Revenue Sources
Fiscal Year 2016**

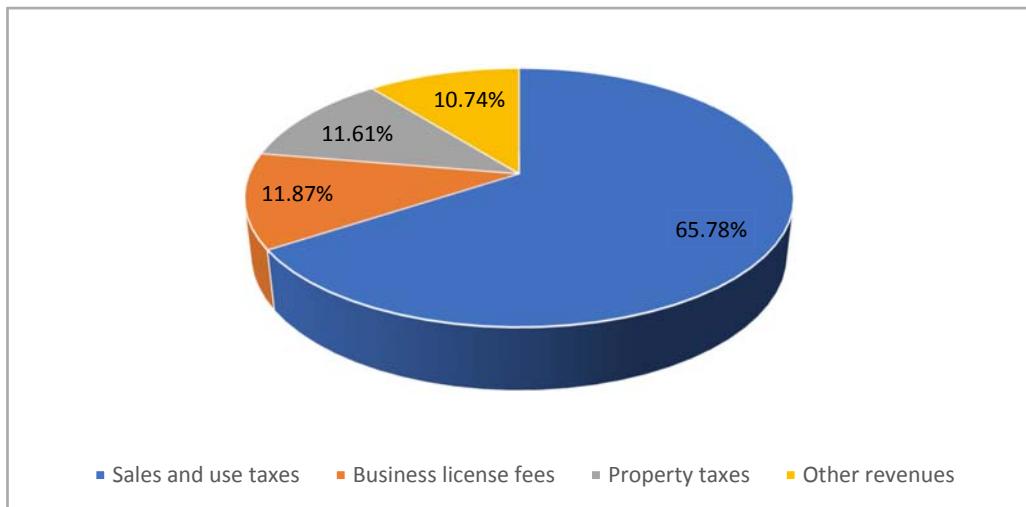


Table 1, *General Fund Revenue Trends*, provides audited, projected, and budgeted information for the top three revenue sources mentioned above.

Table 1
General Fund Revenue Trends

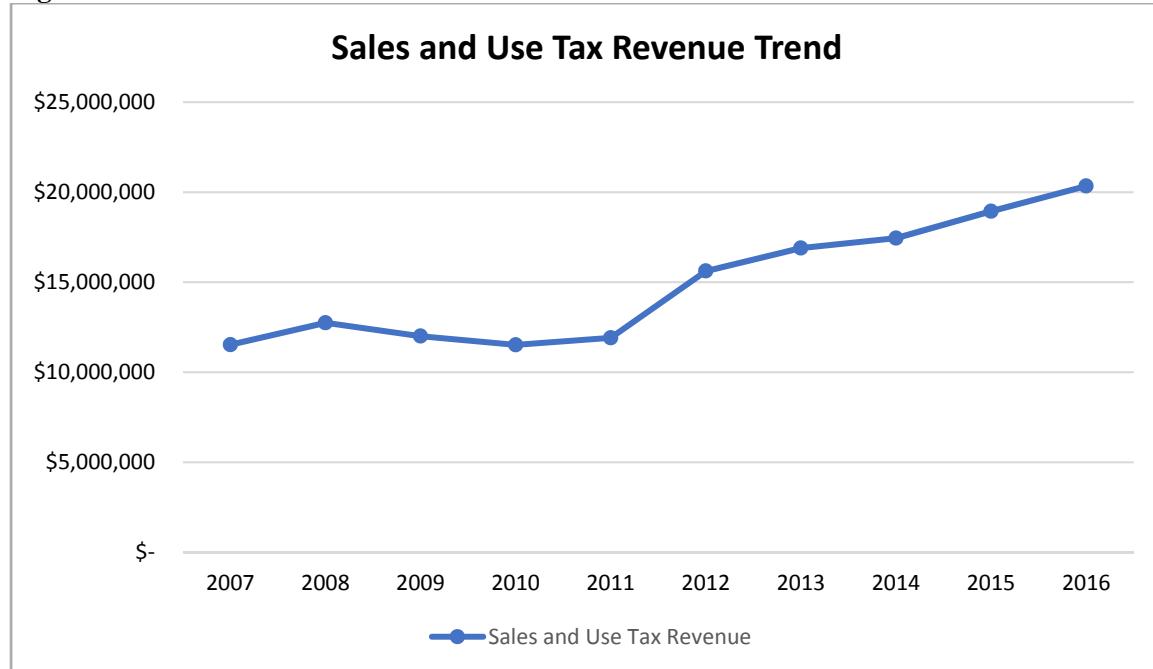
	Audited Actual		Projected	Budgeted
	FY2015	FY2016	FY2017	FY2018
Sales and use taxes	18,936,975	20,338,071	21,292,517	20,889,460
Business license fees	3,432,110	3,670,795	3,795,372	3,795,615
Ad valorem (property) taxes	<u>3,411,038</u>	<u>3,589,515</u>	<u>3,816,939</u>	<u>3,996,998</u>
Total - top 3 revenues	25,780,123	27,598,381	28,904,828	28,682,073
<i>Change from prior year</i>	8.27%	7.05%	4.73%	-0.77%
Total revenues	29,516,311	30,916,148	31,975,066	31,906,873
<i>Change from prior year</i>	9.52%	4.74%	3.43%	-0.21%
Top 3 revenues as a % of total	87.34%	89.27%	90.40%	89.89%

Sales and use tax: Sales taxes are levied on gross receipts resulting from the retail sale of tangible personal property within the corporate limits of the City. Use taxes are levied on gross receipts resulting from the tax-free purchase of tangible personal property that is subsequently used, stored, or consumed by the purchaser. The City's sales and use tax rate is 4.0%. The most recent change was a one cent increase effective December 1, 2011. The state tax rate is 4.0% and the county rate is 1.0% for a combined sales

and use tax rate within the City of 9.0%. This rate is comparable to that levied in neighboring cities and compares favorably with most Alabama cities. Collection of the City sales and use tax is administered by the City's Finance Department.

Growth in the City's sales tax revenue has mirrored the steady expansion of the City's economic base since recovery from the economic downturn began in 2011. The national economic downturn in 2008 caused sales tax revenue to decline in fiscal years 2009 and 2010. The percentage decrease for these periods was comparable with other cities both in Shelby County and throughout the state of Alabama. In December 2011 City Council decided to increase the sales tax rate from 3% to 4%. Sales tax revenue increased by 31.2% (\$3.7 million) in 2012, primarily due to the rate increase. Also contributing was improvement in the national economy as well as the addition of new retail businesses to the area. Since 2012, the average growth of sales and use tax revenue has been 6.8% with a high of 8.55% in fiscal year 2015 and a low of 3.25% in fiscal year 2014. Sales and use tax revenue is projected to be \$21.3 million at the end of fiscal year 2017, which would be a 5.4% increase from the prior year. The budget for 2018 projects a decrease of 1.9% primarily due to the announcement that Best Buy would close its Alabaster location effective October 28, 2017.

Figure 2

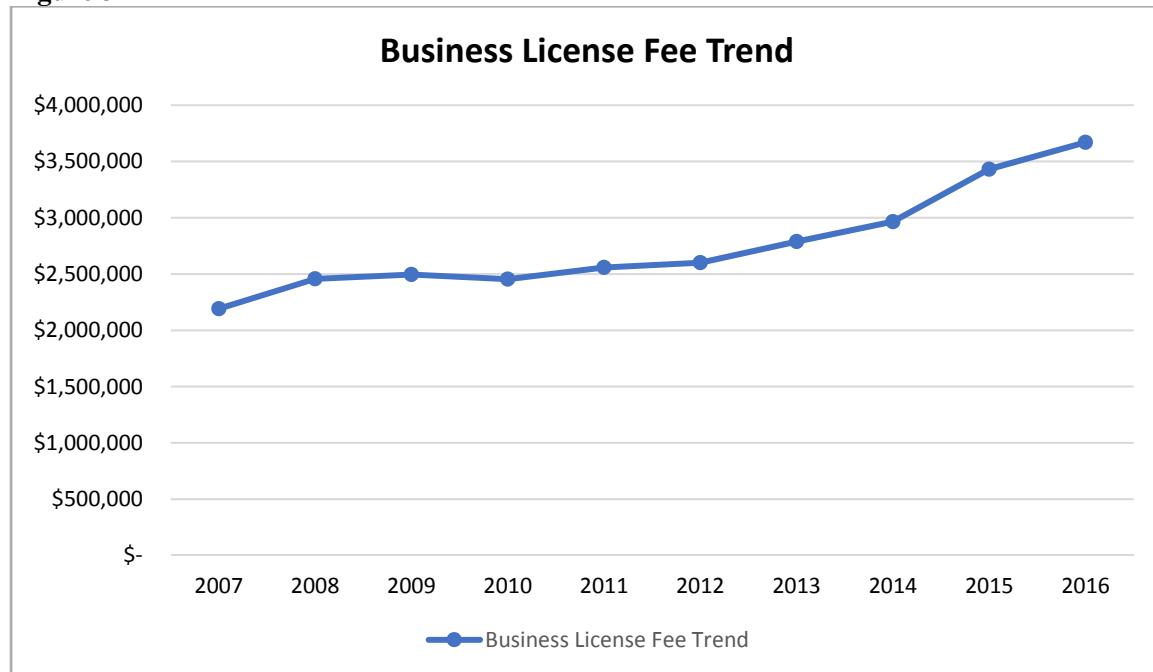


*The sales tax rate increased from 3% to 4% in December 2011.

Business License Fees: City ordinance requires that each business obtain a license annually before conducting business operations within the City. The amount of the business license fee is dependent upon the business type, and for most businesses, the amount of the previous year's gross receipts, although certain business types pay a flat-fee license. Typically changes in the business license revenue reflect changes in the overall economy, changes in the number of businesses in Alabaster, and changes in the business license ordinance passed by City Council. Most business license fees are collected in January and February of each year. City Council adopted a change to the business license ordinance effective January of 2015 that instituted a gradual removal of the cap on gross receipts subject to business license fees. January of 2017 was the first year for which there was no cap of any kind on gross receipts subject to business license fees.

Growth in business license fee revenue, the General Fund's second largest revenue source, averaged 4.5% from 2007 – 2014, the year in which the gradual removal of the cap on gross receipts subject to business license fees began. Since the graduated removal of the gross receipts cap, growth averaged 11.3% for 2015 – 2016. The projected revenue from business license fees for the fiscal year of 2017 is \$3,795,372 which would be 3.4% growth from the prior year. Effective for fiscal year 2018, the Alabama legislature passed SB 316 which allows retailers to deliver up to \$10,000 in merchandise annually to a municipality before requiring the purchase of a business license. In addition, the cap on gross receipts subject to business license fees was completely removed for fiscal year 2017, so there is no anticipated increase in business license fee revenue for fiscal year 2018 because of the continued raising of the gross receipts cap. When anticipated growth in business is factored with the possible loss of delivery license fee revenue, the two are very similar. Therefore, to remain conservative, the City will budget for no increase in business license fee revenue for 2018.

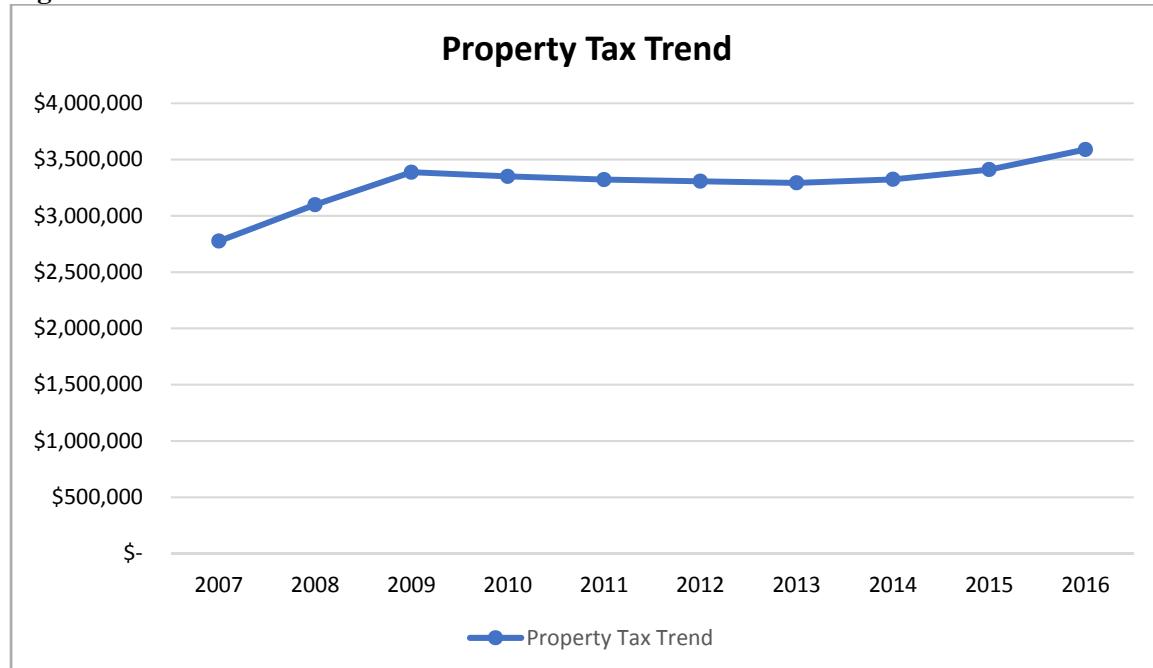
Figure 3



Ad valorem (property) tax: Property taxes, the City's third largest revenue source, are typically the most stable source of City revenues. There has been no change in the Alabaster millage rates over the past decade, so the changes in property tax revenues are primarily driven by new construction and the assessed value of the property within the City. In 2009 the City reached what was at that time an all-time high in property tax revenue received. Beginning in 2010 that number dropped due to the economic downturn that began in 2008. The assessed value assigned to property within the City dropped due to the slowdown in the housing market. The State conducts a reappraisal of all real property at least once every four years, so beginning in 2014, property tax revenues began to increase again, as those homes that were assessed immediately after the economic downturn in 2008 were again reassessed at a value that more accurately reflected current economic conditions. The average change in property tax revenues was -0.7% during the years of 2010 – 2013. From 2014 – 2016 the average change in property tax revenues has been an increase of 2.93% per year with a high of 5.2% in 2016 and a low of 0.9% in 2014. Property taxes are projected to be \$3,816,939 at the end of the year for 2017, which would be an increase of 6.3%.

The current housing market has seen consistent growth in Alabaster over the past 3 years but most of the homes assessed at lower values during the economic downturn have all been reassessed at current market value at the end of 2017. In 2018 a new facility with an anticipated assessed value of around \$80M is slated to begin paying property tax. The City factored this new facility into the revenue calculation. This new facility will provide most of the anticipated growth in property tax for 2018. The 2018 budget projects growth of 4.7% in property tax revenues.

Figure 4

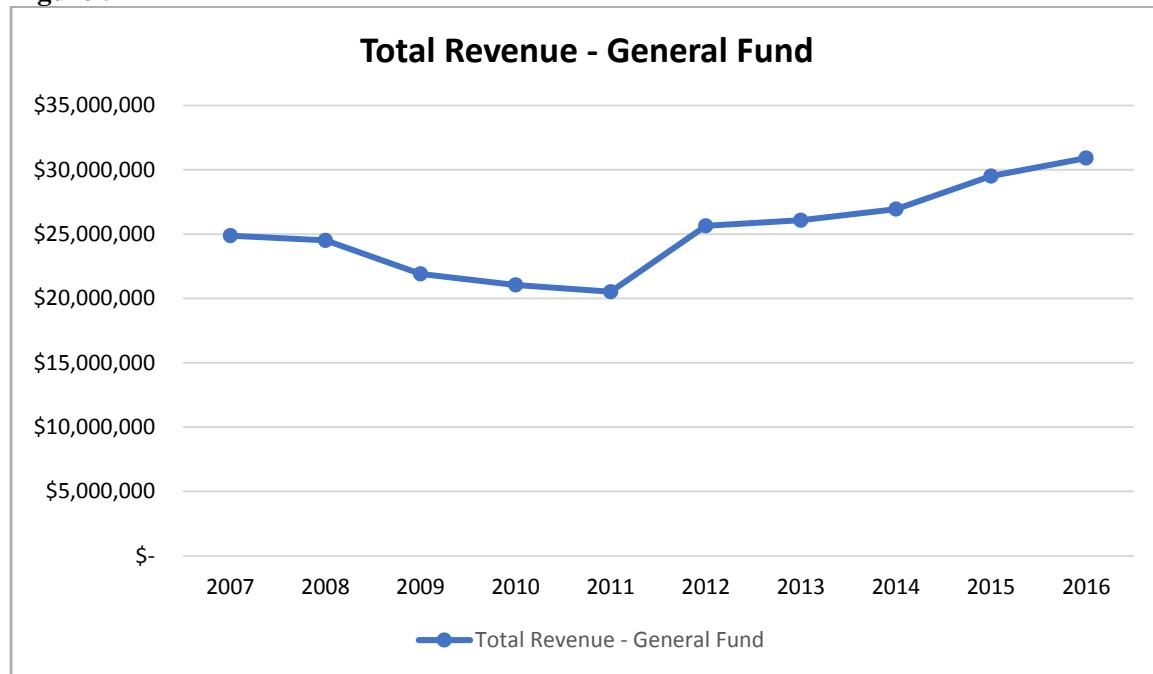


Lesser General Fund revenue sources: Lesser General Fund revenues include court fines; franchise fees; building permit fees; taxes on liquor, gasoline, and lodging; and agreements with other governments. Of these less significant revenue sources there are few anticipated changes effecting the 2018 budget. The City's portion of lodging tax was raised to 6% and a new hotel was added to the City in 2017. 2018 will be the first full budget year that will reflect the changes noted above. The City's budget for lodging tax is \$120,000 for 2018 which is a 42.8% increase from the 2017 mid-year budget. In addition, the City entered into an agreement with the City of Hoover Police Department set to begin in fiscal year 2018 which will allow the Hoover Police Department to use the City of Alabaster firing range at Limestone Park for training exercises. This agreement calls for an annual payment of \$18,000 to the City of Alabaster.

Total revenue of the General Fund: The General Fund saw a steady decrease from 2008 – 2011 as the economic downturn impacted Alabaster. Since 2012, the first year to reflect the sales tax increase from 3% to 4%, the City has seen consistent growth in total revenues averaging 4.8% with a high of 9.5% in 2015 and a low of 1.7% in 2013. Projected total revenue for the end of 2017 is \$31,975,066 which would be an increase of 3.4% from the prior year.

The City's population growth as well as retail development within the City account for the steady increase in total revenues since 2012. The City's decision to create its own school district in 2012 has significantly impacted growth in the region and has helped drive property values higher within the City. Commercial and retail development have also increased since 2012 and have positively impacted the City's tax base. Figure 5 below shows the overall trend in total General Fund revenue growth over the past 10 years. Considering all the factors described above, the City feels the 2018 total revenue budget of \$31,906,873 addresses some of the uncertainty in different revenue areas by budgeting for a slight decrease of 0.2%.

Figure 5



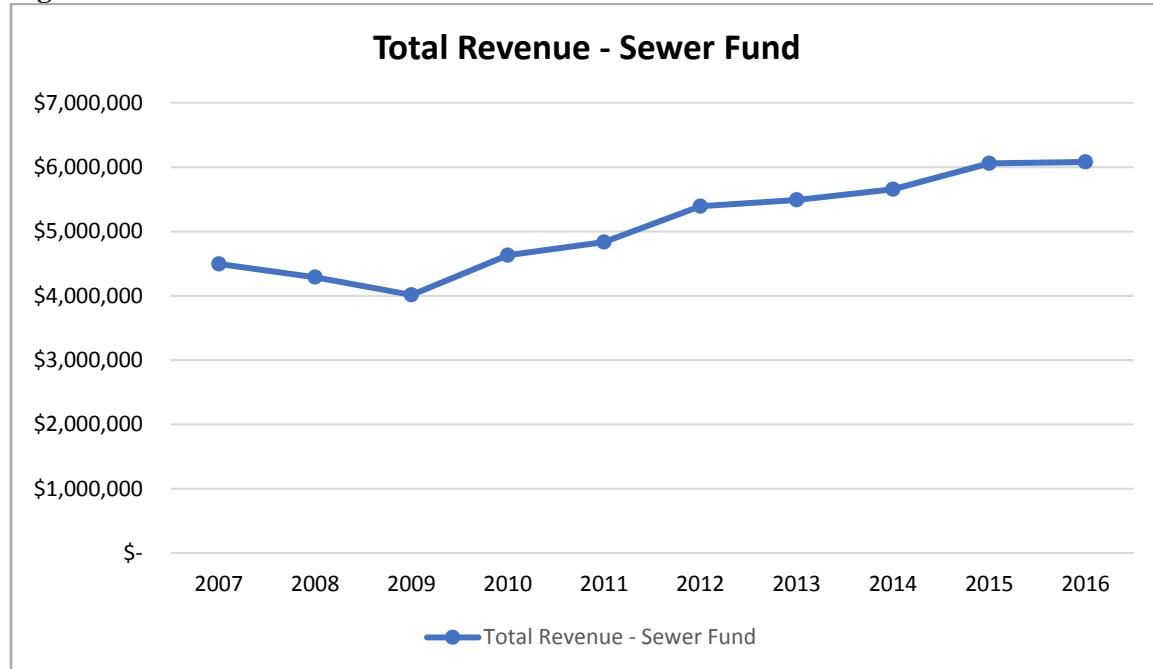
Enterprise Fund Revenues

Sewer Fund: The City has accounted for the wastewater function in a separate enterprise fund for many years. The operations of the City's Sewer Fund are financed primarily by sewer system service charges collected from customers, supplemented by sewer tap fees.

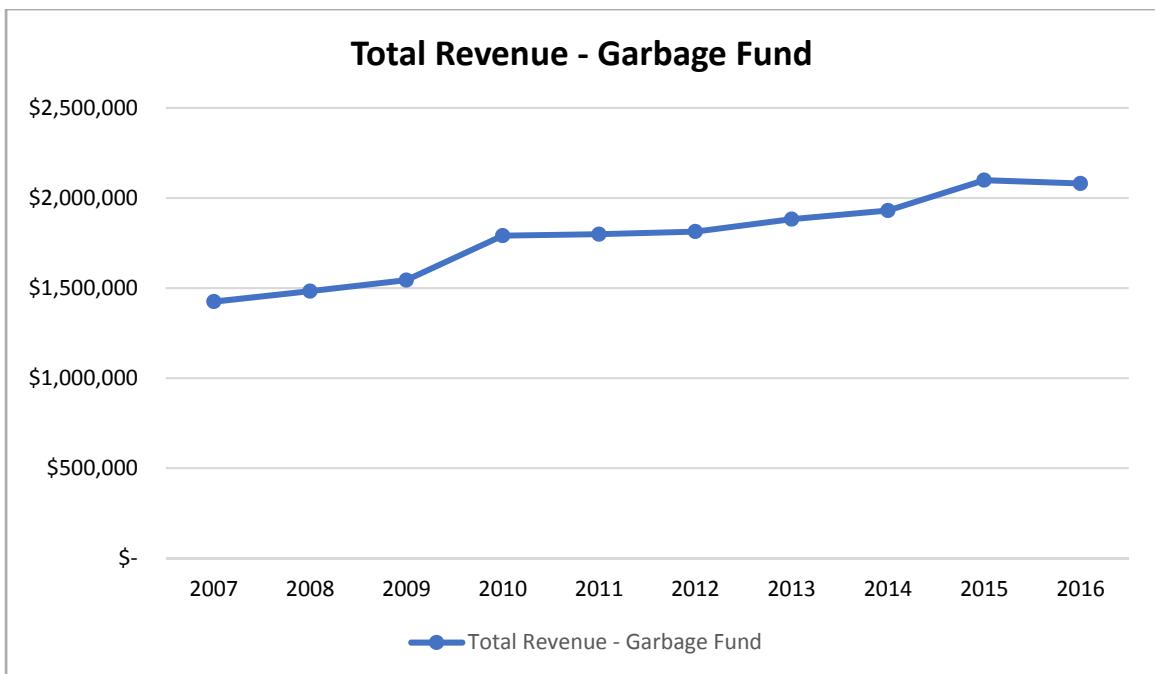
The Sewer Fund is the City's largest Enterprise Fund. All the revenues generated from the sewer services provided to the City and all the expenses incurred to provide those services are accounted for in this fund. Management's goal with respect to sewer services is to provide services in a cost-efficient manner and maintain sewer rates that will cover the full cost of related expenses, including any necessary capital improvements.

Sewer revenues are primarily affected by residential and commercial growth within the City and rate increases. Sewer revenues are impacted by current user usage, but to a much lesser extent. Operating revenues for the Sewer Fund have increased an average of 3.6% since fiscal year 2007. The Sewer Fund experienced decreased revenues from 2007 – 2009 averaging -5.5%. In 2009 sewer rates were raised across the City, and since 2009, continued residential and commercial growth have fueled an average growth of 6.2% each year since 2009.

Figure 6



Garbage Fund: The Garbage Fund accounts for the revenues and expenditures associated with residential and small business garbage services. Revenues received in this fund include garbage charges to customers and garbage account establishment fees. As with the Sewer Fund, the City hopes to manage the solid waste activity in such a way that it is self-supported through the user fees collected. Figure 6 below shows solid waste revenue trends for the years of 2007 – 2016. Average growth from 2007 – 2016 was 4.4% per year. In 2009 garbage rates were raised resulting in 16.0% growth between 2009 and 2010. The remainder of growth in Garbage Fund revenues is attributable to continued residential growth within the City.



Total City Revenues

Table 2 below shows the trends in total City revenues for the audited fiscal years of 2007 – 2016. Since the height of the economic downturn in fiscal year 2009, the City has shown a trend of continued steady revenue growth except for 2011 in which overall revenues decreased just slightly. 2012 was the first fiscal year in which sales tax was increased from 3% to 4% which resulted in a dramatic increase in overall revenues. The slowdown in the economy impacted Alabaster in a significant way during 2008 and 2009 due to the City's reliance on retail sales for tax revenue.

Table 2
Growth in Total City Revenues - Fiscal Years 2007 - 2016

Fiscal Year	Governmental Funds		Proprietary Funds		Total City Revenues	% Change From Prior Year		
	General Fund	Other Governmental Funds	Other					
			Sewer Fund	Garbage Fund				
	\$	\$	\$	\$	\$			
2007	24,887,032	279,591	4,494,197	1,424,756	31,085,576	0.2%		
2008	24,518,739	168,919	4,288,322	1,482,673	30,458,653	-2.0%		
2009	21,912,342	131,681	4,012,667	1,544,088	27,600,778	-9.4%		
2010	21,051,997	393,382	4,630,880	1,791,093	27,867,352	1.0%		
2011	20,526,145	570,739	4,834,150	1,799,007	27,730,041	-0.5%		
2012	25,648,931	884,937	5,391,530	1,813,732	33,739,130	21.7%		
2013	26,085,022	1,005,567	5,489,372	1,882,424	34,462,385	2.1%		
2014	26,951,834	585,588	5,655,249	1,930,326	35,122,997	1.9%		
2015	29,516,311	587,746	6,057,895	2,098,938	38,260,890	8.9%		
2016	30,916,148	617,679	6,079,734	2,080,767	39,694,328	3.7%		

Alabaster's economy has gradually grown more stable since the economic downturn due to the City's efforts to diversify revenue sources. While Alabaster still relies heavily on retail sales within the City, changes to the business license and permit fee structures, entering into new intergovernmental service agreements, and the hiring of a Chief Revenue Examiner to conduct audits within the City have all helped diversify the revenue base to help buffer the City's revenue forecast from significant decreases.

City management is committed to continued diversification of the revenue base through cooperation with the City's Industrial Development Board (IDB) and exploration of public-private partnerships to encourage new retail and industrial growth within the City. The City also understands the role played by the City Schools in driving residential growth within the City, and the City is committed to supporting the City School Board by continuing to provide 1% of all sales and use tax to help fund the School Board's operations.

Debt Overview

The City's annual revenues are typically not adequate to finance all the expenditures proposed and approved by City Council. Expenditures that have a long-term benefit to the citizens generally have significant costs and it is reasonable to spread those costs over several years. The advantage of financing is that it allows the City to spread costs associated with large projects over many years keeping the annual expenditures related to these projects reasonable, but the disadvantage is the interest and administrative charges associated with debt issuances. To manage public debt in a responsible manner requires consistent application of sound debt management policies. The City's financial policies, including debt policies, are included within this document.

The City maintains a conservative debt policy and only issues debt for the acquisition of property, construction of capital projects, purchase of major capital equipment, or to refinance current debt to achieve an interest cost savings or more reasonable yearly debt payments.

General obligation (GO) debt: Most of the City's debt is general obligation (GO) debt meaning that the debt is backed by the full faith and credit of the City of Alabaster and is secured through the government's pledge to use legally available resources, including tax revenues, to repay the debt. The City's current credit rating, as discussed in the Credit Rating section of this overview, is strong which makes the use of GO debt the best choice for most significant debt issuances.

For smaller borrowings, the City has obtained financing from financial institutions without going to the bond market. Such financing is obtained through a competitive process through which local financial institutions, and any others that have expressed interest in providing financing, can propose interest rates and structure. This process ensures that the City obtains the best possible financing for each project or expenditure. City Council approves all financing arrangements prior to entering into any kind of debt agreement.

The City's general obligation debt outstanding at September 30, 2016 is shown below in table 3:

Table 3
General Obligation Debt - September 30, 2016

Series	General Payment Source	Year of Final Maturity	Principal Outstanding at 9/30/16
2005-B	General revenues	2025	\$ 330,000
2009	Sewer revenues	2020	3,570,000
2010-A	General revenues	2026	2,085,000
2010-B	General revenues	2029	1,120,000
2011-A	General revenues	2018	375,000
2011-B	General revenues	2025	3,925,000
2012-A	General revenues	2018	1,180,000
2012-B	General revenues	2024	9,375,000
2012-C	General revenues	2028	9,680,000
2012-D	General revenues	2033	5,205,000
2013	General revenues	2017	401,159
2013-B	Sewer revenues	2029	14,345,000
2016-A	General revenues	2026	4,235,000
2016-B	General revenues	2029	2,330,000
Total General Obligation Debt at 9/30/2016			<u>\$ 58,156,159</u>

Legal Debt Limit

The *Code of Alabama* establishes the legal debt limit for Alabama municipalities. The legal debt limit for municipalities is 20% of the assessed value of property within the city limits that is subject to ad valorem taxation. Excluded from the legal debt limit computation is debt payable issued for sewer systems.

Computation of the legal debt margin for the City of Alabaster at September 30, 2016, is as follows:

Table 4
Legal Debt margin

Legal Debt Margin	
Net assessed value	383,816,540
Debt limitation (20% of net assessed value)	<u>20%</u>
Total allowable debt	76,763,308
Long-term debt at September 30, 2016	58,156,159
Less: Debt not chargeable to debt limit (sewer debt)	(17,915,000)
Debt chargeable to debt limit	40,241,159
Debt Margin	<u>36,522,149</u>

Debt Issuances for Fiscal Year 2018

The City has budgeted for three new debt issuances in fiscal year 2018: two issuances within the General Fund and one issuance within the Garbage Fund.

Within the General Fund, the City plans to enter into two capital lease agreements totaling \$1,147,188. One capital lease agreement will be to purchase ten new police patrol vehicles and the other capital lease agreement will be to purchase a new fire engine. The City anticipates each capital lease agreement will have terms of five years.

The City has been outsourcing garbage collection to a third-party for previous years. Beginning in January 2018, the City will begin to provide garbage service internally. To provide high-quality garbage service to the citizens of Alabaster, the City has significant capital purchases that must be made. The City plans to finance these purchases through the issuance of a general obligation warrant in the amount of \$3,697,914. The proceeds of this debt will be used to purchase garbage trucks, garbage bins for all garbage pickup customers, and a new garbage facility to store garbage trucks and provide an office space for garbage service employees. The anticipated repayment term for this bond is ten years.

Debt Service Requirements

Table 5 below shows the City's debt service requirements to maturity (principal and interest payments) for all City debt. The debt service requirements below are only debt which the City has entered prior to August of 2017 and does not reflect any anticipated future borrowings.

Table 5
Debt Service Requirements

Fiscal Year	General Fund	Sewer Fund	Total Debt Service
2018	\$ 3,683,144	\$ 2,259,496	\$ 5,942,640
2019	3,624,294	2,261,033	5,885,327
2020	3,305,754	2,583,483	5,889,237
2021	4,675,860	1,355,833	6,031,693
2022	4,755,734	1,352,320	6,108,054
2023 - 2033	24,507,867	9,486,243	33,994,110
Total	\$ 44,552,653	\$ 19,298,408	\$ 63,851,061

Credit Rating

The most recent credit rating for the City was issued by Moody's on July 21, 2017. In that report Moody's gave Alabaster a credit rating of Aa3. This rating equates to high quality and very low credit risk. The report cited Alabaster's solid financial position, strong economy and tax base, and strong financial management as factors contributing to the rating. This rating is outstanding for a municipality the size of Alabaster and ranks favorably with other cities in Alabama regardless of size. This rating translates to lower interest rates for borrowed funds.

Conclusion

The City seeks to budget in a manner that is conservative to ensure the City does not overcommit itself in any given fiscal year. While the City has experienced continued economic growth over the past five years, the City is still striving to find ways to diversify revenue sources to hedge against future declines in retail spending. City management is confident that the revenue projections and financial position presented in the fiscal year 2018 budget are based on sound forecasting techniques and that the continued marginal economic improvement within the City will sustain the expenditures necessary to provide high quality services to the citizens of Alabaster.

City of Alabaster

Description of All Budgeted Funds

The City of Alabaster adopts an annual budget for each fiscal year for each fund within the City. The City's funds are divided into three categories: Major Governmental, Non-major Governmental, and Proprietary.

Governmental Funds: All governmental funds are budgeted and accounted for using the modified accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). The revenues are recognized when received in cash, except those accrualable, which are recorded as receivable when measurable and available to pay current liabilities. Expenditures are recognized on a modified accrual basis. Governmental funds' expenditures are recorded when the associated liability is incurred with the following exceptions: general long-term debt principal and interest are reported when due and costs of accumulated unpaid vacation leave are reported in the period due and payable rather than the period earned.

Governmental funds are divided into major and non-major funds. Funds that meet certain criteria established by the Governmental Accounting Standards Board are classified as major funds. These criteria focus on the relative size of each fund's assets, liabilities, revenues, and expenditures as a percentage of corresponding amounts for total funds by category (governmental or proprietary) or the total of all funds. Major funds receive greater focus in the City's annual financial statements. The City's major funds are the General Fund, Capital Projects Fund, and Debt Service Fund.

Non-major governmental funds are all those governmental funds that do not meet the requirements noted above for major funds.

Proprietary Funds: Proprietary funds are accounted for on the full accrual basis, where revenues are recorded when earned and expenses when incurred. For management control purposes, the proprietary funds' expenses are budgeted on the accrual basis except for capital outlays and repayments of debt principal are budgeted as expenditures.

Proprietary funds can be both major and non-major as well, but currently both of the City's proprietary funds are considered major funds. The City's proprietary funds are the Sewer Fund and the Garbage Fund.

Governmental Funds

General Fund: The General Fund accounts for the operating activities of the City and is the City's largest major fund. It used to account for all financial resources not specifically required to be accounted for in another fund.

Capital Projects Fund: The Capital Projects Fund provides funding for property acquisition, infrastructure improvements, and capital improvements. Projects in this fund are typically funded through debt proceeds, state appropriations, or grant proceeds.

Debt Service Fund: The Debt Service Fund is used for the accumulation of resources for, and payment of, principal and interest on general long-term debt.

Special Revenue Funds: The Special Revenue Funds are used to account for the proceeds of specific revenues which are legally restricted to finance specific functions or activities of the government and therefore, cannot be diverted to other uses. This group is comprised of 4 Cent Gas Tax Fund, 7 Cent Gas

Tax Fund, Corrections Fund, Drug Seizure Fund, Municipal Training Fund, Municipal Judicial Fund, Library State Aid Fund, and the Subdivision Capital Projects Fund.

***Enterprise
Funds***

Sewer Fund: The Sewer Fund is used to account for revenue earned from and costs related to sewer service.

Garbage Fund: The Garbage Fund accounts for the revenues earned from and costs related to the operations of the City's solid waste and sanitation program.

City of Alabaster
 2018 Combined Statement of Revenues, Expenditures, and Changes in Fund Balance

	Governmental Funds				Proprietary Funds		Total All Funds
	General Fund	Capital Projects Fund	Debt Service Fund	Special Revenue Funds	Sewer Fund	Garbage Fund	
Revenues							
Sales and use taxes	\$ 20,889,460						\$ 20,889,460
Property taxes	3,996,998						3,996,998
Other taxes	1,340,000			134,000			1,474,000
Licenses and permits	4,261,415						4,261,415
Charges for services	748,400				5,934,000	2,060,000	8,742,400
Interest income	10,000	6,176	5,000				21,176
Other revenues	660,600	629,950		117,475			1,408,025
Total revenues	31,906,873	636,126	5,000	251,475	5,934,000	2,060,000	40,793,474
Other financing sources							
Debt proceeds	1,312,188		5,000,000			3,697,914	10,010,102
Transfer in from other funds	392,000	5,325,000	3,683,144				9,400,144
Total revenues and other sources	33,611,061	5,961,126	8,688,144	251,475	5,934,000	5,757,914	60,203,720
Expenditures							
Personnel and benefits	16,644,383				1,600,260	713,886	18,958,529
Operating services	5,118,430			61,150	1,519,100	1,894,102	8,592,782
Debt service	363,000		3,683,144		2,260,185	41,302	6,347,631
Capital outlay	2,043,102	4,594,750			997,905	2,426,007	10,061,764
Support provided to outside agencies	5,244,975						5,244,975
Total expenditures	29,413,890	4,594,750	3,683,144	61,150	6,377,450	5,075,297	49,205,681
Other financing uses							
Transfers out to other funds	3,883,144		5,000,000	167,000	350,000		9,400,144
Total expenditures and other uses	33,297,034	4,594,750	8,683,144	228,150	6,727,450	5,075,297	58,605,825
Increase (decrease) in fund balance	\$ 314,026	\$ 1,366,376	\$ 5,000	\$ 23,325	\$ (793,450)	\$ 682,617	\$ 1,597,894

City of Alabaster
 Summary of Authorized Personnel

Department	Authorized Regular Full-Time Positions		
	Budget FY17	Increase (Decrease)	Budget FY18
Administration	6	-	6
Information Technology	2	1	3
Library	6	-	6
Police	84	1	85
Court	6	-	6
Fire	64	-	64
Public Works	18	(7)	11
Parks & Recreation	25	-	25
Finance	6	-	6
Human Resources	2	-	2
Environmental Services	24	-	24
Garbage	-	12	12
Total Employees	243	7	250

Information Technology: The FY18 budget proposes adding a GIS position at Grade 22.

Police: The FY18 budget proposes adding a police officer position at Grade 17.

Garbage: The FY18 budget proposes adding 5 garbage truck driver positions at grade 14.

Public Works: The FY18 budget proposes moving 7 Public Works employees to the Garbage Fund.



GENERAL FUND

City of Alabaster General Fund Summary

The General Fund is the principal fund of the City and is used to account for all activities of the City not specifically required to be reported in a separate fund. The General Fund accounts for the normal recurring activities of the City.

Revenues: General Fund revenues primarily consist of taxes levied and collected by the City. Additional revenues come from licenses and permits (examples include business licenses and building permits), charges for services (examples include all parks & recreation registration fees), fines and forfeitures (examples include all court fines collected by the City), as well as donations and grants from outside agencies. The City also receives other financing sources

Expenditures: General Fund expenditures and other financing uses are divided by department. Expenditures are divided amongst the following departments:

- General Administration
- Information Technology (I.T.)
- Library
- Police
- Court
- Fire
- Public Works
- Parks and Recreation
- Finance
- Elected Officials
- Human Resources
- Non-departmental Expenditures

In addition, expenditures within each department are divided up into the following expense categories:

Personnel: Expenditures related to providing salaries, wages, and benefits to current and retired City employees.

Operating: Expenditures related to funding the day-to-day operations related to providing City services to the citizens of Alabaster.

Capital: Expenditures related to the acquisition of long-lived assets that will be used in operations. Examples of such expenditures include land, buildings, vehicles, and heavy machinery.

Non-departmental: expenditures consist of the following items not directly attributable to any one City department:

Debt Service: Expenditures related to the payment of debt obligations.

Outside Agency Funding: Funds provide to other governmental and not-for-profit organizations that the City feels benefit the citizens of Alabaster.

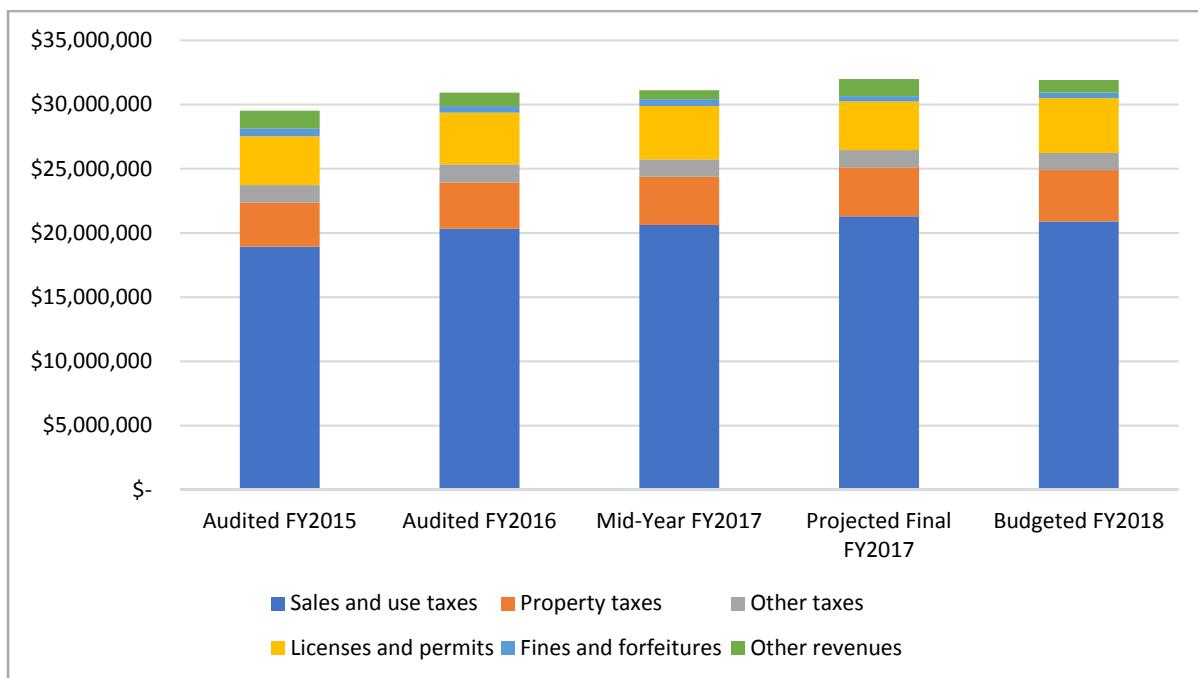
Transfers: Transfers are the movement of resources from one City fund to another fund that may have different legal restrictions placed upon it. It is common for various funds in a City to transfer resources to each other.

City of Alabaster
 General Fund – Changes in Fund Balance

The City understands that fund balance for the General Fund must be maintained at a level that ensures the City is able to respond to crisis or changes in economic conditions. Management strives to maintain a fund balance equal to **at least** 15% of expenditures. As a management tool to ensure an adequate fund balance is maintained, the Council established a Council Reserve Fund that can only be spent after approval of a Council majority. The City has historically transferred \$300,000 each year into this account and plans to maintain this level of funding for the foreseeable future.

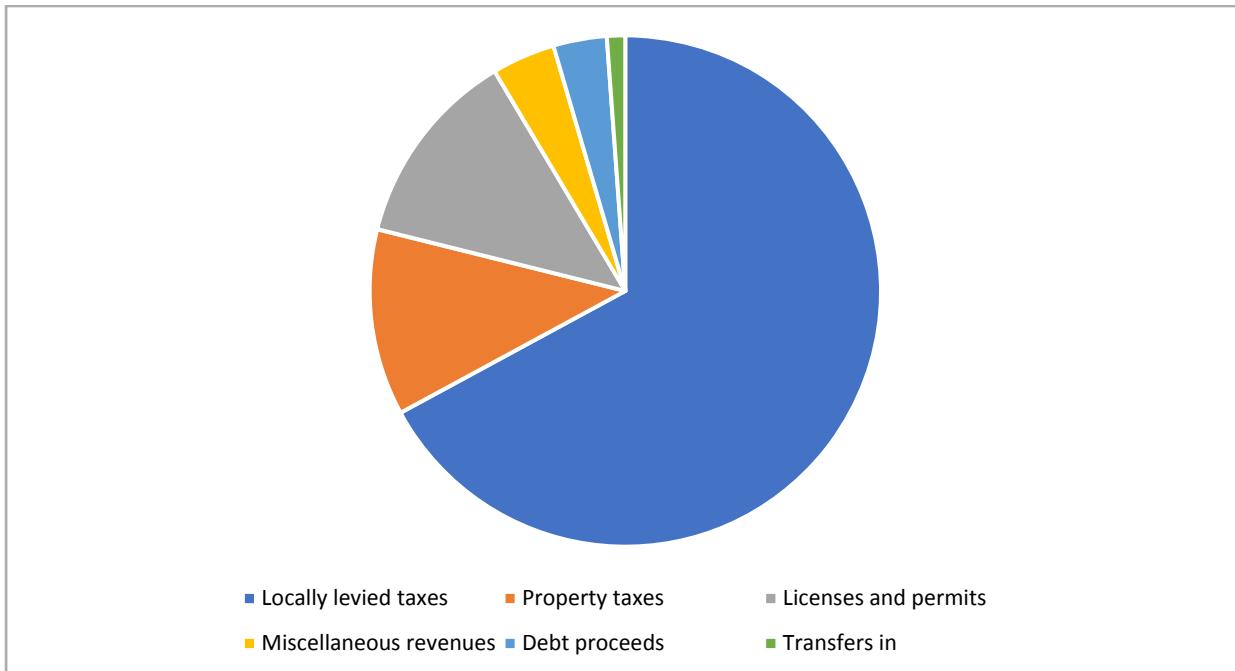
	Actual Audited	Mid-Year Budget	Budget
	FY2016	FY2017	FY2018
Beginning fund balance / net position	\$ 5,070,078	\$ 6,118,380	\$ 6,518,133
Revenues	30,916,148	31,111,807	31,906,873
Other financing sources	<u>1,030,000</u>	<u>690,000</u>	<u>1,704,188</u>
Total available resources	<u>31,946,148</u>	<u>31,801,807</u>	<u>33,611,061</u>
 Expenditures	 27,356,845	 27,418,786	 29,413,890
Other financing uses	3,541,001	3,983,268	3,883,144
Total expenditures and other uses	<u>30,897,846</u>	<u>31,402,054</u>	<u>33,297,034</u>
 Excess (deficit) of available resources over expenditures and other uses	 <u>1,048,302</u>	 <u>399,753</u>	 <u>314,026</u>
 Ending fund balance	 <u>\$ 6,118,380</u>	 <u>\$ 6,518,133</u>	 <u>\$ 6,832,159</u>
 Ending fund balance as a % of expenditures and other financing uses	 19.80%	 20.76%	 20.52%

City of Alabaster
Trends in General Fund Revenues



	Actual Audited		Mid-Year Budget	Projected Final	Budget
	FY2015	FY2016	FY2017	FY2017	FY2018
Sales and use taxes	\$18,936,975	\$20,338,071	\$20,624,000	\$21,292,517	\$20,889,460
Property taxes	3,411,038	3,589,515	3,742,500	3,816,939	3,996,998
Other taxes	1,376,372	1,413,338	1,365,500	1,336,644	1,340,000
Licenses and permits	3,800,853	4,028,686	4,140,000	3,795,372	4,261,415
Fines and forfeitures	614,252	507,928	538,000	406,685	448,500
Other revenues	1,376,821	1,038,610	701,807	1,326,908	970,500
	\$29,516,311	\$30,916,148	\$31,111,807	\$31,975,066	\$31,906,873

City of Alabaster
 General Fund – Summary of Revenues by Source



Budgeted revenues

Sales and use taxes	\$ 20,889,460
Other taxes	1,340,000
Total locally levied taxes	22,229,460
Property taxes	3,996,998
Total taxes	26,226,458
Licenses and permits	4,261,415
Fines and forfeitures	448,500
Other revenues	970,500
Total miscellaneous revenues	1,419,000
Total budgeted revenues	<u>31,906,873</u>

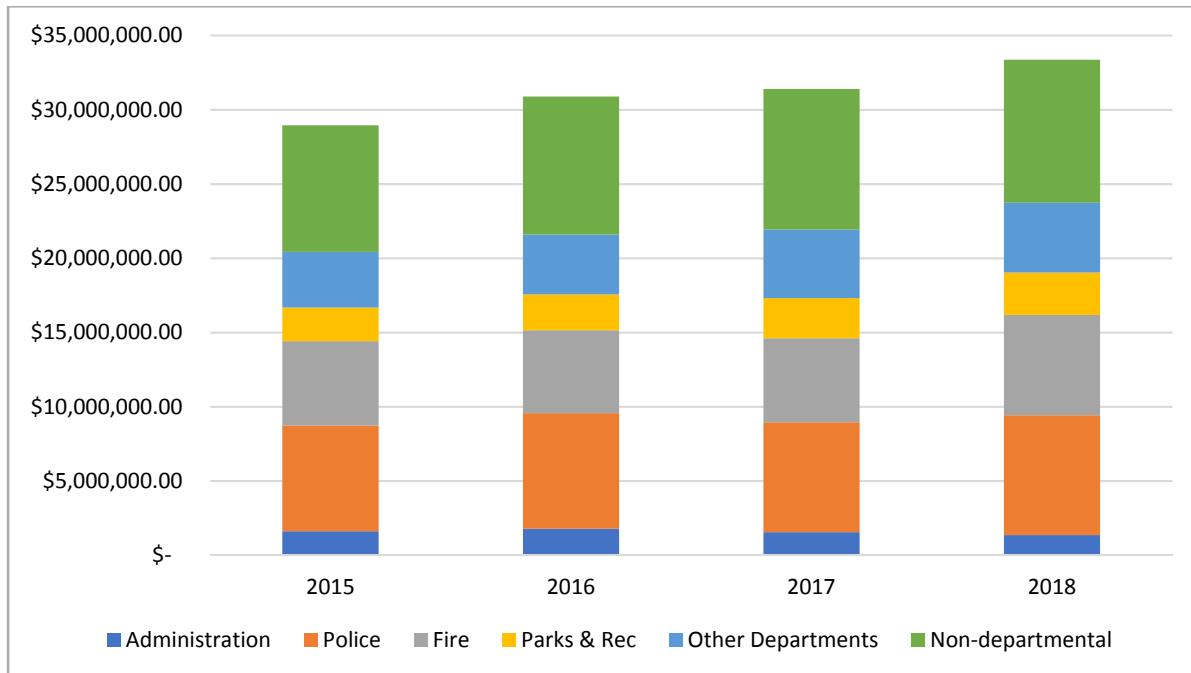
Other financing sources

Debt proceeds	1,312,188
Transfers in from other funds	392,000
Total budgeted other financing sources	<u>1,704,188</u>

Total budgeted revenues and other financing sources

\$33,611,061

City of Alabaster
 Trends in General Fund Expenditures by Department



	Actual Audited		Mid-Year Budget		Budget FY2018
	FY2015	FY2016	FY2017	FY2018	
Administration	\$ 1,625,820	\$ 1,792,410	\$ 1,558,032	\$ 1,416,687	
I.T.	-	-	-	841,254	
Library	765,605	762,307	791,619	841,792	
Police	7,117,732	7,777,903	7,398,414	8,055,151	
Court	446,126	496,042	525,314	523,390	
Fire	5,681,443	5,581,612	5,656,638	6,732,023	
Public Works	1,710,334	1,901,427	1,989,172	1,207,896	
Parks & Recreation	2,260,169	2,412,895	2,703,693	2,860,249	
Finance	237,131	237,802	651,792	597,011	
Elected Officials	343,217	378,159	374,208	372,591	
Human Resources	246,466	257,838	291,778	300,726	
Non-departmental	8,518,506	9,299,451	9,461,394	9,491,119	
	<u>\$ 28,952,549</u>	<u>\$ 30,897,846</u>	<u>\$ 31,402,054</u>	<u>\$ 33,239,889</u>	

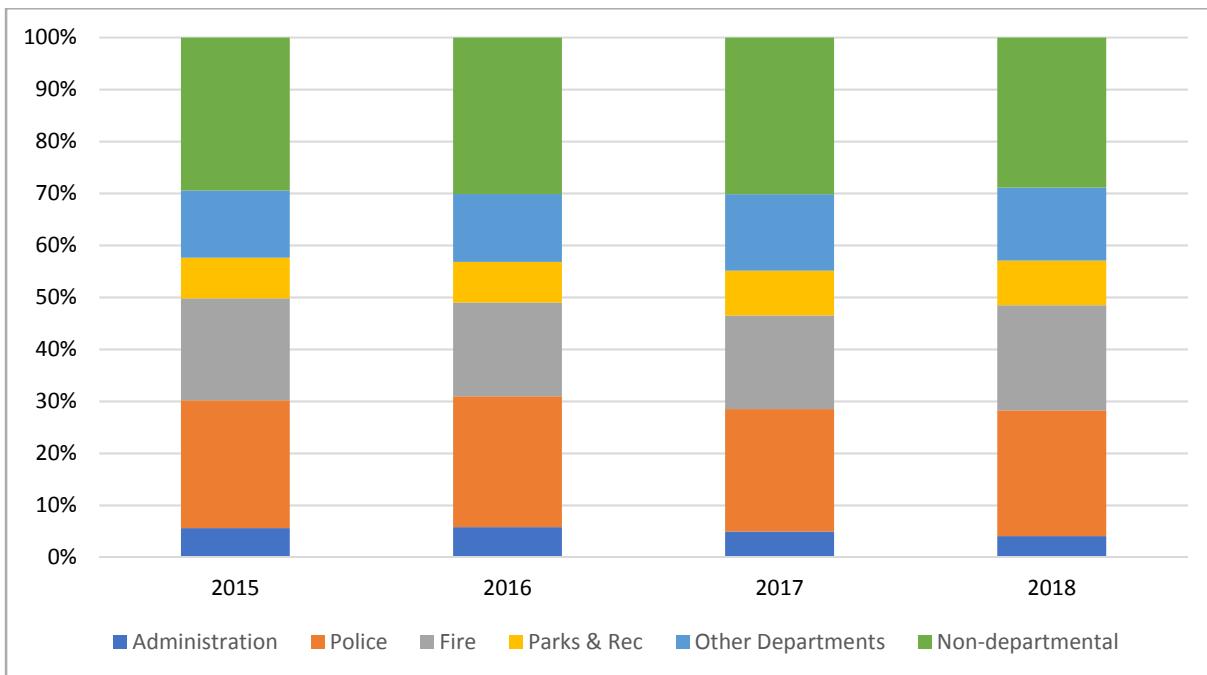
Notes

I.T. is being established as a new department for the 2018 budget.

Accounting personnel were moved from Administration to Finance in 2017.

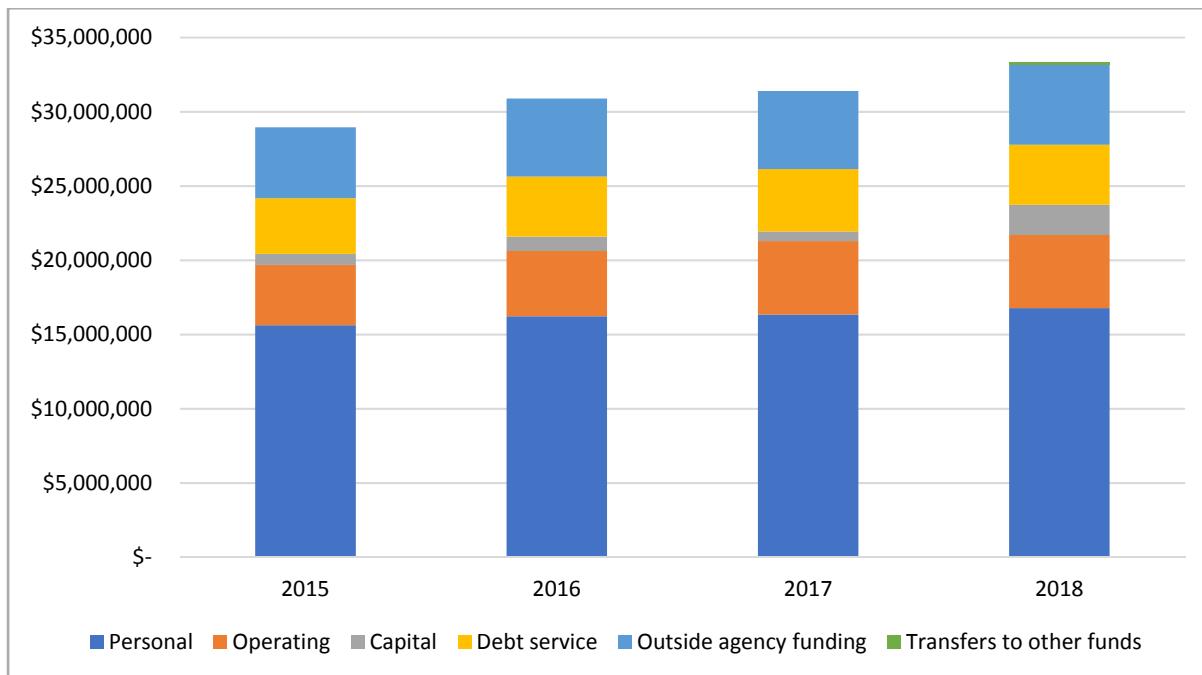
Certain expenses previously accounted for by the Public Works department will move to the Garbage fund for 2018.

City of Alabaster
 Percentage of General Fund Expenditures by Department



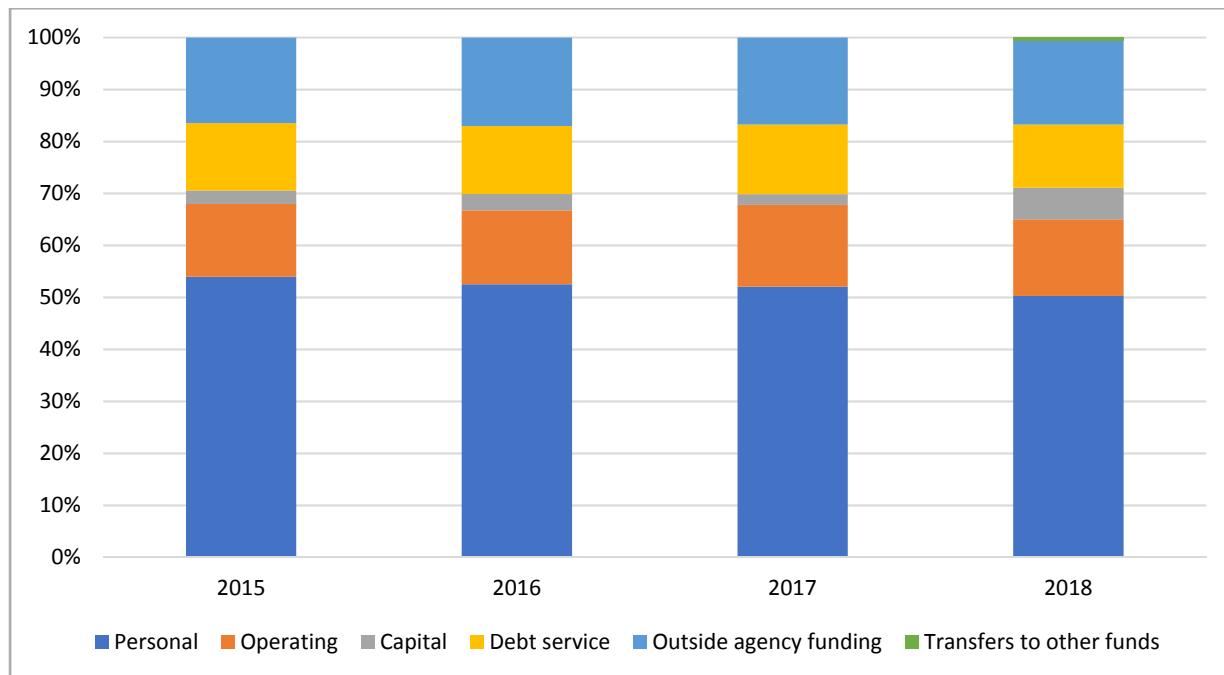
	Mid-Year			
	Actual Audited	Budget		Budget
	FY2015	FY2016	FY2017	FY2018
Administration	5.62%	5.80%	4.96%	4.26%
I.T.	0.00%	0.00%	0.00%	2.53%
Library	2.64%	2.47%	2.52%	2.53%
Police	24.58%	25.17%	23.56%	24.23%
Court	1.54%	1.61%	1.67%	1.57%
Fire	19.62%	18.06%	18.01%	20.25%
Public Works	5.91%	6.15%	6.33%	3.63%
Parks & Recreation	7.81%	7.81%	8.61%	8.60%
Finance	0.82%	0.77%	2.08%	1.80%
Elected Officials	1.19%	1.22%	1.19%	1.12%
Human Resources	0.85%	0.83%	0.93%	0.90%
Non-departmental	29.42%	30.10%	30.13%	28.55%
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

City of Alabaster
 Trends in General Fund Expenditures by Expenditure Category



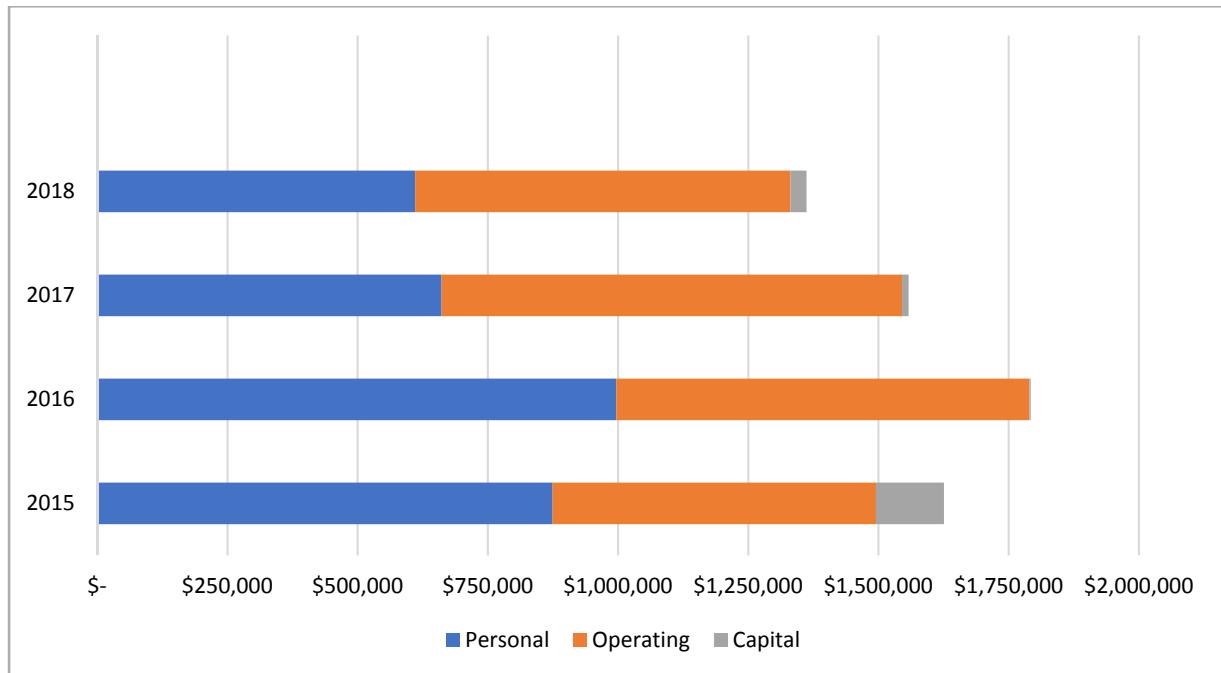
	Actual Audited		Mid-Year Budget	
	FY2015	FY2016	FY2017	FY2018
Personnel and Benefits	\$ 15,631,049	\$ 16,230,740	\$ 16,351,914	\$ 16,768,933
Operating	4,052,674	4,394,169	4,939,158	4,936,735
Capital	750,320	972,168	649,587	2,043,102
Debt Service	3,746,925	4,039,514	4,203,394	4,046,144
Outside Agency Funding	4,771,581	5,261,255	5,258,000	5,244,975
Transfers to other funds	-	-	-	200,000
	\$28,952,549	\$30,897,846	\$31,402,054	\$33,239,889

City of Alabaster
 Percentage of General Fund Expenditures by Expenditure Category



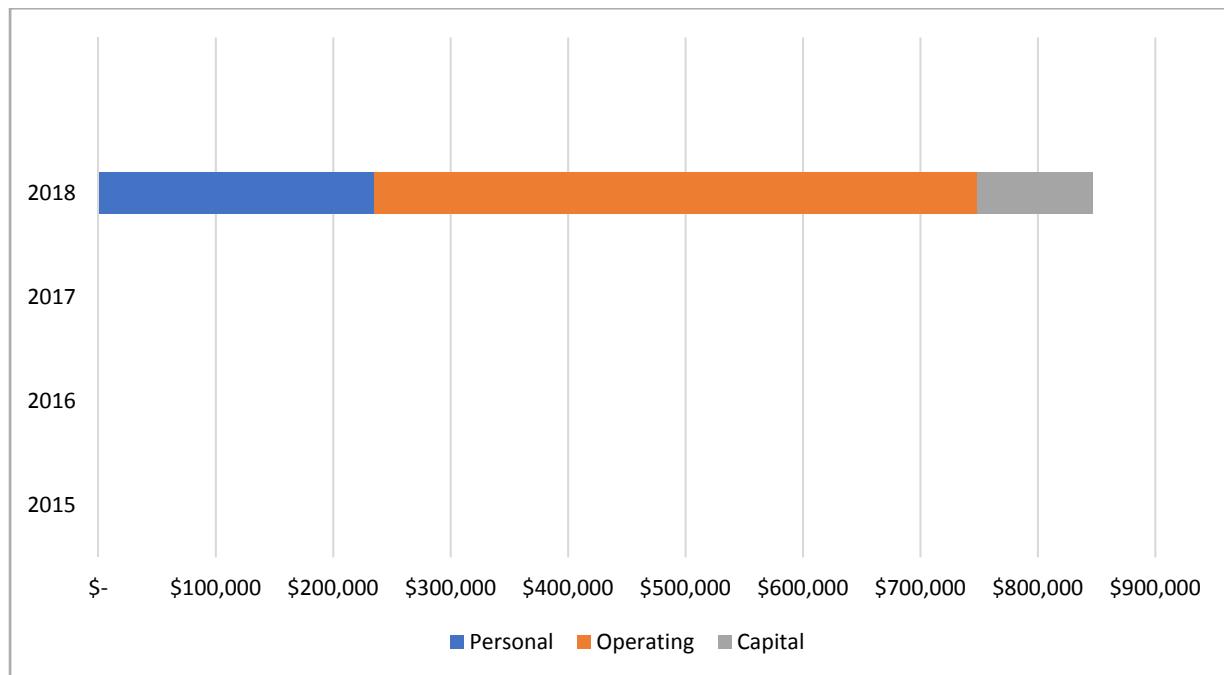
	Mid-Year			
	Actual Audited	Budget	Budget	Budget
	FY2015	FY2016	FY2017	FY2018
Personnel and Benefits	53.99%	52.53%	52.07%	50.45%
Operating	14.00%	14.22%	15.73%	14.85%
Capital	2.59%	3.15%	2.07%	6.15%
Debt Service	12.94%	13.07%	13.39%	12.17%
Outside Agency Funding	16.48%	17.03%	16.74%	15.78%
Transfers to other funds	0.00%	0.00%	0.00%	0.60%
	100.00%	100.00%	100.00%	100.00%

Administration
Budget Summary



	Mid-Year			
	Actual Audited		Budget	Budget
	FY2015	FY2016	FY2017	FY2018
Personnel	\$ 874,267	\$ 996,749	\$ 661,287	\$ 640,122
Operating	621,008	793,052	884,145	745,975
Capital	130,545	2,609	12,600	30,590
	<u>\$ 1,625,820</u>	<u>\$ 1,792,410</u>	<u>\$ 1,558,032</u>	<u>\$ 1,416,687</u>

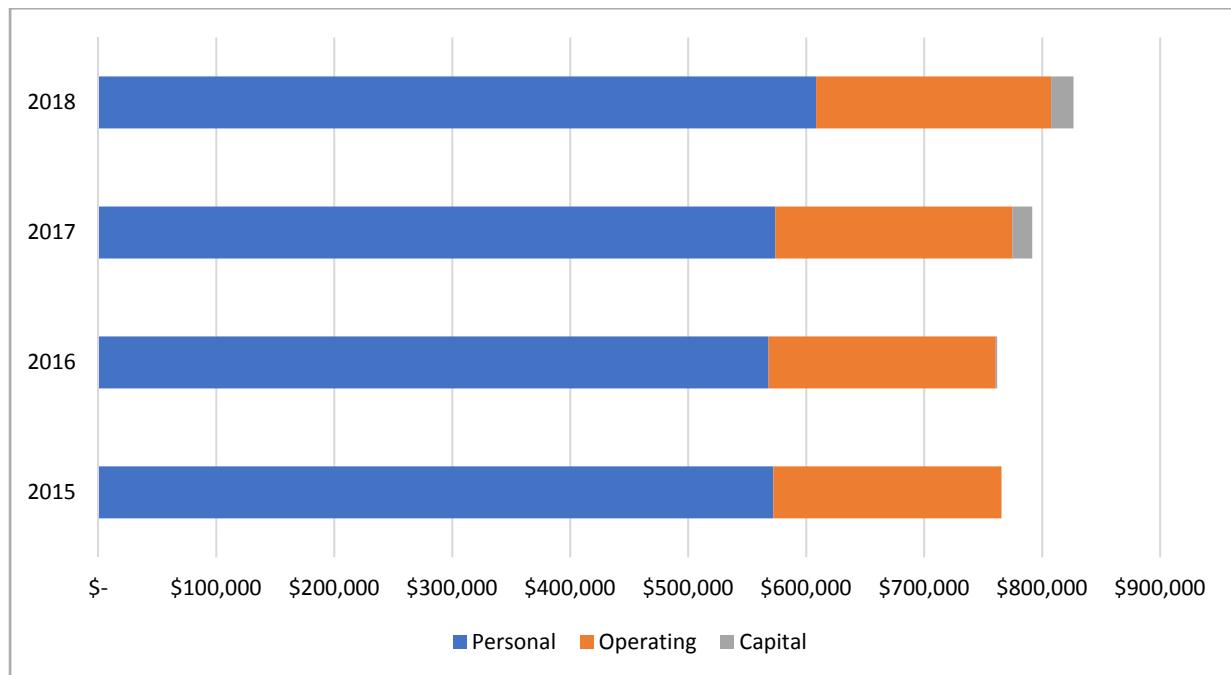
Information Technology
Budget Summary



	Mid-Year			
	Actual Audited		Budget	Budget
	FY2015	FY2016	FY2017	FY2018
Personnel	\$ -	\$ -	\$ -	\$ 233,739
Operating	-	-	-	509,015
Capital	-	-	-	98,500
	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 841,254</u></u>

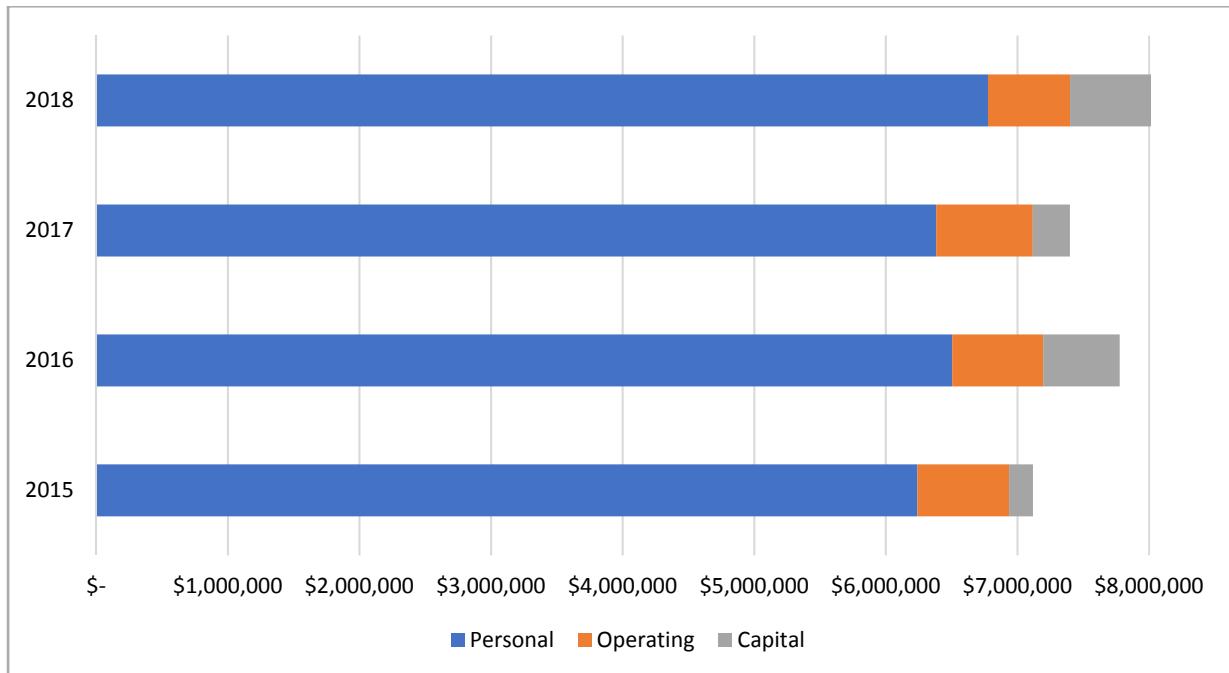
Note: Information technology was added as a new department for the 2018 budget.

Library
Budget Summary



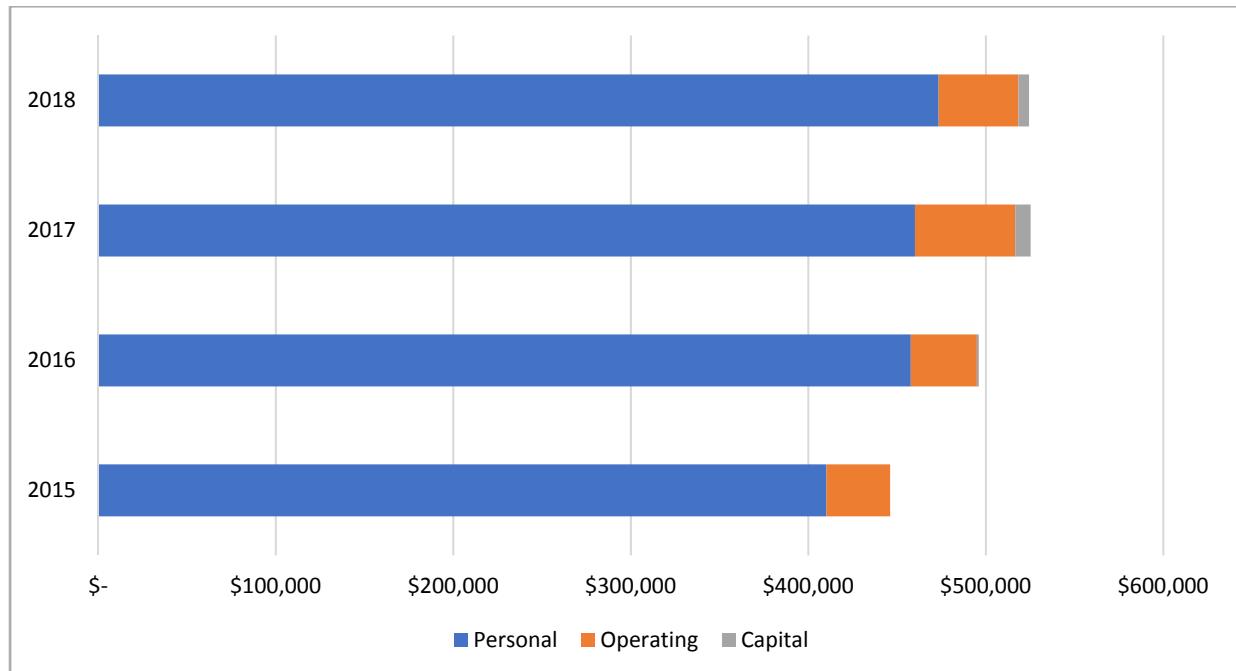
	Mid-Year			
	Actual Audited		Budget	Budget
	FY2015	FY2016	FY2017	FY2018
Personnel	\$ 572,210	\$ 568,143	\$ 573,973	\$ 607,067
Operating	193,395	192,602	200,783	204,175
Capital	-	1,174	16,863	30,550
	<u><u>\$ 765,605</u></u>	<u><u>\$ 761,919</u></u>	<u><u>\$ 791,619</u></u>	<u><u>\$ 841,792</u></u>

Police
Budget Summary



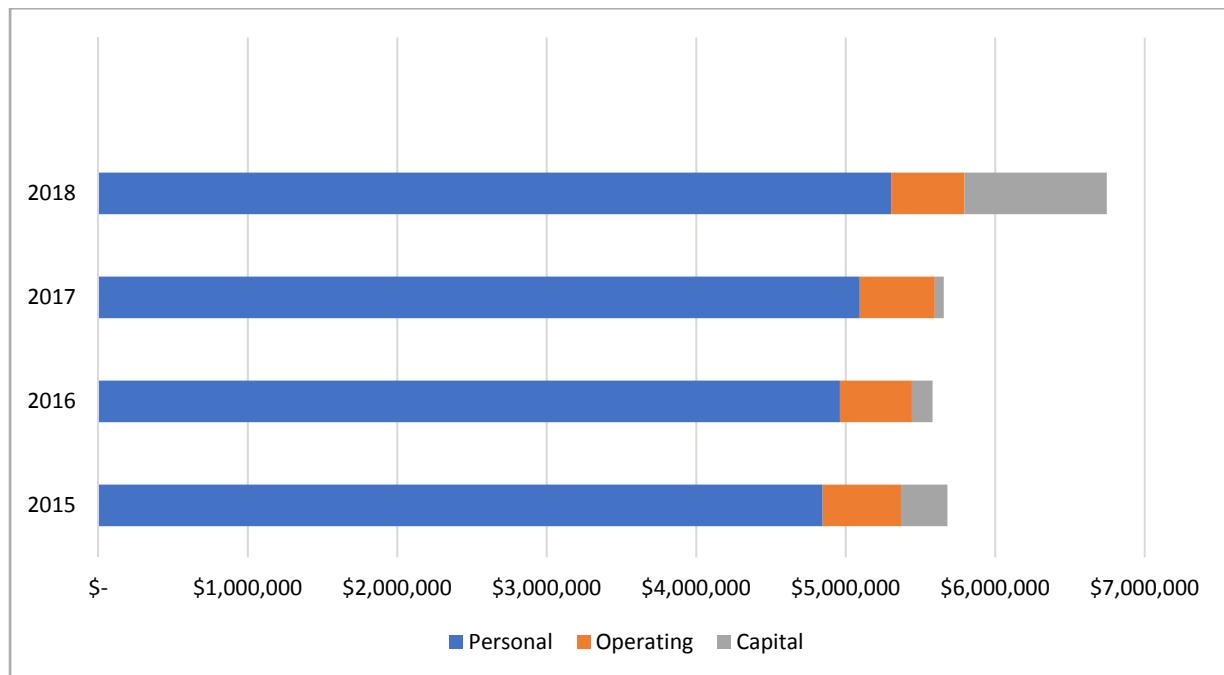
	Mid-Year			
	Actual Audited		Budget	Budget
	FY2015	FY2016	FY2017	FY2018
Personnel	\$ 6,240,438	\$ 6,503,838	\$ 6,382,603	\$ 6,757,010
Operating	696,393	692,191	734,266	624,318
Capital	180,901	580,944	281,545	673,823
	<u>\$ 7,117,732</u>	<u>\$ 7,776,973</u>	<u>\$ 7,398,414</u>	<u>\$ 8,055,151</u>

Court
Budget Summary



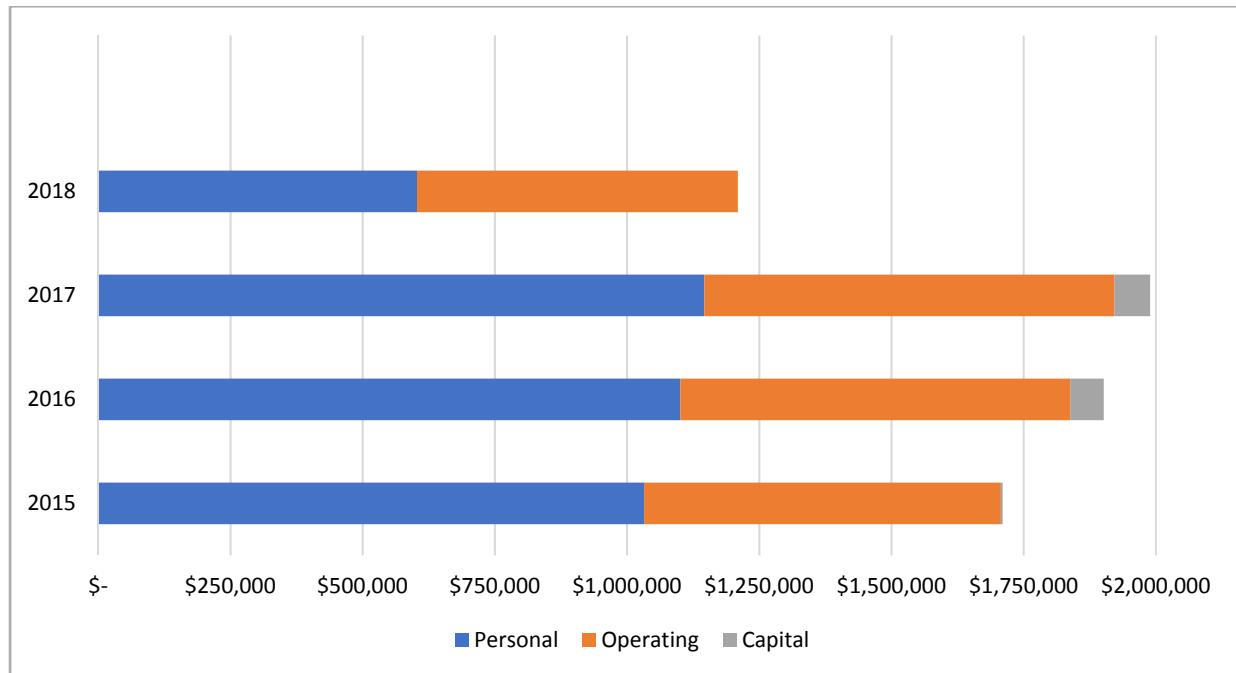
	Mid-Year			
	Actual Audited		Budget	Budget
	FY2015	FY2016	FY2017	FY2018
Personnel	\$ 410,300	\$ 457,747	\$ 460,075	\$ 472,390
Operating	35,826	37,215	56,500	45,000
Capital	-	1,080	8,739	6,000
	<u>\$ 446,126</u>	<u>\$ 496,042</u>	<u>\$ 525,314</u>	<u>\$ 523,390</u>

Fire
Budget Summary



	Mid-Year			
	Actual Audited		Budget	Budget
	FY2015	FY2016	FY2017	FY2018
Personnel	\$ 4,846,042	\$ 4,962,158	\$ 5,094,393	\$ 5,289,512
Operating	524,029	481,485	501,860	489,872
Capital	311,371	137,969	60,385	952,639
	<u>\$ 5,681,443</u>	<u>\$ 5,581,612</u>	<u>\$ 5,656,638</u>	<u>\$ 6,732,023</u>

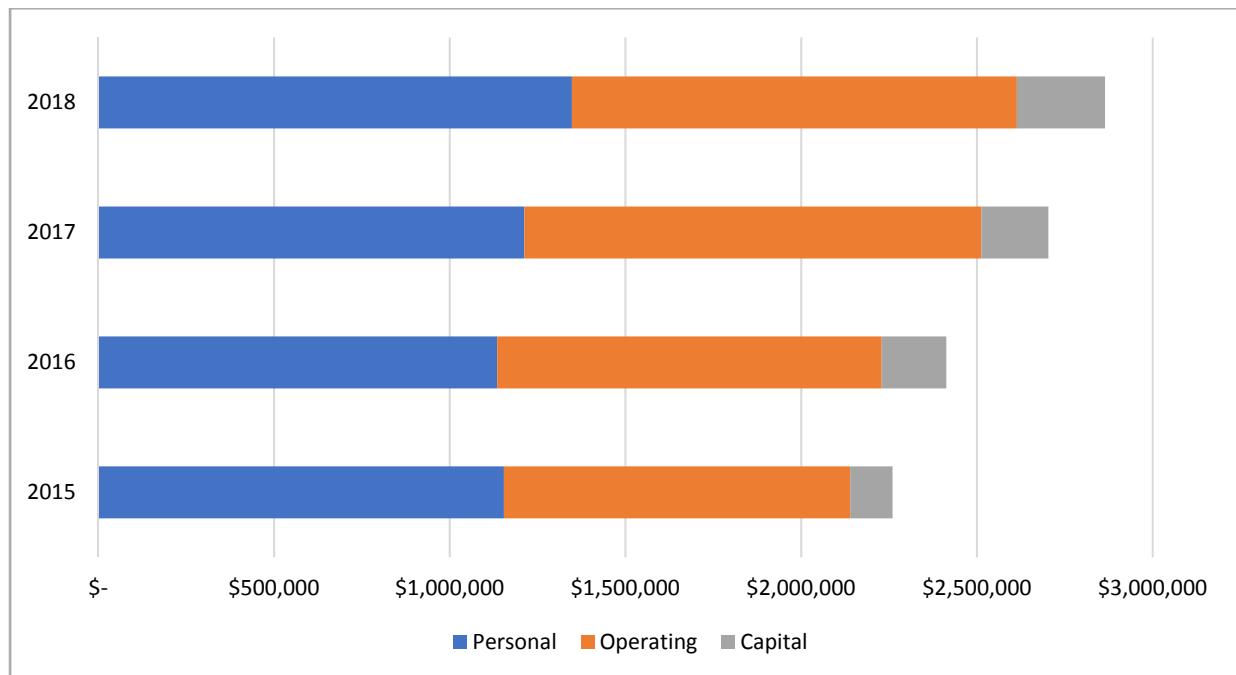
Public Works
Budget Summary



	Mid-Year			
	Actual Audited		Budget	Budget
	FY2015	FY2016	FY2017	FY2018
Personnel	\$ 1,032,182	\$ 1,100,878	\$ 1,146,259	\$ 601,296
Operating	674,966	737,165	775,313	606,600
Capital	3,186	63,385	67,600	-
	<u>\$ 1,710,334</u>	<u>\$ 1,901,428</u>	<u>\$ 1,989,172</u>	<u>\$ 1,207,896</u>

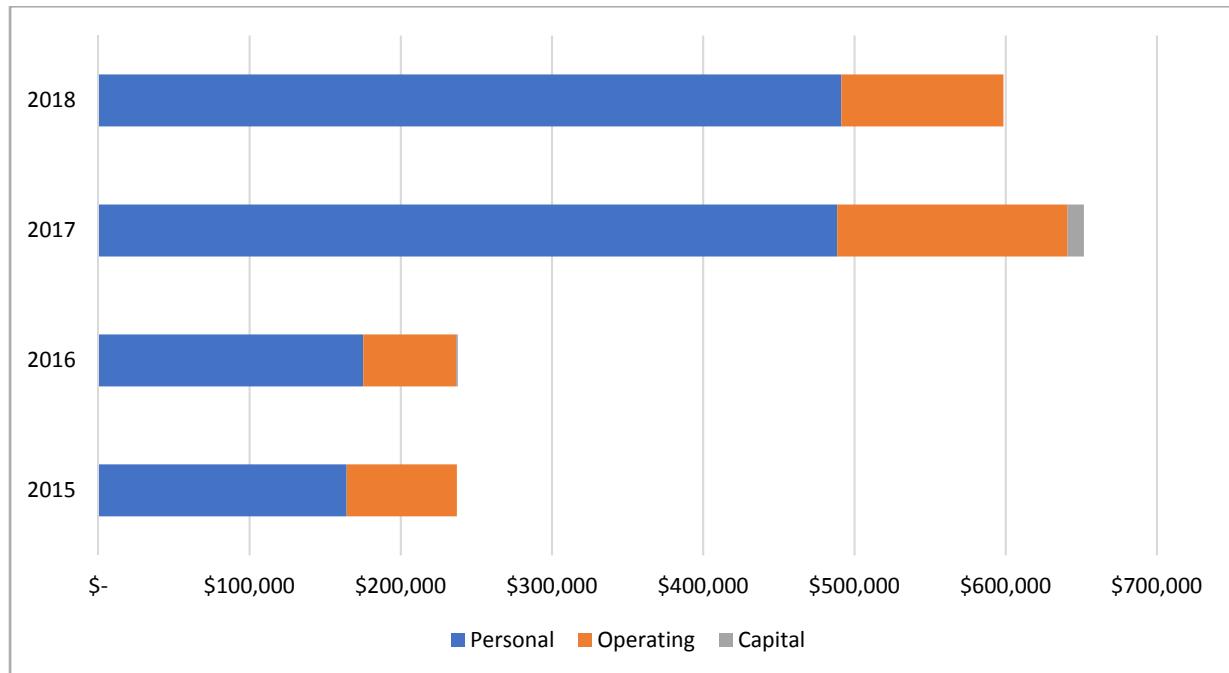
Note: 7 employees and certain operating expenses previously handled by the Public Works department are being moved to the Garbage Fund for 2018.

Parks and Recreation
Budget Summary



	Mid-Year			
	Actual Audited		Budget	Budget
	FY2015	FY2016	FY2017	FY2018
Personnel	\$ 1,154,479	\$ 1,135,208	\$ 1,212,706	\$ 1,343,549
Operating	985,073	1,093,847	1,299,992	1,265,700
Capital	120,617	183,840	190,995	251,000
	<u>\$ 2,260,169</u>	<u>\$ 2,412,895</u>	<u>\$ 2,703,693</u>	<u>\$ 2,860,249</u>

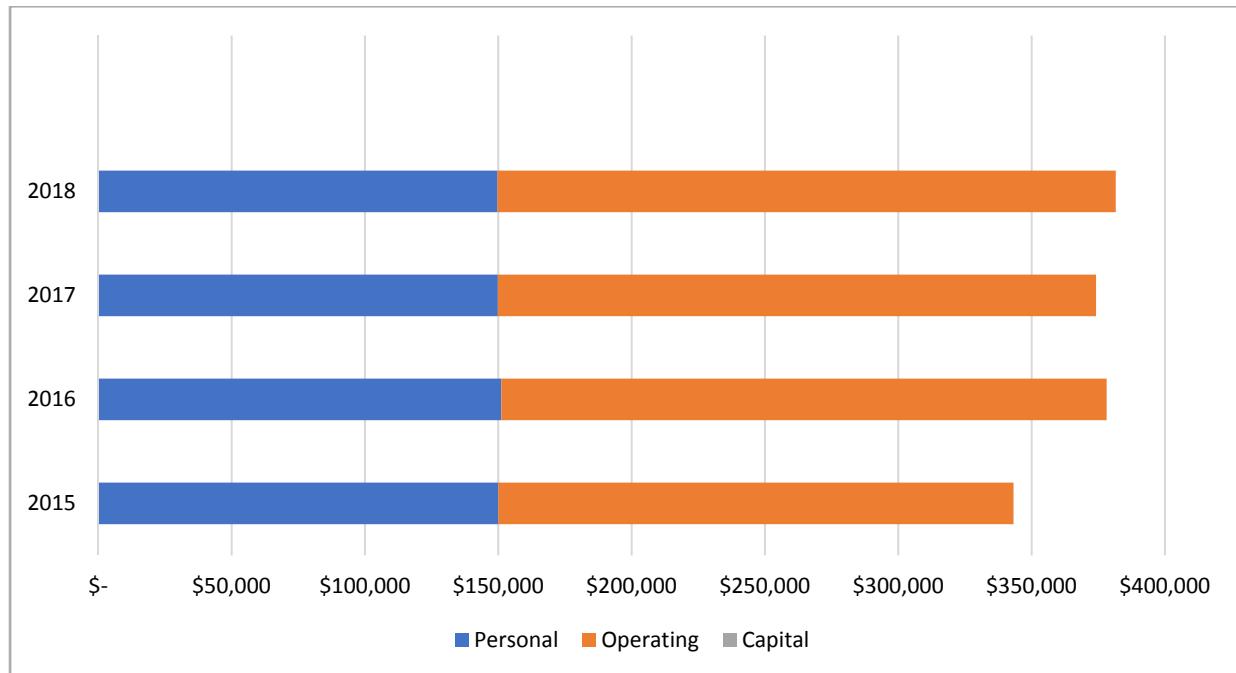
Finance
Budget Summary



	Mid-Year			
	Actual Audited		Budget	Budget
	FY2015	FY2016	FY2017	FY2018
Personnel	\$ 164,242	\$ 175,208	\$ 488,657	\$ 489,861
Operating	72,889	61,428	152,275	107,150
Capital	-	1,166	10,860	-
	<u>\$ 237,131</u>	<u>\$ 237,802</u>	<u>\$ 651,792</u>	<u>\$ 597,011</u>

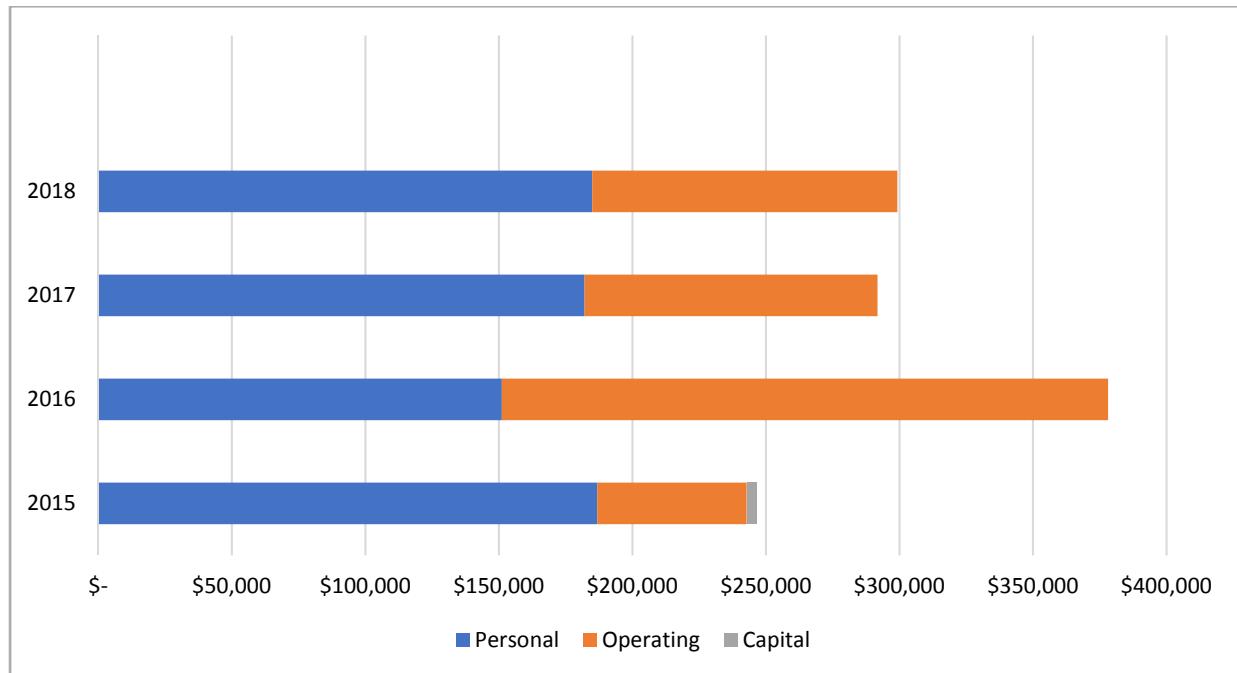
Note: Accounting personnel were moved from Administration to Finance in 2017.

Elected Officials
Budget Summary



	Mid-Year			
	Actual Audited		Budget	Budget
	FY2015	FY2016	FY2017	FY2018
Personnel	\$ 150,060	\$ 151,154	\$ 149,858	\$ 149,741
Operating	193,156	227,005	224,350	222,850
Capital	-\$	-\$	-\$	-\$
	<u><u>\$ 343,217</u></u>	<u><u>\$ 378,159</u></u>	<u><u>\$ 374,208</u></u>	<u><u>\$ 372,591</u></u>

Human Resources
Budget Summary



	Mid-Year			
	Actual Audited		Budget	Budget
	FY2015	FY2016	FY2017	FY2018
Personnel	\$ 186,829	\$ 179,656	\$ 182,103	\$ 184,646
Operating	55,937	227,005	109,675	116,080
Capital	3,700	-	-	-
	<u>\$ 246,466</u>	<u>\$ 406,660</u>	<u>\$ 291,778</u>	<u>\$ 300,726</u>

City of Alabaster
Debt Service Budget Summary

	Actual Audited		Mid-Year		Budget FY2018
	FY2015	FY2016	Budget FY2017		
Principal and Interest					
2005-B GO warrant	\$ 46,220	\$ 44,990	\$ 43,835	\$ 42,575	
2010-A GO warrant	779,636	734,329	585,704	589,170	
2010-B GO warrant	125,632	105,737	46,058	46,058	
2011-A GO warrant	193,893	193,134	194,304	192,280	
2011-B GO warrant	244,933	360,940	448,971	428,988	
2012-A GO warrant	615,185	615,610	611,310	602,437	
2012-B GO warrant	373,619	374,426	375,115	372,795	
2012-C GO warrant	920,524	942,715	956,127	957,000	
2012-D GO warrant	176,288	176,300	176,300	176,300	
2013 GO warrant	128,620	272,740	272,740	-	
2016-A GO warrant	-	60,997	193,025	196,363	
2016-B GO warrant	-	15,221	79,779	79,178	
Capital leases	117,875	117,875	220,126	363,000	
Line of credit	24,500	24,500	-	-	
Total debt service	\$ 3,746,925	\$ 4,039,514	\$ 4,203,394	\$ 4,046,144	

Debt service as a % of expenditures and other financing uses	12.9%	13.1%	13.4%	12.2%
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City of Alabaster
 Outside Agency Funding Summary

	Actual Audited		Mid-Year	
	FY2015	FY2016	Budget	Budget
Alabaster Board of Education	\$ 4,634,081	\$ 5,051,840	\$ 5,103,000	\$ 5,122,365
Industrial Development Board	125,000	142,000	142,000	106,150
Clastran	7,500	8,000	8,000	8,960
Shelby County Chamber of Commerce	5,000	5,000	5,000	7,500
Total outside agency funding	<u>\$ 4,771,581</u>	<u>\$ 5,206,840</u>	<u>\$ 5,258,000</u>	<u>\$ 5,244,975</u>

City of Alabaster
Transfer Summary

	Actual Audited		Budget		Budget	
	FY2015	FY2016	FY2017	FY2018		
Transfer to capital projects fund		-	-	-		200,000
Total transfers to other funds	\$	-	\$	-	\$	200,000

Note: Transfers reflected above exclude transfers to the debt service fund, which are included in the debt service budget summary.



ENTERPRISE FUNDS

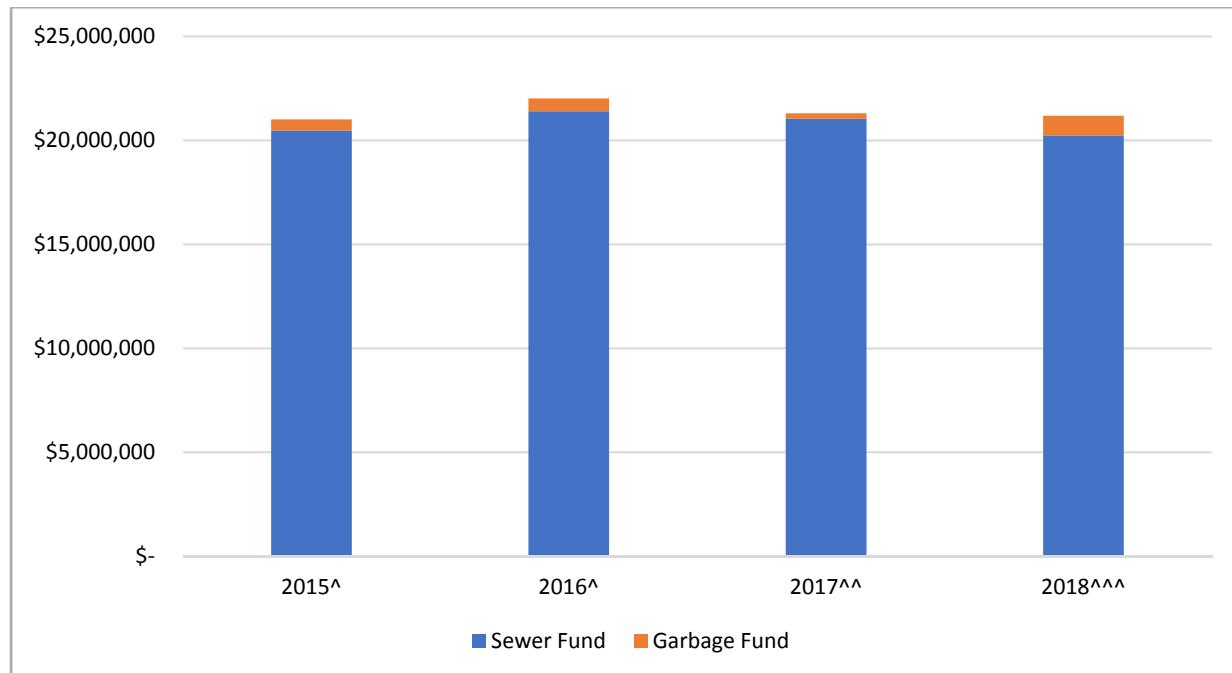
City of Alabaster
Enterprise Funds Summary

Enterprise funds are funds used to account for activities for which a fee is charged to external users for goods or services. Enterprise funds are categorized as proprietary or business-type funds and are accounted for using the full accrual basis of accounting. The City of Alabaster has the following enterprise funds:

Sewer Fund accounts for the provision of wastewater collection and treatment services provided to the public. The Sewer Fund's assets include the City's wastewater treatment plant as well as sewer lines and fifty-one pump stations throughout the City. The Sewer Fund's activities are regulated by both the federal (Environmental Protection Agency) and the state (Alabama Department of Environmental Management) governments. Sewer fees are established by City Council and are reassessed periodically to ensure the charges for sewer service are sufficient to fund the operations of the Sewer Fund.

Garbage Fund accounts for solid waste and recycling collection and disposal services provided to the public. Currently the City outsources the collection services, but beginning in FY2018 will begin to provide collection services internally. As part of the move to City collection, the Garbage Fund will acquire heavy equipment, vehicles, and construct a building which will all be assets of the Garbage Fund.

Enterprise Funds – Ending Net Position by Year



^ Audited

^^ Adjusted Mid-Year Budget

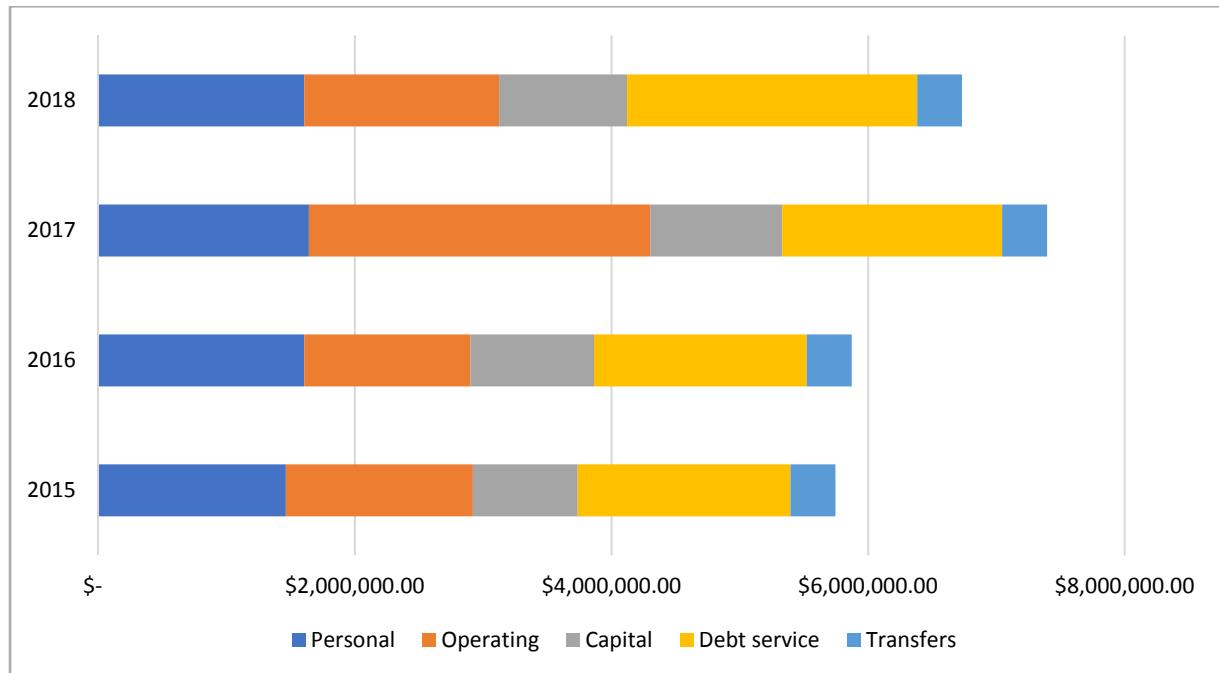
^^^ Proposed Budget

Note: Prior-year audited numbers are shown on the full accrual basis of accounting as prescribed by GAAP. For internal management purposes, Alabaster budgets for Enterprise Funds on the modified accrual basis of accounting.

City of Alabaster
Total Enterprise Funds
Trends in Revenues, Expenses, and Changes in Net Position

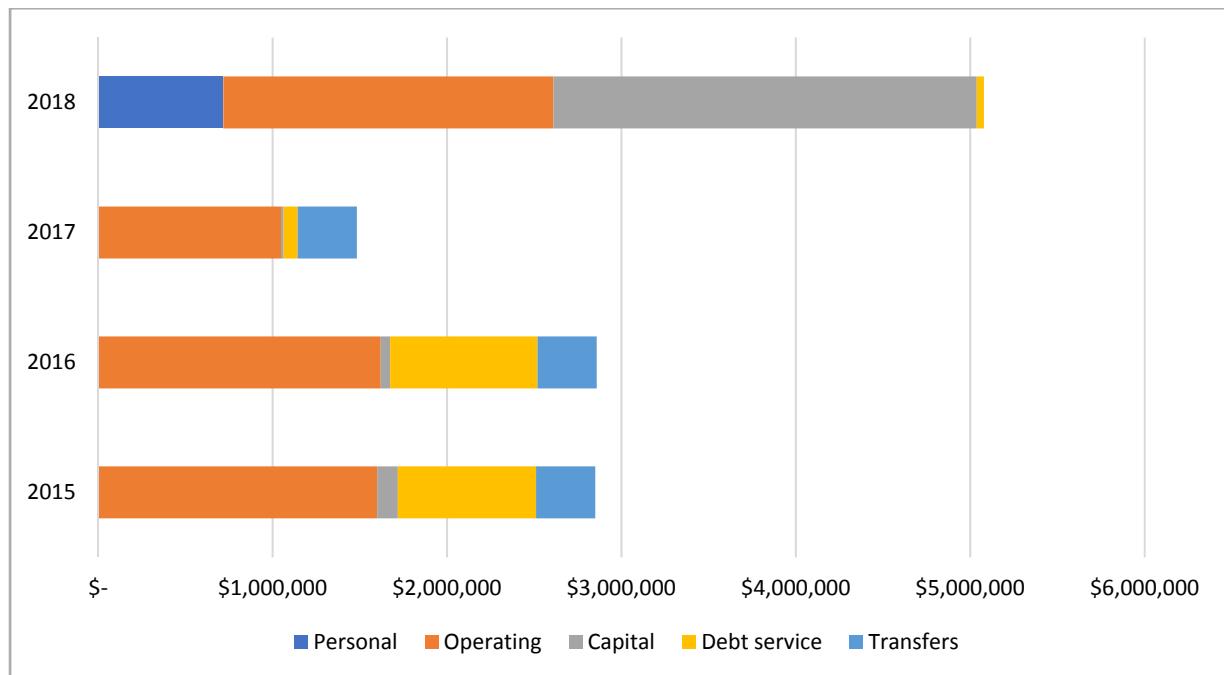
	Actual Audited		Mid-Year	
	FY2015	FY2016	Budget FY2017	Budget FY2018
Revenues				
Charges for services	8,156,833	8,160,501	8,331,749	7,994,000
Other non-operating revenues	18,399	2,184	-	-
Total revenues	8,175,232	8,162,685	8,331,749	7,994,000
Other financing sources				
Debt proceeds	-	-	-	3,697,914
Total revenues and other financing sources	8,175,232	8,162,685	8,331,749	11,691,914
Expenses & Transfers				
Personnel & operating expense	4,519,105	4,521,788	5,351,028	5,724,348
Capital outlay	935,581	1,016,263	1,042,905	3,423,912
Debt service	2,451,365	2,503,807	1,794,914	2,304,487
Transfer to other funds	690,000	690,000	690,000	350,000
Total expenses & transfers	8,596,051	8,731,858	8,878,847	11,802,747
Increase (decrease) in net position - modified accrual	(420,819)	(569,173)	(547,098)	(110,833)
Add: Debt principal payments	1,659,416	1,659,403	1,794,914	1,774,500
Add: Capital outlay	935,581	1,016,263	1,042,905	3,423,912
Add: Purchase of inventory	-	-	-	1,271,907
Less: Debt proceeds	-	-	-	(3,697,914)
Less: Depreciation expense	(1,122,693)	(1,099,653)	(1,100,000)	(1,417,000)
Increase (decrease) in net position - full accrual	1,051,485	1,006,840	1,190,721	1,244,572

Sewer Fund
Budget Summary



	Mid-Year			
	Actual Audited		Budget	Budget
	FY2015	FY2016	FY2017	FY2018
Personnel	\$ 1,462,571	\$ 1,605,176	\$ 1,642,416	\$ 1,600,260
Operating	1,457,100	1,296,719	2,660,771	1,519,100
Capital	816,778	961,771	1,027,905	997,905
Debt service	1,659,416	1,659,403	1,714,583	2,260,185
Transfer to other funds	350,000	350,000	350,000	350,000
	<u>\$ 5,745,865</u>	<u>\$ 5,873,069</u>	<u>\$ 7,395,675</u>	<u>\$ 6,727,450</u>

Garbage Fund
Budget Summary



	Mid-Year			
	Actual Audited		Budget	Budget
	FY2015	FY2016	FY2017	FY2018
Personnel	\$ -	\$ -	\$ -	\$ 713,886
Operating	1,599,434	1,619,893	1,047,841	1,894,102
Capital	118,803	54,492	15,000	2,426,007
Debt service	791,949	844,404	80,331	41,302
Transfer to other funds	340,000	340,000	340,000	-
	<u>\$ 2,850,186</u>	<u>\$ 2,858,789</u>	<u>\$ 1,483,172</u>	<u>\$ 5,075,297</u>



OTHER FUNDS

City of Alabaster
Other Funds Summary

Other funds consist of all the City's funds that are not the City's General Fund or an Enterprise Fund. The City's other funds are divided into the following categories:

Debt Service Fund is used for the accumulation of resources for, and payment of, principal and interest on general long-term debt. The Debt Service Fund's only revenue source is interest accrued on cash balances held by the fund.

Capital Projects Fund provides funding for property acquisition, infrastructure improvements, and capital improvements. Projects in this fund are typically funded through debt proceeds, state appropriations, or grant proceeds.

Special Revenue Funds are operating funds used to account for the proceeds of specific revenues sources that are legally restricted to be spent on specific purposes. The City of Alabaster has the following special revenue funds:

Four Cent State Gas Tax Fund accounts for funds received from the State of Alabama and disbursed for street related projects.

Seven Cent Gas Tax Fund accounts for funds received from the State of Alabama gas tax revenues disbursed for resurfacing and restoration of roads, bridges and streets.

Corrections Fund accounts for certain proceeds of fines and court costs that are restricted in their use for only those expenditures that support prisoners or the City's court.

Drug Seizure Fund accounts for the funds received from the sale of assets received during drug cases and the funds can only go towards drug enforcement expenditures.

Municipal Training Fund accounts for certain proceeds received from fines and court costs that are restricted in their use for only training related expenditures for court clerk and magistrates.

Library State Aid Fund accounts for funds received from State grants that are restricted for the purchase of books and other library programs.

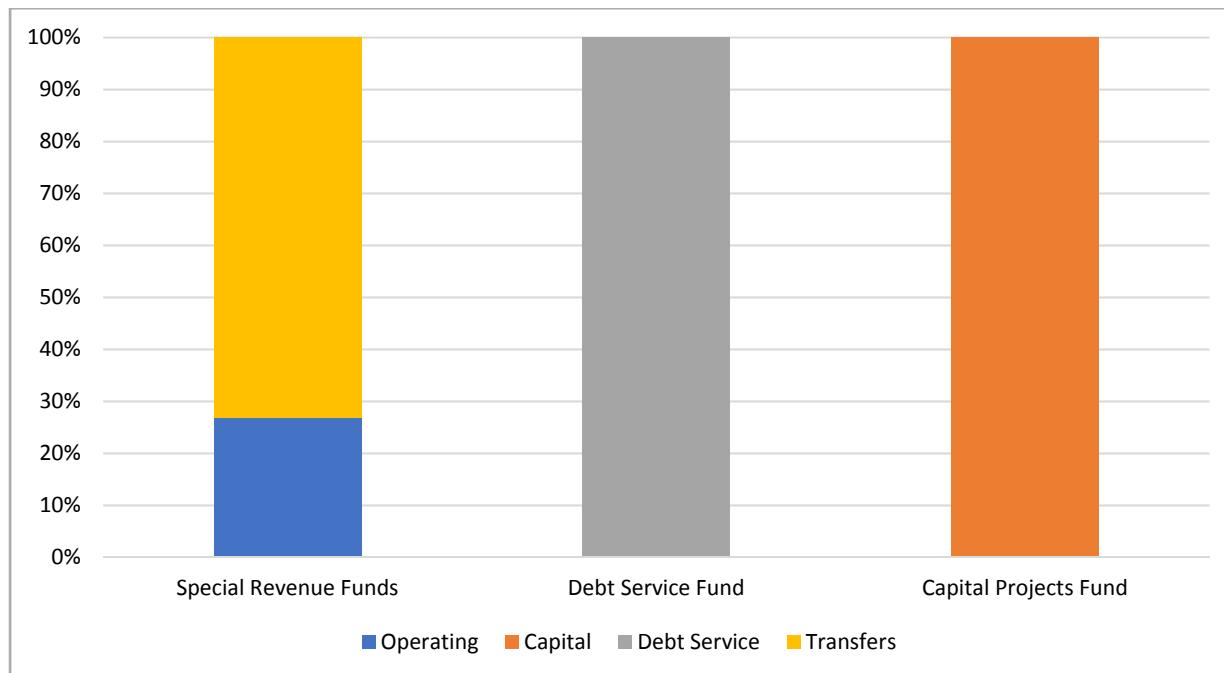
Municipal Judicial Fund accounts for funds received from court costs and are restricted for court related expenditures approved by the judge or court clerk.

City of Alabaster
Total Other Funds
Trends in Revenues, Expenditures, and Changes in Fund Balances

	Projected			
	Actual Audited	Final	Budget	FY2018
	FY2015	FY2016	FY2017	
Revenues				
Taxes	131,312	136,307	124,929	134,000
Intergovernmental	258,968	266,448	259,167	259,000
Fines and forfeitures	143,352	121,255	78,146	117,475
Other revenues	102,381	93,669	38,565	382,126
Total revenues	636,013	617,679	500,807	892,601
Other financing sources				
Proceeds of debt	-	6,565,000	-	-
Transfers in from other funds	3,833,011	4,384,941	6,117,047	4,008,144
Total revenues and other financing sources	4,469,024	11,567,620	6,617,854	4,900,745
Expenditures				
Personnel & operating expense	156,002	226,474	44,080	61,150
Capital outlay	155,237	67,445	1,128,820	4,594,750
Debt service	3,466,639	4,180,542	5,560,522	3,683,144
Total expenditures	3,777,878	4,474,461	6,733,422	8,339,044
Other financing uses				
Transfer to other funds	777,944	883,940	300,000	167,000
Refunding of debt	-	5,425,000	-	-
Total expenditures and other financing uses	4,555,822	10,783,401	7,033,422	8,506,044
Total increase (decrease) in fund balance	(86,798)	784,219	(415,568)	(3,605,299)

Note: Other funds have not previously been budgeted. Therefore, 2017 projected final balances are used for comparison purposes.

Other Funds
2018 Budget Summary



	FY2018 Budget		
	Capital Projects Fund	Debt Service Fund	Special Revenue Funds
Operating	\$ -	\$ -	\$ 61,150
Capital	\$ 2,064,750	\$ -	\$ -
Debt Service	\$ -	\$ 3,683,144	\$ -
Transfers	\$ -	\$ -	\$ 167,000
	<u>\$ 2,064,750</u>	<u>\$ 3,683,144</u>	<u>\$ 228,150</u>



CAPITAL PLAN

City of Alabaster
Capital Plan Overview

The City's capital improvement plan is a five-year projection of major capital outlay for the City by department. Department Heads are required to submit a list of major capital purchases they would like to make for their department for the next five years. Those plans are then reviewed by the Mayor and City Manager and capital priorities are outlined. Since City Council, Mayor, and City Manager priorities can change, the capital plan is a flexible document that is subject to change. The capital plan helps the City in its decision-making process on debt issuances and capital budgeting.

The pages following this overview include information on capital outlay and projects budgeted for the next five fiscal years. More detail information on selected capital projects is included in the *Capital Improvement Plan Project Detail* section.

City of Alabaster
Capital Plan Summary

Project	Capital	Capital	Capital	Capital	Capital
	Outlay	Outlay	Outlay	Outlay	Outlay
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
GENERAL FUND	\$	\$	\$	\$	\$
<i>Library</i>					
HVAC Units	18,000			18,000	18,000
Carpet Tiles	11,550				
Outdoor Book and Media Returns		12,400			
<i>Police</i>					
Vehicle Fleet Replacement	547,188	235,000	235,000	235,000	235,000
Police Department Building		2,500,000	2,500,000		
Police Mobile Command Center and Truck		110,000			
Emergency Radios	126,635				
<i>Fire</i>					
Engine 13	600,000				
Three cardiac monitors	90,000				
New pickup	32,500				
Firehouse 1 HVAC	5,000				
Two breathing apparatus	6,500		7,000		7,500
Emergency Radios	205,139				
Refurbish current Engine 13		150,000			
Replace current Battalion 10		45,000			
Replace Truck 13			300,000		
Replace Ford Escape		35,000		38,000	
Replace current Engine 12					600,000

City of Alabaster
Capital Plan Summary
(Continued)

Project	Capital	Capital	Capital	Capital	Capital
	Outlay	Outlay	Outlay	Outlay	Outlay
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Parks and Rec					
Ford F150	26,000				
30+ Passenger Bus	165,000				
Ford SUV		32,000			
Digital Entrance Sign (Veterans Park)		30,000			
Pronovost Dump Trailer	20,000				
Turf Sprayer	35,000				
Reel Mower	35,000				
Utility Trailer		5,000			
Skidsteer		40,000			
Grappling Bucket for SkidSteer			5,000		
Rotor Tiller for SkidSteer				5,000	
Playground Equipment (Municipal Park)	25,000				
Playground Equipment (Warrior Park)		25,000			
Playground Equipment (Buck Creek)			25,000		
Playground Equipment (Abbey Wooley)				25,000	
Playground Equipment (Hero's Park)					25,000
Recreation Center	2,500,000	2,500,000			
General Fund Total	4,448,512	5,719,400	3,072,000	321,000	885,500

City of Alabaster
Capital Plan Summary
(Continued)

Project	Capital	Capital	Capital	Capital	Capital
	Outlay	Outlay	Outlay	Outlay	Outlay
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
SEWER FUND					
Plant UV System	400,000				
Plant DO Probes		30,000			
Collections pump upgrades	200,000	200,000	200,000	200,000	200,000
Pumper Truck	350,000				
Sewer Fund Total	950,000	230,000	200,000	200,000	200,000
GARBAGE FUND					
Grapple Trucks		270,000			
Pick Up Truck	50,000				
Garbage Trucks	1,376,007				
Replace Garbage and Recylcing Bins	1,271,907				
Fire Hydrant Installation (Limestone Park)	50,000				
Garbage Facility	1,000,000				
Garbage Fund Total	3,747,914	270,000			
CAPITAL PROJECTS FUND					
2nd Street Sidewalks	114,750				
Fulton Springs Road Extension	202,000				
HWY 119 Widening	200,000	1,000,000	3,000,000		
Alabaster Boulevard Repairs	100,000	100,000	100,000	100,000	100,000
Veteran's Park Land	800,000				
General Paving	300,000		300,000		300,000
Capital Projects Fund Total	1,716,750	1,100,000	3,400,000	100,000	400,000
Total Projects	10,863,176	7,319,400	6,672,000	621,000	1,485,500

City of Alabaster
 Capital Improvement Plan Project Detail

Project: Highway 119 Widening

Responsible Department: Administration

Description: Project includes engineering, right-of-way acquisition, and construction costs to widen State Highway 119 to Shelby County Road 80. The project is being administered by ALDOT since the road is not owned by the City.

Funding: The City's contribution to the project will be paid for from the Capital Projects Fund. Funds will be transferred to the Capital Projects Fund as needed from the City Council Reserve Account within the General Fund.

Debt Service Payments: None

Project Costs	FY2018	FY2019	FY2020	FY2021	FY2022
	\$ 200,000	\$ 1,000,000	\$ 3,000,000	\$ -	\$ -
Funding Source	FY2018	FY2019	FY2020	FY2021	FY2022
Capital Projects Fund	\$ 200,000	\$ 1,000,000	\$ 3,000,000	\$ -	\$ -

Project: Construction of New Police Station

Responsible Department: Police

Description: The police department is spread throughout the city at various locations and have outgrown their current space. To accommodate all the police force in one building, the City plans to build a new police station. Construction is anticipated to begin sometime in FY2019 and open for operations in FY2020.

Funding: The City would fund the project through the issuance of General Obligation debt in FY2019.

Debt Service Payments: Currently the City anticipates making debt service payments associated with this project for 20 years beginning in FY2019.

Project Costs	FY2018	FY2019	FY2020	FY2021	FY2022
	\$ -	\$ 2,500,000	\$ 2,500,000	\$ -	\$ -
Funding Source	FY2018	FY2019	FY2020	FY2021	FY2022
Debt proceeds	\$ -	\$ 5,000,000	\$ -	\$ -	\$ -
Debt Service	FY2018	FY2019	FY2020	FY2021	FY2022
Projected payments	\$ -	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000

City of Alabaster
 Capital Improvement Plan Project Detail
 (Continued)

Project: Purchase of Garbage Trucks, Garbage Bins, and Construction of Garbage Facility

Responsible Department: Garbage Fund

Description: The City will start handling garbage pickup service in January of 2018. To handle pickup services, the City will need six new garbage trucks and new garbage and recycling bins for all customers. In addition, the City will need a facility to store vehicles and supplies and to house the offices of garbage service personnel.

Funding: The City would fund the project through the issuance of General Obligation debt in FY2018.

Debt Service Payments: Currently the City anticipates making debt service payments associated with this project for ten years beginning in FY2018.

Project Costs	FY2018	FY2019	FY2020	FY2021	FY2022
	\$ 3,647,914	\$ -	\$ -	\$ -	\$ -
Funding Source	FY2018	FY2019	FY2020	FY2021	FY2022
Debt proceeds	\$ 3,647,914	\$ -	\$ -	\$ -	\$ -
Debt Service	FY2018	FY2019	FY2020	FY2021	FY2022
Projected payments	\$ 31,302	\$ 559,679	\$ 558,472	\$ 556,389	\$ 558,352

Project: Purchase of New Fire Engine

Responsible Department: Fire

Description: One of the City's current fire engines is nearing the end of its useful life and the City needs to replace with a new model.

Funding: The City will fund this project through a capital lease.

Debt Service Payments: The City anticipates making debt service payments related to the lease for three years.

Project Costs	FY2018	FY2019	FY2020	FY2021	FY2022
	\$ 600,000	\$ -	\$ -	\$ -	\$ -
Funding Source	FY2018	FY2019	FY2020	FY2021	FY2022
Debt proceeds	\$ 600,000	\$ -	\$ -	\$ -	\$ -
Debt Service	FY2018	FY2019	FY2020	FY2021	FY2022
Projected payments	\$ 104,000	\$ 208,000	\$ 208,000	\$ 104,000	

City of Alabaster
 Capital Improvement Plan Project Detail
 (Continued)

Project: Police Vehicle Fleet Replacement

Responsible Department: Police Department

Description: The Police Department has been replacing all old Ford Crown Victoria patrol vehicles with new Chevrolet Tahoes. The Police Department plans to purchase 10 new Tahoes and 2 unmarked Ford Exploders in FY2018 then 5 Tahoes each subsequent year as part of maintaining the fleet.

Funding: The City would fund the first 10 Tahoes in FY2018 through a capital lease and the subsequent Tahoes purchased would be through General Fund revenues.

Debt Service Payments: Currently the City anticipates making debt service payments associated with this project for five years beginning in FY2018.

Project Costs	FY2018	FY2019	FY2020	FY2021	FY2022
	\$ 547,188	\$ 235,000	\$ 235,000	\$ 235,000	\$ 235,000
Funding Source	FY2018	FY2019	FY2020	FY2021	FY2022
Debt proceeds	\$ 547,188	\$ -	\$ -	\$ -	\$ -
General Fund Revenue	\$ -	\$ 235,000	\$ 235,000	\$ 235,000	\$ 235,000
Debt Service	FY2018	FY2019	FY2020	FY2021	FY2022
Projected payments	\$ 95,250	\$ 190,500	\$ 190,500	\$ 95,250	