

OFFICIAL STATEMENT DATED MARCH 19, 2013

NEW ISSUE-Book-Entry Only

Ratings: Moody's: Aa2

S&P: AA

Fitch: AA

Kroll: AA

In the opinion of Co-Bond Counsel, assuming compliance by the City with certain covenants set forth in the Ordinance herein referred to with respect to certain conditions imposed by the Internal Revenue Code of 1986, as amended (the "Code"), the interest income on the Bonds (a) will be excludable from gross income of the recipients thereof for Federal income tax purposes, and (b) will not be an item of tax preference included in alternative minimum taxable income for the purpose of computing the alternative minimum tax on individuals and corporations under the Code. However, see "Tax Matters" herein for certain other federal tax consequences to the recipients of the interest income on the Bonds. Co-Bond Counsel is of the opinion that the interest income on the Bonds is, under existing statutes and regulations, exempt from Alabama income taxation.

\$68,060,534.95

CITY OF BIRMINGHAM, ALABAMA

General Obligation Convertible Capital Appreciation Bonds

Series 2013-A

Dated: As of their date of delivery

Due: as shown on inside cover

This Official Statement has been prepared in connection with the issuance and sale by the City of Birmingham, Alabama (the "City") of \$68,060,534.95 aggregate original principal amount of its General Obligation Convertible Capital Appreciation Bonds, Series 2013-A (the "Bonds").

The Bonds are issuable only as fully registered securities in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only. Purchasers will not receive certificates representing their interest in the Bonds purchased.

The Bonds are being issued as convertible capital appreciation bonds in minimum denominations of \$5,000 in Maturity Amount and any integral multiple thereof. Interest on the Bonds will be compounded from their date of delivery to and including March 1, 2017 (the "Conversion Date") and such compounded interest will be payable only at maturity. No payments are due to the owners of the Bonds during the period from the date of delivery to the Conversion Date. After the Conversion Date, interest on the Maturity Amount of the Bonds maturing after March 1, 2017 shall be payable on each March 1 and September 1, commencing September 1, 2017. The Bonds will mature on March 1 in years and amounts as shown on the inside front cover hereof.

Certain of the Bonds are subject to redemption prior to maturity as described herein. See "THE BONDS" herein. The Bonds are general obligations of the City for the payment of which the full faith and credit of the City are irrevocably pledged.

FOR MATURITY SCHEDULE, SEE INSIDE COVER

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO AN INFORMED INVESTMENT DECISION.

The Bonds are offered when, as and if issued by the City, subject to the approval of validity by Hand Arendall LLC, Birmingham, Alabama, and Walker Law LLC, Birmingham, Alabama, Co-Bond Counsel to the City, and certain other conditions. Certain legal matters will be passed upon solely for the benefit of the Underwriters by their counsel, Sirote & Permutt, P.C., Birmingham, Alabama. It is expected that the Bonds in definitive form will be available for delivery through the facilities of the DTC in New York, New York on or about April 3, 2013.

Loop Capital Markets
Securities Capital Corporation
Gardnry Michael Capital, Inc.

Goldman, Sachs & Co.
Kipling Jones & Co.
Terminus Securities

Merchant Capital, L.L.C.

March 19, 2013

\$68,060,534.95
City of Birmingham, Alabama
General Obligation Convertible Capital Appreciation Bonds
Series 2013-A

Dated: As of their date of delivery

Due: March 1, as shown below

Serial Bonds

<u>Maturity Date</u>	<u>Original Principal Amount</u>	<u>Interest Rate¹</u>	<u>Maturity Amount</u>	<u>Yield¹</u>	<u>CUSIP²</u>
3/1/2017	\$896,200.20	1.360%	945,000	1.360%	09088RWK8

Term Bonds

\$5,391,667.50 4.0% Convertible CAB due March 1, 2022; Maturity Amount \$6,295,000; Yield 2.880%;
CUSIP 09088RWJ1

\$9,558,338.25 5.0% Convertible CAB due March 1, 2027; Maturity Amount \$11,595,000; Yield 3.540%^C;
CUSIP 09088RWE2

\$12,196,258.25 5.0% Convertible CAB due March 1, 2032; Maturity Amount \$14,795,000; Yield 3.900%^C;
CUSIP 09088RWF9

\$15,559,606.25 5.0% Convertible CAB due March 1, 2037; Maturity Amount \$18,875,000; Yield 4.160%^C;
CUSIP 09088RWG7

\$24,458,464.50 5.0% Convertible CAB due March 1, 2043; Maturity Amount \$29,670,000; Yield 4.310%^C;
CUSIP 09088RWH5

^C Priced to March 1, 2023, optional call date.

All Bonds priced to produce the yield indicated.

¹ Interest rates and yields for the period from the date of delivery of the Bonds to the Conversion Date are approximate.

² CUSIP is a trademark of the American Bankers Association. CUSIP data contained herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of McGraw Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services.

CITY OF BIRMINGHAM, ALABAMA

MAYOR

William A. Bell, Sr.

CITY COUNCIL

Roderick V. Royal, MPA, President

Steven W. Hoyt, President Pro-Tem

Lashunda Scales

Kim Rafferty

Valerie A. Abbott

Maxine Herring Parker

Johnathan Austin

Vacant (District 6)

James Roberson, Jr.

City Clerk – Lee Frazier

Chief of Staff - Erskine R. Faush, Jr.

DIRECTOR OF FINANCE

J. Thomas Barnett, Jr.

ACTING CITY ATTORNEY

Thomas Bentley III

CO-BOND COUNSEL

Hand Arendall LLC
Birmingham, Alabama

Walker Law LLC
Birmingham, Alabama

NO DEALER, BROKER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORIZED BY THE CITY OR THE UNDERWRITERS TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE OFFERING OF THE BONDS, OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT, AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE ANY OFFER TO SELL OR THE SOLICITATION OF ANY OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THE BONDS BY ANY PERSON, IN ANY JURISDICTION IN WHICH SUCH OFFER, SALE OR SOLICITATION IS UNLAWFUL.

THIS OFFICIAL STATEMENT IS NOT TO BE CONSTRUED AS A CONTRACT WITH THE PURCHASERS OF THE BONDS. STATEMENTS CONTAINED IN THIS OFFICIAL STATEMENT WHICH INVOLVE ESTIMATES, FORECASTS OR MATTERS OF OPINION, WHETHER OR NOT EXPRESSLY SO DESCRIBED HEREIN, ARE INTENDED SOLELY AS SUCH AND ARE NOT TO BE CONSTRUED AS REPRESENTATIONS OF FACT.

THIS OFFICIAL STATEMENT IS INTENDED TO REFLECT INFORMATION AS OF THE DATE OF THIS OFFICIAL STATEMENT. THE DELIVERY OF THIS OFFICIAL STATEMENT DOES NOT IMPLY THAT THE INFORMATION CONTAINED HEREIN IS CORRECT ON ANY DATE SUBSEQUENT TO THE DATE OF THIS OFFICIAL STATEMENT.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The City has no control over the trading of the Bonds after their sale by the City. Information regarding reoffering yields or prices is the responsibility of the underwriters.

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CITY OF BIRMINGHAM, ALABAMA

\$68,060,534.95

CITY OF BIRMINGHAM, ALABAMA

**General Obligation Convertible Capital Appreciation Bonds
Series 2013-A**

INTRODUCTION

This Official Statement of the City of Birmingham, Alabama ("Birmingham" or the "City") is furnished in connection with the issuance and sale by the City of \$68,060,534.95 aggregate original principal amount of its General Obligation Convertible Capital Appreciation Bonds, Series 2013-A (the "Bonds"). The Bonds are more particularly described herein under the heading "THE BONDS".

The City was incorporated in 1871 as a municipal corporation under the laws of the State of Alabama (the "State" or "Alabama"). The City is principally located in Jefferson County, which is Alabama's most populous county and is the principal center of finance, trade, manufacturing, transportation and medicine in the State. A portion of the City is also located in Shelby County, which is the fastest growing county in the State. The City is the largest municipality in the State. The City is also the location of Alabama's largest bank and the headquarters for the State's leading utilities. See "ECONOMIC AND DEMOGRAPHIC INFORMATION" herein.

The executive offices of City government are located at City Hall, 710 20th Street North, Birmingham, Alabama 35203. The central phone number of the City is (205) 254-2000. See "CITY GOVERNMENT AND ADMINISTRATION" herein.

The information contained in this Official Statement does not purport to be comprehensive or definitive. All references to the Constitution and laws of the State and all summaries of the Bonds, contracts, documents, or official acts are qualified by the exact terms of such Constitution, laws, warrants, contracts, documents or acts, each being an item of public record. Capitalized terms used in this Official Statement without definition shall have the meanings assigned to such terms in the Bond Ordinance (as defined herein) as if fully set forth herein.

Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the registered or beneficial owners of the Bonds. So far as any statements are made in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, they are set forth as such and not as representations of fact, and no representation is made that any such estimates will be realized.

The City has furnished all information in this Official Statement relating to the City and has obtained all other information from sources that are considered reliable and are customarily relied upon in the preparation of similar materials.

THE BONDS

General Description

The Bonds will be entitled "General Obligation Convertible Capital Appreciation Bonds, Series 2013-A" and dated as of their date of delivery. The original aggregate principal amount of the Bonds that may be authenticated and delivered and outstanding is limited to \$68,060,534.95. The Bonds are being issued as convertible capital appreciation bonds and issued in minimum denominations of \$5,000 in Maturity Amount and any integral multiple thereof, and will be numbered for identification as determined by Regions Bank, as registrar, transfer agent and paying agent (the "Paying Agent"). Interest on the Bonds will be compounded semiannually on each March 1 and September 1 from the Date of Delivery to the Conversion Date at which time the Bonds will reach their Maturity Amount. See Appendix C attached hereto for a Table of Compounded Amounts for the Bonds. The Maturity Amount of the Bonds is equal to the Compounded Amount of the Bonds as of the Conversion Date.

Interest on the Bonds will be compounded from their date of delivery to and including the Conversion Date and such compounded interest will be payable only at maturity. No payments are due the owners of the Bonds during the period from the date of delivery to the Conversion Date. After the Conversion Date, interest on the Maturity Amount of the Bonds maturing after March 1, 2017 shall be payable on each March 1 and September 1, commencing September 1, 2017, (each such date being herein called an "Interest Payment Date") to the registered owners thereof on the applicable Regular Record Date (as defined in the immediately succeeding sentence). Interest on any Bond which is payable on any Interest Payment Date will be paid to the person in whose name that Bond is registered at the close of business on the Regular Record Date for such interest, which will be the 15th day (whether or not a Business Day) of the month next preceding such Interest Payment Date. Interest on overdue principal and premium and (to the extent legally enforceable) on any overdue installment of interest on the Bonds will be payable at the interest rate borne by such Bond (the "Post-Default Rate"). Interest on the Bonds will be computed on the basis of a 360-day year of 12 consecutive months of 30 days each. The principal of and interest on the Bonds will be payable in lawful money of the United States of America, without deduction for exchange, fees or expenses, by the City through the Paying Agent. If any due date for payment of principal, premium, if any, and interest on the Bonds (herein "Debt Service") is not a Business Day (as defined in the Bond Ordinance), then such payment will be made on the next succeeding Business Day with the effect of having been made on such due date.

Interest on the Bonds payable on any Interest Payment Date prior to the maturity or redemption thereof (in whole or in part) will be payable by check or draft mailed by the Paying Agent to the registered holders of the Bonds at their addresses appearing in the bond register (the "Bond Register") maintained by the Paying Agent for such series of Bonds. Such payments of interest will be deemed timely made if so mailed on the Interest Payment Date. Payment of the principal of (and premium, if any, on) the Bonds and payment of accrued interest on the Bonds due upon redemption on any date other than an Interest Payment Date will be made only upon surrender thereof at the designated office of the Paying Agent. Debt Service on the Bonds payable at maturity will be payable only upon surrender thereof at the designated office of the Paying Agent.

Any interest on any Bond that is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") will cease to be payable to the holder on the relevant Regular Record Date solely by virtue of such holder having been such holder; and such Defaulted Interest will be paid by the City to the persons in whose names such Bonds are registered at the close of business on a special record date (herein called a "Special Record Date") for the payment of such Defaulted Interest, which shall be fixed in the following manner. The City will notify the Paying Agent in writing of the amount of Defaulted Interest proposed to be paid on each such Bond and the date of the proposed payment (which date will be such as will enable the Paying Agent to comply with the next sentence hereof), and at the same time the City will deposit with the Paying Agent an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or will make arrangements satisfactory to the Paying Agent for such deposit prior to the date of the proposed payment, such money when deposited to be held solely for the benefit of the persons entitled to such Defaulted Interest as in this paragraph provided. Thereupon, the Paying Agent will fix a Special Record Date for the payment of such Defaulted Interest which will be not more than 15 nor less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Paying Agent of the notice of the proposed payment. The Paying Agent will promptly notify the City of such Special Record Date and will cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each holder of such Bonds at his address as it appears in the Bond Register not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest will be paid to the persons in whose names the Bonds are registered on such Special Record Date.

The Bonds will be initially issued pursuant to a book-entry system to be administered by The Depository Trust Company ("DTC"), New York, New York, and registered in the name of and held by Cede & Co., as nominee of DTC, to which principal of, premium, if any, and interest on the Bonds will be paid. See "BOOK-ENTRY SYSTEM" herein.

Transfers and Exchanges

The registered owner of any Bond may, upon surrender thereof at the designated corporate trust office of the Paying Agent together with a written instrument of transfer satisfactory to the Paying Agent and duly executed

by the owner thereof or its duly authorized attorney, transfer or exchange such Bond for an equal aggregate Maturity Amount of Bonds of the same maturity and of any authorized denomination. The City and the Paying Agent may deem and treat the person in whose name any Bond is registered upon the books of the Paying Agent as the absolute owner of such Bond, for the purpose of receiving payment of, or on account of, the principal of and interest on such Bond, for notices required under the Bond Ordinance and for all other purposes. No service charge shall be made for any transfer or exchange of Bonds, but the City may charge a person requesting a transfer or exchange of any bonds an amount sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange. Any Bond issued upon registration or transfer or exchange of another Bond as provided in the Bond Ordinance shall retain the same Compounded Amount of the Bond that was registered as transferred or exchanged. See Appendix C attached hereto for a Table of Compounded Amounts for the Bonds.

For so long as the Bonds are registered in the name of DTC or its nominee, the Paying Agent will transfer and exchange Bonds only on behalf of DTC or its nominee, in accordance with the preceding paragraph. Neither the City nor the Paying Agent will have any responsibility for transferring or exchanging any Beneficial Owner's interest in any Bonds. See "BOOK-ENTRY SYSTEM" herein.

If (i) any mutilated Bond is surrendered to the Paying Agent, or the City and the Paying Agent receive evidence to their satisfaction of the destruction, loss or theft of any Bond, and (ii) there is delivered to the City and the Paying Agent such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the City or the Paying Agent that such Bond has been acquired by a bona fide purchaser, the City will execute and upon its request the Paying Agent will authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Bond, a new Bond of like maturity, tenor and principal amount, bearing a number not contemporaneously outstanding. Upon the issuance of any new Bond in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Bond, the City may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses connected therewith. Every new Bond issued in lieu of any destroyed, lost or stolen Bond will constitute an original additional contractual obligation of the City, whether or not the destroyed, lost or stolen Bond shall be at any time enforceable by anyone, and will be entitled to all the security and benefits of the Bond Ordinance equally and ratably with all other outstanding Bonds.

Neither the City nor the Paying Agent will be required to transfer any Bond during a period beginning at the opening of business thirty (30) days prior to any date fixed for redemption.

Authority for Issuance

The Bonds are issued by the City under authority of the Constitution and laws of the State of Alabama, including particularly Title 11, Chapter 81, Article 2 of the Code of Alabama (1975), as amended, pursuant to the approval of the electorate of the City at a special bond election held on October 9, 2012 (the "Bond Election"), and an ordinance duly adopted by the City Council (the "Bond Ordinance").

Optional Redemption

Those of the Bonds having a stated maturity on or after March 1, 2027, shall be subject to redemption, at the option of the City, in whole or in part (but if in part, those of the maturities to be redeemed to be selected by the City at its discretion, and if less than all the Bonds having the same maturity are to be redeemed, those to be redeemed to be selected by the Bank by lot), on March 1, 2023, and on any date thereafter, at a redemption price equal to 100% of the Maturity Amount thereof, plus accrued and unpaid interest for all interest periods subsequent to March 1, 2017.

The City shall make available to the Bank on or prior to the redemption date, readily available funds in an amount equal to the total redemption price of the Bonds (or portions thereof) that are to be prepaid and redeemed on the redemption date.

Mandatory Redemption

The Bonds maturing on March 1, 2022, shall be subject to redemption and prepayment prior to their maturity beginning on March 1, 2019, and on each March 1 thereafter (with those to be redeemed to be selected by the Bank by lot), in the following aggregate Maturity Amounts, at and for a Redemption Price, for each such Bond (or portion thereof) redeemed, equal to the Maturity Amount thereof plus accrued interest thereon for all interest periods subsequent to March 1, 2017:

Year (March 1)	Maturity Amount to be Redeemed
2019	\$ 705,000
2020	1,625,000
2021	1,940,000
2022	2,025,000 (maturity)

The Bonds maturing on March 1, 2027, shall be subject to redemption and prepayment prior to their maturity beginning on March 1, 2023, and on each March 1 thereafter (with those to be redeemed to be selected by the Bank by lot), in the following aggregate Maturity Amounts, at and for a Redemption Price, for each such Bond (or portion thereof) redeemed, equal to the Maturity Amount thereof plus accrued interest thereon for all interest periods subsequent to March 1, 2017:

Year (March 1)	Maturity Amount to be Redeemed
2023	\$2,100,000
2024	2,200,000
2025	2,310,000
2026	2,430,000
2027	2,555,000 (maturity)

The Bonds maturing on March 1, 2032, shall be subject to redemption and prepayment prior to their maturity beginning on March 1, 2028, and on each March 1 thereafter (with those to be redeemed to be selected by the Bank by lot), in the following aggregate Maturity Amounts, at and for a Redemption Price, for each such Bond (or portion thereof) redeemed, equal to the Maturity Amount thereof plus accrued interest thereon for all interest periods subsequent to March 1, 2017:

Year (March 1)	Maturity Amount to be Redeemed
2028	\$2,675,000
2029	2,815,000
2030	2,950,000
2031	3,100,000
2032	3,255,000 (maturity)

The Bonds maturing on March 1, 2037, shall be subject to redemption and prepayment prior to their maturity beginning on March 1, 2033, and on each March 1 thereafter (with those to be redeemed to be selected by the Bank by lot), in the following aggregate Maturity Amounts, at and for a Redemption Price, for each such Bond (or portion thereof) redeemed, equal to the Maturity Amount thereof plus accrued interest thereon for all interest periods subsequent to March 1, 2017:

Year (March 1)	Maturity Amount to be Redeemed
2033	\$3,415,000
2034	3,585,000
2035	3,760,000
2036	3,960,000
2037	4,155,000 (maturity)

The Bonds maturing on March 1, 2043, shall be subject to redemption and prepayment prior to their maturity beginning on March 1, 2038, and on each March 1 thereafter (with those to be redeemed to be selected by the Bank by lot), in the following aggregate Maturity Amounts, at and for a Redemption Price, for each such Bond (or portion thereof) redeemed, equal to the Maturity Amount thereof plus accrued interest thereon for all interest periods subsequent to March 1, 2017:

Year (March 1)	Maturity Amount to be Redeemed
2038	\$4,365,000
2039	4,575,000
2040	4,810,000
2041	5,040,000
2042	5,310,000
2043	5,570,000 (maturity)

In the event the City shall have optionally redeemed Bonds of a particular maturity or shall have provided for a partial redemption of Bonds of a particular maturity in such a manner that such Bonds for the redemption of which provision is made are no longer considered Outstanding, the City may, by written notice to the Bank, elect to apply all or any part (but only in integral multiples of \$5,000 in Maturity Amount) of (a) the principal amount of such Bonds so redeemed or to be redeemed to the reduction of the principal amount of the Bonds of that maturity required to be redeemed pursuant to Mandatory Redemption, on any March 1 coterminous with or subsequent to the date of such optional redemption actually occurs. Such notice shall be deemed effective only if it is given prior to the giving of notice of redemption contrary to the provisions of notice set forth herein. See “THE BONDS – Notice of Redemption”.

Notice of Redemption

Not less than thirty (30) days prior to the date fixed for redemption, the City shall give, or cause to be given, written notice of such redemption and prepayment by United States Registered Mail or United States Certified Mail to the registered holders of the each of the Bonds the principal of which is, in whole or in part, to be redeemed and prepaid, stating the following: that the Bonds (or portions thereof in Maturity Amounts of \$5,000 or any integral multiple thereof) have been called for redemption and will become due and payable at the applicable redemption price on a specified Redemption Date and that all interest thereon will cease after the Redemption Date. The holders of any of the Bonds may waive the requirements of this subsection with respect to the Bonds held by them without affecting the validity of the call for redemption of any other Bonds.

Selection of Bonds for Redemption

The Council or other governing body of the City shall by Resolution call for redemption and prepayment on a stated date when they are by their terms subject to redemption Bonds (or portions thereof in Maturity Amounts

of \$5,000 or any integral multiple thereof) and shall recite in said Resolution (i) that the City is not in default of the principal of or interest on any of the Bonds, or (ii) that all of the Bonds then outstanding are to be retired on the date set for such redemption; provided, however, that no such Resolution shall be required in the case of any redemption of Bonds if the redemption is a Mandatory Redemption as provided above. In the event that less than all the Bonds having the same maturity are to be redeemed, the Council may, by resolution, but shall not be required to, designate the Maturity Amount of the Bonds of each purpose to be redeemed. In the absence of such a designation, the Bonds to be redeemed shall be deemed to have been selected pro rata, or as nearly pro rata as practical, from the Bonds of each series having such maturity.

Security for the Bonds

The Bonds will be general obligations of the City for the payment of which the full faith and credit of the City will be irrevocably pledged.

Revenues of the City legally available for payment of the principal of and the interest on the Bonds include ad valorem, sales, use, occupational license and business license taxes, non-business licenses, permit fees, lease taxes, court fines and fees, emergency transport services fees, revenues from the operation of certain City-owned enterprises (such as various off-street parking facilities) and other general revenues of the City. None of such legally available revenues are, however, specially pledged for payment of debt service on the Bonds. Information describing the taxes collected by the City and other revenues of the City is set forth in this Official Statement under the captions "CITY GENERAL FUND REVENUES", "AD VALOREM TAXES", "SALES AND USE TAXES", "OCCUPATIONAL TAXES" AND "LICENSE AND PERMIT REVENUES." See also "CITY DEBT MANAGEMENT" and "UNITED STATES BANKRUPTCY CODE."

Although the Bonds are payable from any or all taxes and revenues mentioned in the preceding paragraph of this section, the City has a long-standing debt management policy under which it budgets annually and sets aside certain tax proceeds and other moneys in separate funds (i.e., the General Bond Debt Reserve Fund and the General Bond Debt Service Fund, which are hereinafter collectively defined as the "Bond Fund") for the payment of debt service on its general obligation bonds. See "CITY DEBT MANAGEMENT – General Obligation Bond Debt Service" herein. The proceeds from a 9.2 mill ad valorem tax for general bond debt service (the "General Bond Tax") and a 2.8 mill ad valorem tax for school bond debt service (the "School Bond Tax"), both authorized by the Alabama Constitution, are customarily paid into the Bond Fund. The School Bond Tax expires on September 30, 2021. The General Bond Tax is levied without limit as to time. In addition to these ad valorem tax proceeds, there are also customarily paid into the Bond Fund interest earnings from the investment of Bond Fund proceeds. Although the City has set aside the proceeds of the General Bond Tax and the School Bond Tax for payment of debt service on general obligation bonds of the City, the General Bond Tax, the Special Bond Tax and the Bond Fund are not specially pledged for payment of debt service on the Bonds or any other bonds of the City.

The General Bond Tax may, under existing law, be used only for payment of debt service on the City's general obligation bonds heretofore or hereafter issued. The School Bond Tax may, under existing law, be used only for the payment of debt service on bonds of the City issued for school building purposes.

The City is, under existing law, subject to suit in the event it defaults in payment of the principal of or interest on the Bonds, and existing statutes presently authorize mandamus proceedings to compel the levy, collection and proper allocation of the 9.2 mill General Bond Tax and the 2.8 mill School Bond Tax. However, the extent of the remedies afforded to the holders of the Bonds are subject to the provisions of existing Alabama law exempting from levy and sale under any process, judgment or decree all property (real or personal) belonging to municipalities in Alabama and used for municipal purposes. Rights of the holders of the Bonds and the enforceability thereof may also be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and the exercise of judicial discretion in appropriate cases, including the law-imposed requirement that the City may pay, prior to the payment of debt service on its obligations, the expenses of providing necessary and appropriate governmental services. See "UNITED STATES BANKRUPTCY CODE" herein.

The City has never defaulted in the payment of debt service on its bonds, warrants or other funded indebtedness, nor has it ever refunded any funded indebtedness for the purpose of preventing or avoiding such a default.

The Bonds shall never constitute a liability or charge against the general credit or taxing powers of the State of Alabama, or any other political subdivision of the State of Alabama, except the City.

Annual Debt Service on the Bonds

The following table reflects the debt service schedule for the Bonds:

<u>Fiscal Year Ending June 30</u>	<u>Original Principal</u>	<u>Interest</u>	<u>Compounded Interest¹</u>	<u>Total</u>
2017	896,200.20	0	48,799.80	945,000
2018	0	3,998,550	0	3,998,550
2019	603,832.50	3,998,550	101,167.50	4,703,550
2020	1,391,812.50	3,970,350	233,187.50	5,595,350
2021	1,661,610.00	3,905,350	278,390.00	5,845,350
2022	1,734,412.50	3,827,750	290,587.50	5,852,750
2023	1,731,135.00	3,746,750	368,865.00	5,846,750
2024	1,813,570.00	3,641,750	386,430.00	5,841,750
2025	1,904,248.50	3,531,750	405,751.50	5,841,750
2026	2,003,170.50	3,416,250	426,829.50	5,846,250
2027	2,106,214.25	3,294,750	448,785.75	5,849,750
2028	2,205,136.25	3,167,000	469,863.75	5,842,000
2029	2,320,545.25	3,033,250	494,454.75	5,848,250
2030	2,431,832.50	2,892,500	518,167.50	5,842,500
2031	2,555,485.00	2,745,000	544,515.00	5,845,000
2032	2,683,259.25	2,590,000	571,740.75	5,845,000
2033	2,815,155.25	2,427,250	599,844.75	5,842,250
2034	2,955,294.75	2,256,500	629,705.25	5,841,500
2035	3,099,556.00	2,077,250	660,444.00	5,837,250
2036	3,264,426.00	1,889,250	695,574.00	5,849,250
2037	3,425,174.25	1,691,250	729,825.75	5,846,250
2038	3,598,287.75	1,483,500	766,712.25	5,848,500
2039	3,771,401.25	1,265,250	803,598.75	5,840,250
2040	3,965,123.50	1,036,500	844,876.50	5,846,500
2041	4,154,724.00	796,000	885,276.00	5,836,000
2042	4,377,298.50	544,000	932,701.50	5,854,000
2043	4,591,629.50	278,500	978,370.50	5,848,500
TOTAL	\$68,060,534.95	\$67,504,800	\$14,114,465.05	\$149,679,800

¹ Compounded Interest refers to the amount of interest on the Bonds that accrues from the date of delivery to the Conversion Date, which Compounded Interest is only payable at maturity.

BOOK-ENTRY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources the City believes to be reliable, but the City takes responsibility for the accuracy or completeness thereof. There can be no assurance that DTC will abide by its procedures or that such procedures will not be changed from time to time.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities in the name of Cede & Co. (DTC's partnership nominee herein "Cede") or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information on DTC can be found at www.dtcc.com.

Purchases of Bonds, in the denomination of \$5,000 Maturity Amount or any integral multiple of \$5,000 in excess thereof, under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede, or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede or such other DTC nominee does not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede's consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption price and interest payments on the Bonds will be made by the Paying Agent to Cede or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or Paying Agent, on a payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest to Cede (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

NEITHER THE CITY NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS, OR TO THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE BONDS, OR TO ANY BENEFICIAL OWNER IN RESPECT OF THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT, THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS, ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS UNDER THE BOND ORDINANCE, THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF PARTIAL REDEMPTION OF THE BONDS WITH RESPECT TO LESS THAN ALL OF THE BONDS, OR ANY OTHER ACTION TAKEN BY DTC AS REGISTERED BONDHOLDER.

For every transfer and exchange of the Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto, and any reasonable fees and expenses of the Paying Agent and the costs incurred in preparing bond certificates.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

THE PLAN OF FINANCE

Use of Bond Proceeds

The City will apply the proceeds of the Bonds to provide funds (i) for establishing, acquiring, providing, designing, planning, engineering, constructing, reconstructing, renovating, improving, erecting, enlarging, extending, repairing, securing the more complete use or enjoyment of, and equipping and furnishing (a) solid waste landfills or solid waste disposal facilities of the City in an amount equal to \$6,300,907.53, (b) public parks, sports complexes, public zoos, botanical gardens, public boulevards or public places, or buildings, improvements or ancillary facilities used in connection with the same in the City in an amount equal to \$10,325,195.95, (c) public roads, bridges, streets, sidewalks or other public ways of the City, including public street lights, public traffic devices, streetscapes in an amount equal to \$26,264,596.09, (d) industrial parks, high technology parks, commercial districts, intermodal transportation facilities, neighborhood-commercial districts, theaters, museums, public buildings, public streets, public street lights, public traffic devices, public parking facilities and other infrastructure improvements in the City in an amount equal to \$9,041,433.60, (e) public facility, building, parking facility, improvement or ancillary facility in the City in an amount equal to \$17,267,136.96, (f) sanitary and storm water sewers, drains and channel improvements in the City in an amount equal to \$4,106,765.04, and (ii) to pay the costs of issuing the Bonds. See "SOURCES AND USES OF FUNDS" herein.

SOURCES AND USES OF FUNDS

The following tables set forth the sources and uses of funds in connection with the issuance of the Bonds:

Sources:

Principal amount of the Bonds	\$68,060,534.95
Net Original Issue Premium	<u>5,915,611.80</u>
TOTAL SOURCES	\$73,976,146.75

Uses:

Deposit to Project Fund	\$73,306,035.17
Costs of Issuance	267,894.73
Underwriter's Discount	<u>402,216.85</u>
TOTAL USES	\$73,976,146.75

CITY GOVERNMENT AND ADMINISTRATION

General

Incorporated in 1871, Birmingham is governed by an elected Mayor and an elected City Council.

The City Council is the legislative body of the City, and the Mayor is the City's chief executive officer. The City has been governed since 1963 under a mayor-council form of government established pursuant to Act No. 452 adopted at the 1955 Regular Session of the Legislature of Alabama, as amended. The Mayor and members of the City Council are elected by the voters of the City for terms of four years. On October 10, 1989, all City Council members were elected for the first time from single member districts. The Mayor appoints, without confirmation of the City Council, the City Attorney, the Director of Finance and other key administrative officials. Officials appointed prior to May 11, 1989, following a one-year probationary period, are subject to removal only for cause pursuant to a civil service system administered for Jefferson County and the municipalities therein by the Jefferson County Personnel Board. Officials appointed subsequent to May 11, 1989 serve at the pleasure of the Mayor after certification of their professional qualifications by the Jefferson County Personnel Board.

The organization of the Birmingham city government is illustrated in the organization chart below under "OPERATING DEPARTMENTS." The Mayor is the chief administrative officer of the City and makes all personnel appointments and removals subject to the civil service law. The Council exercises the legislative powers of the City and makes appointments to most of the independent and quasi-independent boards and agencies with respect to which the City has appointive power.

Certain City Executive, Administrative and Legislative Officials

Executive

WILLIAM A. BELL, SR., is Mayor of the City. Honorable William A Bell, Sr. was sworn in on Tuesday, January 26, 2010 as the 33rd Mayor of the City of Birmingham. He has served as President Pro-tem for the Jefferson County Commission after being elected in 2008. He led the County in the Departments of Health and Community Services and District One. In 1985, during his third term on the Birmingham City Council he was elected by his fellow council members to serve as the first African-American President. He was again chosen as Birmingham City Council President in 1987 and 1997. In 1999, he also served as Interim Mayor of Birmingham. Mayor Bell is a graduate of the University of Alabama at Birmingham. He also holds a Doctorate in Jurisprudence from Miles Law School. Mayor Bell has extensive professional experience in both the public and private sectors.

Administrative

J. THOMAS BARNETT, JR., Director of Finance was appointed by the Mayor in July, 2010. Mr. Barnett has over thirty years' experience in public finance with various firms. Mr. Barnett received a BS degree, majoring in Accounting and Finance, from the University of Alabama and an MA degree, in Finance, from the University of Alabama.

THOMAS BENTLEY, III, Acting [Chief Assistant] City Attorney (serving in the capacity of City Attorney) is appointed by the Mayor. Mr. Bentley has served as an Assistant City Attorney in the City of Birmingham Law Department since October, 1979. Mr. Bentley is a member of the Alabama State Bar, the bar for the Northern District of Alabama, the bar of the United States Court of Appeals for the Eleventh Circuit and the United States Supreme Court. He is also a member of the local and state bar associations as well as the American Bar Association. Mr. Bentley received a BA degree from Birmingham-Southern College in 1976. He received his law degree from the University of Alabama in 1979.

Legislative

The terms of office of the current members of the City Council expire in November 2013. Brief biographical information regarding the current members of the City Council is provided below:

RODERICK V. ROYAL, M.P.A., representing District 9, is currently President of the Council. President Royal is Chairperson of the Administration, Education and Committee of the Whole. Mr. Royal holds a Bachelor of Science Degree in Political Science from Tuskegee University; a Master of Arts Degree in Public Administration from Webster University in Saint Louis, Missouri; and a Master of Arts Degree in Religious Education from Birmingham Theological Seminary. Presently serving a third consecutive term, Councilor Royal was first elected to the Birmingham City Council in 2001.

STEVEN W. HOYT, representing District 8, is currently President Pro Tempore of the Council. President Pro Tempore Hoyt is Chairperson of the Budget and Finance Committee. Mr. Hoyt holds a Bachelor of Arts Degree in Social Science and a Minor in Sociology from Miles College. Presently serving a second consecutive term, Councilor Hoyt was first elected to the Birmingham City Council in 2005.

LASHUNDA SCALES, representing District 1, is Chairperson of the Economic Development Committee. Mrs. Scales holds an Associate Degree in Applied Science from Jefferson State Community College and she attended Stillman College. Councilor Scales is serving her first term.

KIM RAFFERTY, representing District 2, is Chairperson of the Transportation and Communication Committee. Mrs. Rafferty holds an Associate Degree in Human Resources from the University of Kentucky and a Bachelor's Degree in History from the University of Alabama at Birmingham. Councilor Rafferty is serving her first term.

VALERIE A. ABBOTT, representing District 3, is Chairperson of the Planning and Zoning Committee. Mrs. Abbott holds a Bachelor's Degree from the School of Architecture & Fine Arts at Auburn University and a Master's Degree in Public & Private Management from Birmingham-Southern College. Presently serving a third consecutive term, Councilor Abbott was first elected to the Birmingham City Council in 2001.

MAXINE HERRING PARKER, representing District 4, is Chairperson of the Parks, Recreation, and Cultural Arts Committee. Presently serving a second consecutive term, Councilor Parker was first elected to the Birmingham City Council in 2005.

JOHNATHAN F. AUSTIN, representing District 5, is Chairperson of the Public Safety and Technology Committees. In December 2008, the Birmingham City Council appointed Austin to represent the residents of District 5 during an unexpired term. Councilor Austin was elected to the Birmingham City Council in 2009.

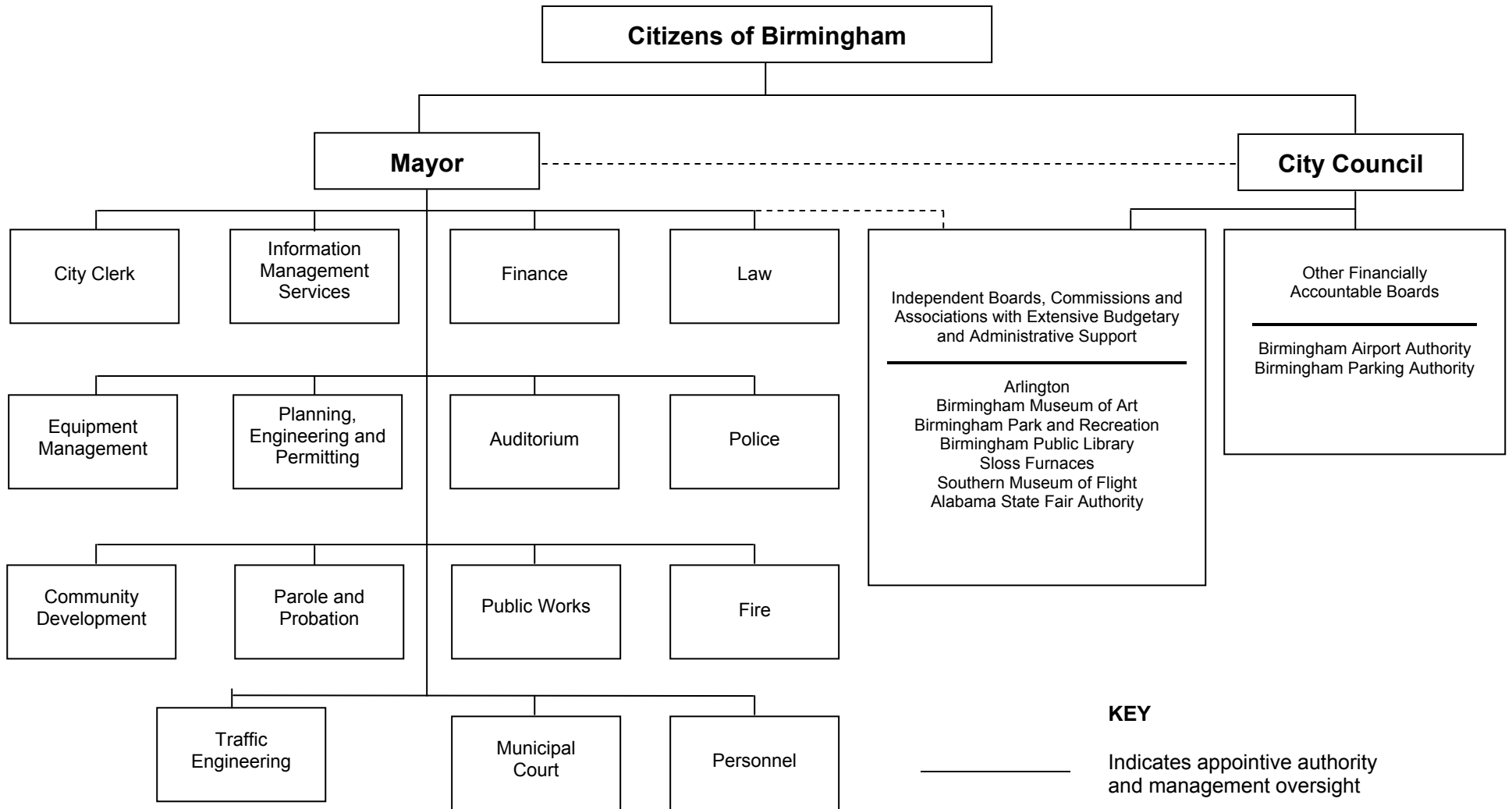
VACANCY – The seat representing District 6, is currently vacant.

JAMES “JAY” ROBERSON, JR., representing District 7, is Chairperson of the Public Improvement and Beautification Committee. Mr. Roberson holds a Bachelor of Arts Degree in Telecommunications from Alabama A&M University. Councilor Roberson is serving his first term.

OPERATING DEPARTMENTS

The chart on the following page illustrates the organization of the departments of the City.

City of Birmingham, Alabama Organization Chart



SERVICES, DEPARTMENTS AND AGENCIES OF THE CITY

General

The major governmental services provided by the City, Jefferson or Shelby County, the State and certain independent agencies are shown on the chart below. The City believes that the scope of governmental services required to be provided by the City is more limited than that of other cities of its size, because Jefferson County or Shelby County and the State have primary responsibility for providing many services customarily provided in certain other states by municipal governments. As a consequence, the City believes that it is less susceptible than many other cities to large increases in operating expenditures and is better able to control its expenditures.

GOVERNMENTAL SERVICES PROVIDED BY THE CITY AND OTHERS

	<u>City</u>	<u>Counties</u>	<u>State</u>	<u>Independent Agency</u>
Fire protection	Exclusive			
Solid waste disposal	Exclusive			
Storm water sewers	Exclusive			
Police protection ¹	Primary	Shared	Shared	
Street maintenance & repair ²	Primary		Shared	
Recreation ³	Primary			Shared
Sanitary sewers ⁴	Shared	Primary		Primary
Courts ⁵	Shared	Shared	Primary	
Road construction ⁶	Shared		Primary	
Health ⁷	Shared	Primary		
Public transportation ⁸	Shared	Shared		Primary
Aviation ⁹	Shared			Primary
Water service ¹⁰				Primary
Education ¹¹	Shared		Shared	Primary
Social Welfare		Shared	Shared	

¹ The City, Jefferson County, Shelby County and State have coextensive law enforcement jurisdiction and the University of Alabama at Birmingham has certain police powers on its campus in the City.

² The State is responsible for maintaining state and federal highways in the City.

³ The City funds recreation programs including pools, museums and sports facilities. The Mayor represents the City on the Birmingham-Jefferson Civic Center Authority, which operates a coliseum, theaters, an exhibition hall and hotel. The City Council appoints members of The Park and Recreation Board of the City of Birmingham.

⁴ Jefferson County constructs and maintains the entire sewage collection and treatment system in Jefferson County.

⁵ The City operates a misdemeanor court system.

⁶ The City builds local traffic arteries only.

⁷ Jefferson County, the City and other cities in Jefferson County contribute to the Jefferson County Health Department on a formula basis. Jefferson County operates a public, tax-supported hospital. Shelby County does not operate a hospital.

⁸ A metropolitan bus system, operated by the Birmingham-Jefferson County Transit Authority, is funded by federal funds, matched by Jefferson County and municipal funds on a formula basis.

⁹ Birmingham-Shuttlesworth International Airport is operated by the Birmingham Airport Authority, the governing body of which is nominated by the Mayor and elected by the City Council of the City. The annual operating budget and the capital improvement budget are subject to approval by the City Council.

¹⁰ See "SERVICES, DEPARTMENTS AND AGENCIES OF THE CITY - Independent Board and Authorities - The Water Works Board of the City of Birmingham" herein.

¹¹ The Birmingham Board of Education, the governing body of which is presently elected by the voters, operates schools with local ad valorem taxes and state and federal funds. The City assists in borrowing for major capital purposes. See "SERVICES, DEPARTMENTS AND AGENCIES OF THE CITY - Independent Boards and Authorities - Birmingham Board of Education" herein.

The City has limited or no responsibility for funding the operating or capital costs of social welfare or health. The responsibility for operating the sanitary sewer system in the portion of the City located in Jefferson County is borne by Jefferson County, with Jefferson County funding the costs of constructing and operating sewage treatment plants, pumping stations, large sewage mains, and maintaining collector mains.

While the City has no statutory responsibility for funding the costs of operating the City's public school system, it appropriated approximately \$707,471, \$1,289,971, \$1,862,464, \$1,894,971, \$1,802,507, \$1,894,971 and \$1,894,971 for school purposes for the 2006, 2007, 2008, 2009, 2010, 2011 and 2012 fiscal years, respectively. In prior years, the City has issued general obligation bonds or warrants of the City for the purpose of funding major school system capital projects, although the City has no current plans for any such issuance. See "SERVICES, DEPARTMENTS AND AGENCIES OF THE CITY - Independent Boards and Authorities - Birmingham Board of Education" herein.

The City appropriates funds from its General Fund to certain activities or agencies for which it does not have primary responsibility. The most significant appropriations of this type are summarized as follows:

	Appropriated Fiscal Year Ended June 30, 2012
Birmingham-Jefferson County Transit Authority	\$10,903,988
Jefferson County Personnel Board	3,168,576

During the Regular Session of 1945, the Legislature of Alabama enacted legislation providing for the Jefferson County Personnel Board and requiring participating municipalities (including the City) to pay a proportionate share of the cost of the civil service system for participating municipalities in Jefferson County.

During the Regular Session of 1977, the Legislature of Alabama enacted legislation providing for annual appropriations to the Birmingham-Jefferson County Transit Authority from Jefferson County and certain municipalities (including Birmingham) in the County served by the transit system.

Also at the Regular Session of 1977, the Legislature of Alabama enacted legislation providing for annual appropriations to the Jefferson County Board of Health from Jefferson County and all municipalities in the County. These appropriations are in addition to other tax revenues allocated by law to the Jefferson County Board of Health, and the amounts of the appropriations are fixed by the Jefferson County Commission based on the relative populations of the governmental jurisdictions from whom funds are appropriated, subject to limitations on total appropriations relating to ad valorem tax collections.

Office of the City Clerk

The City Clerk is secretary to the City Council and custodian of all official City records. The City Clerk also serves as secretary to the Public Athletic, Cultural and Entertainment Facilities Board, Election Commission of the City, The Industrial Development Board of the City of Birmingham, The Commercial Development Authority of the City of Birmingham and The Historical Preservation Authority of the City of Birmingham.

Department of Finance

The Department of Finance employs approximately 106 people and is administered by the Director of Finance, who is appointed by the Mayor. The principal duties of the Director of Finance are established by statute and include the following: budget preparation; budget administration; investments; capital financing; insurance and risk management; contract supervision; disbursements; accounting; audit; collection of taxes, fees and other revenues; and the purchasing of all materials, supplies, equipment and services.

The divisions of the Department of Finance are as follows:

General Accounting maintains account records for approximately 48 separate funds. This division is responsible for accounts payable, accounts receivable, payroll and fixed assets.

Budget Division prepares and administers the annual operating and capital budgets. This division conducts a detailed review of the budget requests of each City department and makes budget recommendations to the Mayor. Following adoption of the official budget, this division reviews and controls expenditures to assure that funds are expended pursuant to the budget.

Cash and Investment Management oversees the City's cash collection and its investment portfolio.

Tax and License Division administers the occupational tax, business license taxes and the City sales and use tax. Approximately 25,000 licenses are issued each year and approximately 24,000 tax returns are processed each month.

Purchasing Division procures all supplies, materials, equipment and services used by City agencies. This division processes requisitions, prepares purchase orders, drafts bid specifications and purchase contract documents, and pays bills from suppliers. This division also maintains a warehouse and a print shop.

Pension & Payroll Administration oversees all payroll processes for approximately 4,400 active employees and approximately 3,400 pensioners. The division is also a one-stop clearinghouse for pension benefit-related services, education and information.

Police Department

The Birmingham Police Department is a modern police department utilizing current law enforcement techniques and equipment and is headed by the Chief of Police. It is manned by approximately 854 sworn officers and approximately 289 civilian personnel and operates four precincts and six substations. Operations of the department are divided among four Deputy Chiefs; a Deputy Chief of Administration and Operations; a Deputy Chief of Patrol; a Deputy Chief of Detectives and a Deputy Chief of Support Services. The Birmingham Police Department maintains training facilities for new recruits and current police personnel.

Fire Department

The City maintains a modern fire-fighting department housed in 31 fire stations throughout the City. There are 29 fire companies maintained and manned by approximately 617 firefighters. The department maintains its own training school for new personnel and for retraining of personnel. It operates 16 emergency units trained to give emergency medical care and medical transport services, and a fire prevention bureau and mans a hazardous material response team. The City's fire department is the primary source for all emergency transport services in the City and charges fees for the same.

Park and Recreation Board

Most park and recreation services in the City are provided by The Park and Recreation Board of the City of Birmingham (the "Park and Recreation Board"), a five-member board appointed by the City Council. The budget of the Park and Recreation Board is subject to approval by the City Council.

The Park and Recreation Board has approximately 110 full-time employees and operates Legion Field, the City's football stadium; a high school football stadium; Birmingham Botanical Gardens; 2 golf courses; 18 recreation centers; over 100 tennis courts; and numerous swimming pools and athletic fields. The Park and Recreation Board also operates numerous parks encompassing more than 2,000 acres.

An intergovernmental agreement has been signed among the City, Jefferson County, the City of Homewood and the City of Mountain Brook for the funding of the renovation of the Birmingham Zoo. Historically, the zoo has been funded only by the City of Birmingham and the revenues generated from its operation have not been sufficient to make the needed improvements and upgrades. The listed governments have agreed to assist with

funding and have agreed to the privatization of the operations of the zoo. The City has signed an agreement with Birmingham Zoo, Incorporated to lease and operate the zoo. The organization is responsible for the day-to-day operations of the zoo and for all fund-raising activities of the zoo. The City has committed \$1,500,000 per year through fiscal year 2019 and \$500,000 per year during fiscal years 2020 through 2034 for the zoo's operating and capital needs. These payments are subject to annual appropriation. The City also agreed to reimburse up to \$180,000 per year through fiscal year 2019 from taxes generated by the zoo in order to promote the facility as a tourist attraction.

Other City Departments

The City's Community Development Department, Office of Community Enterprise, Department of Planning, Engineering and Permits and Office of Housing are responsible for planning and promoting the further development of the City. The Community Development Department conducts the City's planned activities and works with neighborhood citizens' advisory councils to establish priorities for public works activities and other government programs, as well as developing federal assistance and grant projects. The Office of Economic Development and the Community Development Department's Office of Housing were established to promote additional industries and business in the City and to assist and promote the upgrading and expansion of the City's housing stock.

The Department of Planning, Engineering and Permits administers the City's buildings and construction codes, inspects weighing and measuring devices, provides staff support for urban planning, zoning and rezoning activities, maintains City Hall and is responsible for construction of streets, sidewalks, viaducts, storm water sewers and other public works. The Department of Planning, Engineering and Permits coordinates the City's annexation activities. Currently, the Mayor's policy is one of consideration of requests for annexation.

The Department of Law advises the Mayor, the City Council and City departments and agencies on legal matters, represents the City in litigation and prosecutes misdemeanor cases in the City's municipal court. The Public Works Department collects garbage, operates the City landfills and maintains streets and storm sewers and has responsibility for plantings, beautification projects and maintaining the trees and City property throughout the City. The Traffic Engineering Division installs and maintains traffic control devices, including signs, signals, parking meters and street lights. The City's municipal court has six full time judges who hold trials on traffic offenses, certain zoning violations and certain misdemeanors. The municipal court assesses and collects fines, fees and court costs.

Independent Boards and Authorities

The following boards, authorities and other agencies are independent of the City, but are governed by boards of directors appointed by the City Council, except the Birmingham Board of Education, whose members are elected. Many of these entities receive voluntary financial and administrative support from the City, others are financially self-sufficient or receive limited funding.

The Water Works Board of the City of Birmingham. Water service to all residents of the City is provided by the Water Works Board of the City of Birmingham (the "Water Board"). The Water Board is a five-member board that is appointed by the City Council. The budget of the Water Board is not approved by the City Council. The Water Board operates a water works and distribution system that serves approximately 600,000 customers in Jefferson, Blount, St. Clair, Walker and Shelby Counties.

Birmingham Board of Education. The Birmingham Board of Education ("Board of Education") is an agency of the State of Alabama under the general supervision and financial jurisdiction of the Alabama State Department of Education.

Under State law, operations of the Board of Education are independent of the Mayor and Council. The Board of Education is funded independently of the City from ad valorem tax revenues and state appropriations, and the Board of Education independently adopts an operating budget for the school system. The Board of Education has the power to issue warrants payable out of certain taxes levied for its benefit. In prior years, the City has issued

general obligation bonds or warrants of the City for the purpose of funding major school system capital projects, although the City does not currently have any plans for such an issuance.

In June, 2012, the State Board of Education took control of the Board of Education for financial as well as management reasons. The Board faces a significant financial crisis due in large part to declining revenues from the State as a result of declining student enrollment in the Board's school system. Under the strict oversight and control of the State Board of Education, the Board is currently in the process of eliminating additional jobs, closing schools and selling unneeded property to address its continuing financial difficulties.

Birmingham Airport Authority. Birmingham-Shuttlesworth International Airport ("BIA") is operated by Birmingham Airport Authority, a seven-member board appointed by the City Council. The Executive Director of Birmingham Airport Authority is appointed by the Authority's board. By agreement between the City and Birmingham Airport Authority, Birmingham Airport Authority's annual operating budget and the capital improvement budget are subject to approval by the City Council.

BIA is located five miles northeast of downtown Birmingham, providing convenient access to air transportation for residents of the City and surrounding areas. BIA is served by America West, American Airlines, Continental Airlines, Delta Airlines, Southwest Airlines, United Express and US Airways, as well as commuter airlines affiliated with the listed carriers. BIA operates 20 gates serving an average of approximately 125 daily flights. BIA also operates a 5,600 space parking facility.

Cultural Boards and Authorities. Members of the board of the Birmingham Museum of Art, the Birmingham Public Library and Birmingham Civil Rights Institute are appointed by the City Council, and the budgets of these agencies are subject to approval by the City Council. The Mayor serves as the City's representative on the board of the Birmingham-Jefferson Civic Center Authority.

The Birmingham Museum of Art houses a substantial and growing collection of paintings, artifacts and other art objects, and operates an art education program. The museum completed a \$19 million expansion and renovation in 1993. The building program included a 50,000-square-foot addition, a multi-level sculpture garden and a total renovation of the existing building.

The Birmingham Civil Rights Institute is a 58,000 sq. ft facility housing a museum devoted to preserving the history of the civil rights movement through oral history, historical photographs, sculpture, artifacts, paintings, and other art objects and educational programs.

The Birmingham Public Library consists of a central library and 20 branch libraries. Construction of a central facility located in downtown Birmingham was completed in 1984.

The Birmingham-Jefferson Civic Center Authority offers a 16,800-permanent-seat sports coliseum with facilities for basketball, circuses and other activities; an exhibit hall with 220,000 square feet of exhibition space and 100,000 square feet of meeting areas; a 3,000-seat concert hall; a theater seating 1,000; and a 771-room hotel. In addition to expanded exhibit space and hotel rooms, the Civic Center added a medical forum with 400,000 square feet, which has continuing education facilities and tenant space for medical device manufacturers. The expansion project also included a 1,500-space parking deck and a new facility for the Alabama Sports Hall of Fame.

The Public Athletic, Cultural and Entertainment Facilities Board (the "PACE Board") is a five member board that was created to construct and maintain a new 8,500 seat minor league baseball stadium, to be the home of the Birmingham Barons minor league baseball team, which is being constructed on real property owned by the City and leased to the PACE Board. The PACE Board has entered into a lease with the Birmingham Barons that expires in 2042. Construction on the project is expected to be complete for the Barons' 2013 season. Financing for construction was provided in part by the issuance of the PACE Board's Series 2011-A and 2011-B Bonds, in the aggregate original principal amount of \$64,000,000, as well as an increase in the City's Lodging Tax. See "CITY DEBT MANAGEMENT - Public Athletic, Cultural and Entertainment Facilities Board Funding Agreement".

The Commercial Development Authority of the City of Birmingham (the "CDA"), whose members are appointed by the City Council, promotes commercial development and expansion through the issuance of revenue bonds for financing of commercial projects. In 2011, the CDA issued bonds to finance a multi-use development in the downtown area of the City, to include a four-star convention hotel (now identified with the Westin brand) and related meeting rooms, restaurant and exercise facilities, and approximately 60,000 square feet of retail and dining space.

The McWane Center, a consolidation of the activities of the Red Mountain Museum and Discovery Place (a children's museum), opened in downtown Birmingham during the summer of 1998. It is a state-of-the-art science and technology center that includes a 290 seat IMAX Dome theater and a 180,000 square foot building holding various educational and interactive exhibits, a science presentation theater, a multi-purpose classroom, a restaurant and administrative offices. A 355-space parking deck is located adjacent to these structures. The City has in recent years appropriated money to the McWane Center as an operating subsidy. The City appropriated \$477,000, \$159,000 and \$159,000 to the McWane Center for the fiscal year ended June 30, 2010, June 30, 2011, and June 30, 2012, respectively. The City may continue to appropriate money to the McWane Center in future fiscal years, but any such appropriations are discretionary.

Other Boards and Agencies. The Industrial Development Board of the City of Birmingham, whose members are appointed by the City Council, promotes industrial expansion through the issuance of revenue bonds for new and expanding industrial plants. The Public Park and Recreation Board of the City of Birmingham, whose members are appointed by the City Council, promotes recreational, cultural and educational development of the City by issuing revenue bonds to finance qualifying projects in the City. The Public Educational Building Authority of the City of Birmingham, whose members are appointed by the City Council, promotes public education in the City by facilitating the issuance of revenue bonds to finance qualifying educational projects. The City of Birmingham Downtown Redevelopment Authority, whose members are appointed by the City Council, promotes the revitalization and redevelopment of the central business district of the City. The Birmingham Parking Authority, whose members are appointed by the City Council, promotes the development of off-street parking facilities by issuing revenue bonds to finance qualifying parking facilities in the City. The Birmingham-Jefferson County Transit Authority is governed by a nine-member board, five of whom are appointed by the City Council, and operates a bus system in the City and in areas surrounding the City. The Historical Preservation Authority of the City of Birmingham, whose members are appointed by the City Council, promotes the renovation and improvement of historic districts and buildings.

In September, 2010, Railroad Park opened in the City's downtown. Railroad Park is a 19 acre green space that celebrates the City's industrial and artistic heritage. Railroad Park is a joint effort between the City and the Railroad Park Foundation.

CITY LABOR RELATIONS

The City is not subject to collective bargaining agreements. The City does not negotiate with employee organizations, but does hold general information meetings with such organizations. These employee organizations include: Fraternal Order of Police (Birmingham Lodge No. 1), Laborers International Union (Local 1317), International Fire Fighters Association and Birmingham Association of City Employees. The City maintains a number of defined benefit pension plans covering substantially all employees. See Note III.I of the Notes to the Financial Statements in Appendix A of this Official Statement for a discussion of the City's pension plans.

CITY FINANCIAL SYSTEM

The City maintains a financial reporting system which provides timely and accurate reports of receipts and expenditures. The City's financial statements are audited annually, as required by law, by independent accountants. The report of such accountants with respect to certain of the City's financial statements for the fiscal year ended June 30, 2012 is included in the City's comprehensive annual financial report ("CAFR") which is attached as Appendix A to this Official Statement. The Finance Department of the City endeavors to make audited financial information available upon request to the holders of the City's securities, creditors and other interested parties in a timely fashion. A "Certificate of Achievement for Excellence in Financial Reporting" was awarded to the City by the Government Finance Officers Association of the United States and Canada (the "GFOA") for the comprehensive

annual financial report for the fiscal year ended June 30, 2011, which is the thirty-fourth consecutive year the City has received such award. The certificate evidences compliance by the City with generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for one year.

In preparing its financial statements, the City is required to follow and comply with the rules and regulations of the Governmental Accounting Standards Board ("GASB"). All applicable aspects of GASB's rules and regulations have been fully implemented by the City. The City's CAFR for the fiscal year ended June 30, 2012, which has been prepared pursuant to GASB's rules and regulations, is attached hereto as Appendix A.

The City's financial system is an integrated, centralized base for all budgetary and accounting information for all offices, departments, agencies, boards, bureaus and activities of the City. The system begins with the budget and progresses into the encumbering of all obligations and disbursement of all funds. An accounting is provided for all revenues and expenditures, regardless of source of charge. The financial system enables management to produce timely monthly reports.

The City's financial systems include a cash investment management system which enhances the City's capability to fully invest idle funds through the concept of pooled cash. The Budgeting System connects the budget to the City's payroll and financial reporting system which allows the various departments flexibility to develop, prepare and send all budget information on-line. In addition to accounting control and budgetary control, cost control is provided for in both capital projects and operating expenditures analyses.

Budget System

The City budget consists of the General Fund Budget, the Capital Budget, the State and Federal Grant Budget, the Debt Service Budget and the Budget Message. It represents a complete financial plan for the City and reflects the projection of all receipts and disbursements from all sources, including all revenues, all expenditures and the surplus or deficit in the General Fund and all special funds of the City.

The General Fund Budget, the State and Federal Grant Budget and the Debt Service Budget are developed by the Director of Finance under the direction of the Mayor. Such budgets are based on annual work programs setting forth the nature, volume and cost of work to be performed as submitted by the head of each office, department, board and other agency of the City. Estimated revenues are detailed as to source, and estimated expenditures as to program or project. The Mayor may hold hearings with regard to the proposed budget. No later than May 20 in each year, the Mayor submits to the City Council the proposed City budgets for the ensuing fiscal year.

The Budget Message, issued by the Mayor, explains the proposed budgets in fiscal terms and in terms of work to be performed. It outlines the proposed financial policies of the City for the ensuing fiscal year and indicates any major changes in financial policies and in expenditures, appropriations and revenues as compared with the fiscal year currently ending and sets forth the reasons for such changes.

Upon submission of the budgets by the Mayor to the City Council, the City Council is required to hold a public hearing. After the conclusion of the public hearing, the City Council may insert new items of expenditure or may increase, decrease or eliminate items of expenditure in the General Fund Budget, except that no item of expenditure for debt service, or any other item required to be included by law, may be reduced or eliminated. The City Council may not alter the estimates of receipts contained in the General Fund Budget except to correct omissions or mathematical errors. The City Council is prohibited by statute from adopting a General Fund Budget in which the total of expenditures exceeds the receipts and available surplus, unless at the same time it adopts measures for providing additional revenue in the ensuing fiscal year sufficient to make up the difference.

Appropriations in addition to those contained in the original General Fund Budget ordinance may be made by the City Council by not less than five affirmative votes, but only on the recommendation of the Mayor and only if the Director of Finance certifies in writing that there is available in the General Fund an unencumbered and unappropriated sum sufficient to meet such appropriations.

The Capital Budget is the City's plan to receive and expend funds during the ensuing fiscal year for capital improvement projects and the means of financing thereof. The City Council is required to adopt a Capital Budget prior to the beginning of the fiscal year in which the budget is to take effect. Amendments to the Capital Budget may be made by the City Council by not less than five affirmative votes, but only upon the recommendation of the Mayor and only if funds are available for any budget increases.

The City's budget report for the fiscal year beginning July 1, 2011, was awarded the Government Finance Officer's Association Award for Distinguished Budget Presentation. In order to receive this award, a governmental unit must publish a document that meets the program criteria as a policy document, as an operations guide, as a financial plan and as a communications device.

Accounting System

The City maintains an accounting system that includes government-wide and fund financial information, the essential features of which are described under Notes I.B. and I.C. of the Notes to Financial Statements in Appendix A of this Official Statement.

Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The fund statements are presented on a current financial resources measurement focus and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. The City's fiduciary funds are presented in the fund financial statements by type.

The following is a brief description of the specific major funds used by the City in fiscal year 2012:

The *General Fund* is the City's primary operating fund and accounts for all financial resources except for those required to be accounted for in other funds.

The *General Bond Debt Reserve Fund* accounts for the receipt of ad valorem taxes earmarked for debt service.

The *General Bond Debt Service Fund* accounts for the payment of principal and interest on general obligation bond debt. Moneys are transferred from the General Bond Debt Reserve Fund to the General Bond Debt Service Fund at times and in amounts sufficient to pay principal and interest on the City's general obligation bonds as such amounts become due.

The *Birmingham Fund* is considered a Special Revenue Fund and is used to account for the proceeds the City received from the sale of Industrial Water Board.

The *Capital Improvement Fund* accounts for funds from miscellaneous sources used for various capital improvement projects.

The *2010 Recovery Zone Economic Development Warrants Fund* accounts for funds used for various capital improvement projects.

The *Public Improvement Fund* accounts for construction of public improvements which are to be paid wholly or in part from assessments levied against the property benefited by the improvements.

The City reports its only proprietary fund as a major proprietary fund:

The *Emergency Management Communication District* accounts for the operation of the Enhanced Universal Emergency Number Service (E911).

The *Pension Trust Funds* account for the activities of the City's seven pension plans.

Comparative Statements

The following condensed statements have been compiled from the CAFRs of the City for the fiscal years ended June 30, 2008 through 2012. These statements show the revenues, expenditures and changes in fund balance for the General Fund and the General Bond Debt Reserve Fund. Bonded debt service of the City (but not warrants) may be paid from moneys deposited in the City's General Bond Debt Reserve Fund. See "CITY DEBT MANAGEMENT - General Obligation Bond Debt Service" herein. The General Fund represents the primary source from which the City pays debt service on its outstanding general obligation warrants.

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CITY OF BIRMINGHAM, ALABAMA
GENERAL FUND
CONDENSED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE
FOR THE YEARS AS INDICATED
(In thousands)

Fiscal Year Ended June 30

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Revenue					
Taxes	\$235,204	\$245,349	\$234,848	\$238,243	\$244,316
Licenses and permits	91,063	87,525	78,556	79,984	87,671
Intergovernmental revenues	15,066	16,227	16,843	17,916	20,042
Charges for services	12,927	13,995	13,874	13,788	12,746
Fines and forfeitures	4,537	6,322	5,425	4,223	3,122
Investment income	3,210	2,389	1,407	748	738
Other operating revenue	<u>6,224</u>	<u>6,742</u>	<u>8,296</u>	<u>9,637</u>	<u>6,752</u>
Total revenues	<u>\$368,231</u>	<u>\$378,549</u>	<u>\$359,249</u>	<u>\$364,539</u>	<u>\$375,387</u>
Expenditures					
Current:					
Public safety	155,120	172,837	185,862	170,780	171,693
Street and sanitation	66,234	52,083	57,709	48,058	47,167
Cultural and recreational	42,070	34,651	35,457	32,580	32,863
General government	<u>44,567</u>	<u>91,266</u>	<u>92,366</u>	<u>96,864</u>	<u>103,431</u>
Total current operations	<u>307,991</u>	<u>350,837</u>	<u>371,394</u>	<u>348,282</u>	<u>355,154</u>
Debt Service:					
Principal	715	5,400	12,392	8,936	13,819
Interest and fees	<u>5,568</u>	<u>5,275</u>	<u>6,667</u>	<u>6,388</u>	<u>7,527</u>
Total debt service	<u>6,283</u>	<u>10,675</u>	<u>19,059</u>	<u>15,324</u>	<u>21,346</u>
Capital Outlays	<u>-</u>	<u>44,673</u>	<u>522</u>	<u>252</u>	<u>320</u>
Total expenditures	<u>314,274</u>	<u>406,185</u>	<u>390,975</u>	<u>363,858</u>	<u>376,820</u>
Excess (deficiency) of revenues over (under) expenditures	53,957	(27,636)	(31,726)	681	(1,433)
Other financing uses (sources)	<u>(32,291)</u>	<u>4,935</u>	<u>27,277</u>	<u>6,256</u>	<u>(5,668)</u>
Net Change in fund balance	21,666	(22,701)	(4,449)	6,937	(7,101)
Fund balance, beginning of year	<u>95,816</u>	<u>117,482</u>	<u>96,727</u> ⁽¹⁾	<u>92,278</u>	<u>99,215</u>
Fund balance, end of year	<u>\$117,482</u>	<u>\$ 94,781</u>	<u>\$ 92,278</u>	<u>\$ 99,215</u>	<u>\$ 92,114</u>

Note: Revenues, expenditures and changes in fund balances on these condensed statements are reported on a modified accrual basis of accounting.

Source: Audited financial statements of the City for fiscal years ended June 30, 2008 through 2012.

⁽¹⁾ Restated.

The audited financial statements for the fiscal year ended June 30, 2012 report that the fund balance for the General Fund as of June 30, 2012, was \$92,114,000. This amount represents a decrease of \$7,101,000 from the restated General Fund balance of \$99,215,000 as of June 30, 2011.

**CITY OF BIRMINGHAM, ALABAMA
GENERAL BOND DEBT RESERVE FUND
CONDENSED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEARS AS INDICATED
(In thousands)**

	Fiscal Year Ended June 30				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Revenue					
Taxes	\$30,137	\$29,727	\$30,148	\$27,859	\$29,364
Interest and net gain on sale of investments	<u>2,308</u>	<u>2,160</u>	<u>2,536</u>	<u>1,227</u>	<u>2,328</u>
Total revenues	<u>32,445</u>	<u>31,887</u>	<u>32,684</u>	<u>29,086</u>	<u>31,692</u>
Expenditures	<u>0</u>	<u>13</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues over (under) expenditures	<u>32,445</u>	<u>31,874</u>	<u>32,684</u>	<u>29,086</u>	<u>31,692</u>
Other financing uses ¹	<u>(33,418)</u>	<u>(33,606)</u>	<u>(32,325)</u>	<u>(32,872)</u>	<u>(38,314)</u>
Net change in fund balance	<u>(973)</u>	<u>(1,732)</u>	<u>359</u>	<u>(3,786)</u>	<u>(6,622)</u>
Fund balance, beginning of year	<u>42,427</u>	<u>41,454</u>	<u>39,722</u>	<u>40,081</u>	<u>36,395</u>
Fund balance, end of year	<u>\$41,454</u>	<u>\$39,722</u>	<u>\$40,081</u>	<u>\$36,295</u>	<u>\$29,673</u>

Source: Audited financial statements of the City for fiscal years ended June 30, 2008 through 2012.

¹ Other financing uses is comprised of transfers out to the debt service fund for payment of principal and interest on the City's general obligation bonds.

The audited financial statements for the fiscal year ended June 30, 2012 report that the fund balance for the General Bond Debt Reserve Fund as of June 30, 2012, was \$29,673,000. This amount represents a decrease of \$6,622,000 from the General Bond Debt Reserve Fund balance of \$36,295,000 as of June 30, 2011. For the fiscal year ended June 30, 2012, the General Bond Debt Reserve Fund received revenue from the General Bond Tax of approximately \$22,489,000 and from the School Bond Tax of approximately \$6,843,000.

Comparison of Budget to Actual - General Fund

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. The statements on the following pages present General Fund revenues, expenditures and changes in fund balance - budget and actual - for fiscal years ended 2011 and 2012.

The following statement has been compiled from the CAFRs of the City for the fiscal years ended June 30, 2010 and 2011. It provides a comparison for the General Fund of revenues, expenditures and changes in fund balance on a budgetary basis.

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CITY OF BIRMINGHAM, ALABAMA
GENERAL FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE—BUDGET AND ACTUAL—BUDGETARY BASIS
For the years ended June 30, 2010 and 2011
(In thousands)

	2010			2011		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:						
Taxes	\$222,523	\$234,848	\$12,325	\$235,177	\$238,243	\$3,066
Licenses and Permits	78,830	78,556	(274)	84,690	79,984	(4,706)
Intergovernmental revenues	15,903	16,843	940	13,927	17,916	3,989
Charges for services	11,388	13,874	2,486	13,012	13,788	776
Fines and forfeitures	5,191	5,425	234	5,305	4,223	(1,082)
Investment Income	924	1,407	483	1,130	748	(382)
Other operating revenues	<u>14,223</u>	<u>8,296</u>	<u>(5,927)</u>	<u>6,430</u>	<u>9,637</u>	<u>3,207</u>
Total revenues	<u>\$348,982</u>	<u>\$359,249</u>	<u>\$10,267</u>	<u>\$359,671</u>	<u>\$364,539</u>	<u>\$4,868</u>
Expenditures:						
Public safety	\$183,482	\$185,862	\$2,380	\$171,236	\$170,780	\$456
Environmental and street	57,394	57,709	315	50,061	48,058	(2,003)
Cultural and recreational	34,470	35,457	987	32,899	32,580	(319)
General government	84,526	89,371	4,845	101,396	96,864	(4,532)
Debt Service	17,203	18,408	1,205	14,021	15,324	1,303
Capital Outlays	<u>32,243</u>	<u>4,168</u>	<u>(20,805)</u>	<u>1,171</u>	<u>252</u>	<u>(919)</u>
Total expenditures	<u>\$402,053</u>	<u>\$390,975</u>	<u>(\$11,078)</u>	<u>\$370,784</u>	<u>\$363,858</u>	<u>(\$6,926)</u>
Excess revenues over expenditures	<u>(\$3,071)</u>	<u>(\$31,726)</u>	<u>\$21,345</u>	<u>(\$11,113)</u>	<u>\$681</u>	<u>\$11,794</u>
Other financing sources (uses)	<u>1,019</u>	<u>27,277</u>	<u>26,258</u>	<u>4,322</u>	<u>6,256</u>	<u>1,934</u>
Excess of revenues over expenditures and other financing uses	<u>(52,052)</u>	<u>(4,449)</u>		<u>(6,791)</u>	<u>6,937</u>	-
Fund balance, beginning of the year	<u>96,729</u>	<u>96,729</u>	-	<u>92,278</u>	<u>92,278</u>	-
Fund balance, end of year	<u>\$42,729</u>	<u>\$92,280</u>	<u>\$49,551</u>	<u>\$85,487</u>	<u>\$99,215</u>	<u>\$13,728</u>

Source: Dollars in "actual" columns derived from audited financial statements of the City for the years ended June 30, 2010 and 2011.

Note: This statement is prepared on a basis consistent with accounting principles generally accepted in the United States of America (modified accrual basis) except that expenditures include encumbrance accounting under which purchase orders, contracts and other commitments for the expenditure of monies are recorded.

The table below presents revenues, expenditures and encumbrances - budget and actual - for the General Fund for the fiscal year ended June 30, 2012 (in thousands). The information in the table is derived from the City's CAFR for the fiscal year ended June 30, 2012.

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CITY OF BIRMINGHAM, ALABAMA
GENERAL FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE—BUDGET AND ACTUAL—BUDGETARY BASIS
For the year ended June 30, 2012
(In thousands)

		2012	Over (Under)
	<u>Budget*</u>	<u>Actual</u>	<u>Budget</u>
Revenues:			
Taxes	\$243,930	\$244,316	\$386
Licenses and permits	79,427	87,671	8,244
Intergovernmental revenues	12,905	20,042	7,137
Charges for services	13,902	12,746	(1,156)
Fines and forfeitures	4,615	3,122	(1,493)
Investment income	1,130	738	(392)
Other operating revenues	<u>6,599</u>	<u>6,752</u>	<u>153</u>
Total revenues	<u>\$362,508</u>	<u>\$375,387</u>	<u>\$12,879</u>
Expenditures:			
Public safety	\$178,019	\$171,693	(\$6,326)
Environmental and street	49,177	47,167	(2,010)
Cultural and recreational	35,056	32,863	(2,193)
General government	104,530	103,431	(1,099)
Debt Service	19,374	21,346	1,972
Capital outlays	<u>1,209</u>	<u>320</u>	<u>(889)</u>
Total expenditures	<u>\$387,365</u>	<u>\$376,820</u>	<u>(\$10,545)</u>
Deficiency of revenues under expenditures	<u>(\$24,857)</u>	<u>(\$1,433)</u>	<u>\$23,424</u>
Other financing sources (uses)	<u>(5,668)</u>	(5,668)	
Excess of revenues over expenditures and other financing uses		(7,101)	-
Fund balance, beginning of year (restated)	<u>99,215</u>	<u>99,215</u>	-
Fund balance, end of year	<u>\$68,690</u>	<u>\$92,114</u>	<u>\$23,424</u>

Source: Dollars in "actual" column derived from audited financial statements of the City for the year ended June 30, 2012.

Note: This statement is prepared on a basis consistent with accounting principles generally accepted in the United States of America (modified accrual basis) except that expenditures include encumbrance accounting under which purchase orders, contracts and other commitments for the expenditure of monies are recorded.

* The amounts in this column represent the final budget amounts after adding numerous budget amendments to the original budget. The original budget included the use of Fund Balance in the amount of \$7,677,000. During the year many expense items were added but revenues were not formally increased and certain expense items were not formally reduced. Year-end actual results reflect a use of Fund Balance of \$7,101,000, less than the original budget and slightly more than the previous year's surplus of \$6,937,000.

Budget

The chart below presents a condensed report of the City's General Fund budget for the fiscal year ending June 30, 2013:

**CITY OF BIRMINGHAM, ALABAMA
GENERAL FUND BUDGET
FISCAL YEAR ENDED JUNE 30, 2013***

Revenues:

Taxes	\$246,208,000
Licenses and Permits	86,045,000
Intergovernmental revenues	10,759,000
Charges for services	12,741,100
Fines and forfeitures	3,017,000
Other operating revenues	7,079,450
Proceeds from debt issuance	<u>0</u>
Total revenues	<u>\$365,849,550</u>

Expenditures:

Public safety	\$166,262,428
Environmental and street	46,640,599
Cultural and recreational	36,308,557
General government	<u>116,637,966</u>
Total expenditures	<u>\$365,849,550</u>
Excess of revenues over expenditures	<u>\$ 0</u>

* During the year, through March 6, 2013, budget amendments increasing revenues by \$9,136,496 and increasing expenses by \$14,070,879 have been enacted, \$8,125,805 of each amount representing advances of proceeds of the Bonds to begin projects. Formal amendments, increasing revenues will be considered during the month of March, 2013. The City currently projects that revenues will slightly exceed expenses for its current fiscal year. However, such projection may change and such results cannot be guaranteed.

City Pension Obligations

The City maintains seven defined benefit pension plans. Each of these pension plans was established by state law and is administered by a separate board of managers. The funding methods and determination of benefits payable were established by the legislative acts creating such plans and provide that the pension plans' funds are to be accumulated from employee contributions, employer contributions, and income from the investment of accumulated funds. The cost of administering the plans is funded by the City.

The membership of the two plans listed below is currently open, and benefits are funded by contributions from employees, the City, and income from the investment of accumulated funds:

City of Birmingham Retirement and Relief System – This system covers all civil service employees, elected officials, and appointed employees. Membership is mandatory for all qualified employees and is effective upon employment. Elected officials and appointed employees have the option of participating in the plan. The City and participating employees each contribute 6.5% of compensation for each year, exclusive of overtime and subject to statutory limits. The required contributions are determined based on annual actuarial reports. Current membership as of the last actuarial valuation of July 1, 2011, was 3,807 active members, 246 inactive members, 2,083 retired service pensioners, 467 disabled participants and 476 beneficiaries.

City of Birmingham Firemen's and Policemen's Supplemental Pension System - This system covers sworn firemen and policemen and provides retirement benefits for twenty years of service. Membership is mandatory for such personnel and is effective upon employment. Employees hired prior to May 2, 1978, contribute 3.3% of payroll, exclusive of overtime; those hired on or subsequent to May 2, 1978, contribute 5.22% and the City matches these amounts. The required contributions are determined based on annual actuarial reports. Current membership as of the last actuarial valuation of July 1, 2011, was 1,474 active members, 183 retired service pensioners, 11 disabled participants and 84 beneficiaries.

The membership of the five plans listed below is closed, and benefits are funded by City contributions approximately equal to current benefit payments:

City of Birmingham Unclassified Employees Pension and Relief System – This system covers laborers not hired under civil service. Employees contribute \$10.00 bi-weekly. The City is required by City ordinance to contribute a sum, computed as a percentage of payroll, to fund the annual cost of the unfunded liability over thirty years. There are currently 3 active members and 22 pensioners including 2 beneficiaries.

Policemen's Pension and Relief Fund – This fund covers policemen employed prior to September 1939. There are 3 beneficiaries currently receiving benefits from the fund.

Limited Firemen's Retirement and Relief System – This system covers certain designated firemen who were formerly members of the Firemen's Pension and Relief Fund. Current membership includes 2 beneficiaries.

Limited Policemen's Retirement and Relief System – This system covers certain designated policemen who were formerly members of the Policemen's Pension and Relief Fund. Current membership includes 2 beneficiaries.

As of the July 1, 2011 actuarial valuation, the City of Birmingham Retirement and Relief System had an unfunded actuarial accrued liability of \$265,974,021, and the City of Birmingham Firemen's and Policemen's Supplemental Pension System had an unfunded actuarial accrued liability of \$61,985,955. For additional analysis of the historic funding progress and contribution history regarding the City's pension plans, see Note III.H to the City's audited financial statements contained in the CAFR for the fiscal year ended June 30, 2012 in [Appendix A](#) hereto.

Other Post-Employment Benefits

The City provides postretirement health care benefits to retired employees who are eligible for pension benefits by subsidizing a portion of the retirees' health insurance premiums. The City's subsidy for each covered retired employee currently ranges from \$42 to \$121 per month. Dental and life insurance is also available to retirees, but the City does not subsidize retirees' dental or life insurance premiums. There were 550 retirees receiving health care subsidies as of June 30, 2011. Expenditures for post-retirement health care insurance costs are made and recognized monthly.

The City's annual other postemployment benefit (OPEB) expense is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. Total claim

payments for fiscal year 2012 were approximately \$3.9 million net of participants' and pension plans' contributions. The City's unfunded actuarial accrued OPEB liability as of the June 30, 2011 valuation was \$64,475,000. See Note III.H to the City's audited financial statements contained in the CAFR for the fiscal year ended June 30, 2012 in Appendix A hereto for additional information regarding the City's OPEB liability.

CITY GENERAL FUND REVENUES

The principal General Fund revenue sources for the years ended June 30, 2010, 2011 and 2012 are summarized in the following table (in thousands):

	<u>2010</u>		Fiscal Year Ended June 30 <u>2011</u>		<u>2012</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Property (ad valorem) taxes	\$ 26,150 ³	7.25%	\$23,626 ³	6.52%	\$23,181 ³	6.22%
Sales and use taxes ¹	127,197	35.25%	131,162	36.22%	134,829	36.15%
Occupational taxes	73,008	20.23%	74,909	20.69%	77,703	20.84%
Licenses and permits ²	78,556	21.77%	79,984	22.09%	87,671	23.51%
Lease Rental Tax	6,238	1.73%	6,099	1.66%	6,149	1.65%
Intergovernmental revenue	16,843	4.67%	17,916	4.95%	20,042	5.37%
Charges for services	13,874	4.23%	13,788	3.81%	12,746	3.42%
Fines and forfeitures	5,425	1.50%	4,223	1.17%	3,122	0.84%
Investment income	1,407	0.39%	748	0.21%	738	0.20%
Other revenue	<u>10,551</u>	2.98%	<u>9,637</u>	2.67%	<u>6,752</u>	1.81%
TOTAL	\$359,249		\$362,092		\$372,933	

Source: Audited financial statements of the City for the fiscal years ended June 30, 2010, 2011 and 2012.

¹ The City increased the general sales and use tax rates from three percent to four percent effective for the period beginning on January 1, 2008 and ending on December 31, 2013. At its meeting on February 5, 2013, the City Council voted unanimously to extend the general sales tax rate increase through December 31, 2018 and extend the use tax rate increase with no expiration.

² The City increased the business license tax levied by the City on non-regulated businesses by approximately 100% beginning January 1, 2008.

³ Prior to 2010, the portion of ad valorem tax revenues due to be paid, by statute, to the Jefferson County Board of Health ("Board of Health") and the Birmingham-Jefferson County Transit Authority (the "Transit Authority") were included in the total amount of property taxes collected as revenue on the City's financial statements and were also deducted as an expense. Prior to and after 2010, the amounts owing to the Board of Health and the Transit Authority were and continue to be remitted directly to Transit Authority and Board of Health by the City's tax collector. As a result of a change in accounting procedures, the City no longer treats the portion of the ad valorem tax revenues due the Transit Authority and the Board of Health as an item of revenue and expense on the City's financial statements. Accounting for the amounts due the Transit Authority on the City's financial statements ceased beginning in 2010 and accounting for the amounts due the Board of Health ceased beginning in 2011. The ad valorem tax revenue due the Transit Authority after the accounting procedure change and not included in the "Property (ad valorem) tax" calculation above was \$3,483,527.49, \$3,947,279.83 and \$3,144,824.23 in 2010, 2011 and 2012, respectively. The ad valorem tax revenue due the Board of Health after the accounting procedure change and not included in the "Property (ad valorem) tax" calculation above was \$1,534,510.60 and \$1,159,722.18 in 2011 and 2012, respectively. Accordingly, the actual total property (ad valorem) taxes collected by the City for 2010, 2011 and 2012 were \$29,633,225.10, \$29,107,565.11 and \$27,485,823.62, respectively.

Ad Valorem Taxes

In fiscal year ended June 30, 2012, the City received for its General Fund ad valorem tax proceeds in the approximate amount of \$23,181,000 or approximately 6.22% of General Fund revenues. Information describing property taxes is set forth under the heading "AD VALOREM TAXES" herein.

Sales and Use Taxes

In fiscal year ended June 30, 2012, the City received for its General Fund sales and use tax revenues in the approximate amount of \$134,829,000 or approximately 36.15% of General Fund revenues. Information describing sales and use taxes is set forth under the heading "SALES & USE TAXES" herein.

Occupational Taxes

In the fiscal year ended June 30, 2012, the City received for its General Fund occupational license tax revenues in the approximate amount of \$77,703,000 or approximately 20.84% of General Fund revenues. Information describing the City's occupational license tax is set forth under the heading "OCCUPATIONAL TAXES" herein.

License and Permit Revenues

In the fiscal year ended June 30, 2012, the City received for its General Fund revenues for issuance of licenses and permits in the approximate amount of \$87,671,000 or approximately 23.51% of the City's General Fund revenues. Information describing the City's license and permit revenues is set forth under the heading "LICENSES AND PERMIT REVENUES" herein.

Intergovernmental Revenue

Shared State revenues include the following taxes or revenues that are collected by the State, a portion of the proceeds of which are required by law to be paid to the City: bank excise tax, motor vehicle licenses, and State liquor store profits. Shared revenues from local government units consist principally of taxes collected by Jefferson County and paid in part to the City under State statutes requiring a sharing of the proceeds of the following taxes: gasoline tax, tobacco tax, beer excise tax and county road tax.

AD VALOREM TAXES

General

The levy and collection of ad valorem taxes in Alabama are subject to the Alabama Constitution, which, among other things, fixes the percentages of market value at which property can be assessed for taxation, limits the tax rates that can be levied against property and places a ceiling on the aggregate ad valorem taxes that can be levied by all taxing authorities on any property in any tax year. The amount of an ad valorem tax in Alabama is computed by multiplying the applicable tax rate by the assessed value of the taxable property. The assessed value of taxable property is a specified percentage (the "assessment ratio") of its fair and reasonable market value or, in certain circumstances, its current use value. Ad valorem tax rates are stated in terms of mills per dollar of assessed value. Each mill represents a tax equal to one-tenth of one percent of the assessed value of such property.

Classification of Taxable Property

Amendment No. 373 to the Alabama Constitution divides all taxable property into the following four classes valued for taxation according to the assessment ratios shown below:

Class I:	All property owned by utilities	30%
Class II:	All property not otherwise classified	20%
Class III:	Agricultural, forest and single-family owner-occupied residential property and historic buildings and sites	10%
Class IV:	Private passenger automobiles and pickup trucks owned and operated by an individual for personal or private use	15%

Amendment No. 373 permits the owner of Class III property to elect to have such property appraised at its "current use value" rather than its "fair and reasonable market value." "Current use value" has been defined statutorily as the value of such property based on the use being made of it on December 1 of the preceding year, without taking into consideration the prospective value such property might have if it were put to some other possible use.

Assessment Ratio Adjustment

The Alabama Legislature has no power to adjust assessment ratios pertaining to local (as distinguished from state) taxes but does have the power to approve or disapprove an adjustment proposed by a local taxing authority. The governing body of any county, municipality or other local taxing authority may increase or decrease the assessment ratio with respect to any class of property subject to the following conditions: (i) the governing body of such county, municipality or other taxing authority must hold a public hearing on the proposed adjustment before authorizing the adjustment, (ii) the Legislature must adopt an act approving the adjustment, and (iii) a majority of the electors of such county, municipality or other taxing authority must approve the adjustment in a special election. In addition, the Legislature has placed the following restrictions on the adjustment of assessment ratios:

(1) If the total assessed value of all property of a single class located within a taxing authority's jurisdiction exceeds 50% of the total assessed value of all taxable property located within the jurisdiction of such authority, then the assessment ratio with respect to that class of property may be decreased by no more than 5% from the ratio otherwise prescribed for such class;

(2) If the total assessed value of all properties of a single class located within the jurisdiction of a local taxing authority is less than 20% of the total assessed value of all taxable property located within such jurisdiction, then the assessment ratio with respect to that class of property may be increased by no more than 5% from the ratio otherwise prescribed for such class; and

(3) If the total assessed value of all property of a single class located within the jurisdiction of a local taxing authority exceeds 75% of the total assessed value of all taxable property located within such jurisdiction, then (i) the assessment ratio with respect to that class of property may be decreased by no more than 5% from the ratio otherwise prescribed for such class, and (ii) the prospective assessment ratio for all other classes of property may be increased by no more than 5% from the ratio otherwise prescribed for such classes.

The governing body of the City has not sought to adjust the assessment ratio applicable to any class of taxable property nor does the City have any present plan for any such adjustment.

Rate Adjustments

Amendment No. 373 authorizes any county, municipality or other local taxing authority to decrease any ad valorem tax at any time, provided that such decrease does not jeopardize the payment of any bonded indebtedness secured by such tax. Amendment No. 373 also permits a county, municipality or other local taxing authority to increase the rate at which any ad valorem tax is levied, but only if (i) the governing body of such county, municipality or other taxing authority holds a public hearing on the proposed increase before authorizing the increase, (ii) the Legislature adopts an act approving the increase, and (iii) a majority of the electors of such county, municipality or other taxing authority subsequently approves the increase in a special election.

Ceiling on Ad Valorem Taxes

Amendment No. 373 also limits the total amount of state, county, municipal and other ad valorem taxes that may be imposed on any class of property in any one tax year. This limitation is expressed in terms of a specific percentage of the fair and reasonable market value of such property. The applicable percentages to the four classes of property are as follows:

Class I	-	2%
Class II	-	1½%
Class III	-	1%
Class IV	-	1¼%

If the total amount of tax otherwise payable with respect to a class of property would exceed the maximum tax limit, the millage rate of each separate tax to which such property is subject must be reduced in the same proportion that the millage levied by or for the benefit of each taxing authority bears to the total millage levied by or for the benefit of all applicable taxing authorities. This provision becomes operative as to the several classes of property only if the total tax rate exceeds the following:

Class I	-	66 2/3 mills
Class II	-	75 mills
Class III	-	100 mills
Class IV	-	83 1/3 mills

The tax rate for Class I property for the portion of the City located in Jefferson County exceeds the above referenced rate and is equal to 69 1/2 mills. See “AD VALOREM TAXES – Ad Valorem Tax Rates.”

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Ad Valorem Tax Rates

Ad valorem taxes on property in the jurisdiction of the City are currently levied at the following rates (in mills):

	<u>Jefferson County</u>	<u>Shelby County</u>
<u>State of Alabama</u>	6.50 mills	6.50 mills
<u>Jefferson and Shelby Counties</u>		
County Tax:		
General Fund (no limit as to time)	5.60	5.00
Road Fund (no limit as to time)	2.90	2.50
Road Fund (shared with City)	2.10	N/A
Building and Bridge Fund (no limit as to time)	2.20	N/A
Sewer Fund (no limit as to time)	<u>0.70</u>	<u>N/A</u>
Total	13.50	7.50
County Schools:		
General School Fund	5.40	5.00
General School Fund	2.10	4.00
General School Fund	<u>0.70</u>	<u>7.00</u>
Total (shared with City schools based on average daily attendance)	<u>8.20</u>	<u>16.00</u>
Total Jefferson and Shelby Counties	<u>21.70</u>	<u>23.50</u>
<u>City of Birmingham</u>		
Municipal Tax:		
General Municipal purposes (no limit as to time)	9.00	9.00
Debt service (no limit as to time)	9.20	9.20
Public school use (expires September 30, 2021)	4.20	4.20
Debt service of school bonds (expires September 30, 2021)	2.80	2.80
Public school operation (expires September 30, 2021)	2.80	2.80
Library (no limit as to time)	<u>.50</u>	<u>.50</u>
Total	28.50	28.50
Special School Taxes:		
Public school uses (School District Levy) (expires September 30, 2021)	5.70	N/A
Public school uses (School District Levy) (expires September 30, 2021)	<u>7.10</u>	<u>7.70</u>
Total	<u>12.80</u>	<u>7.70</u>
Total City of Birmingham	<u>41.30</u>	<u>36.20</u>
TOTAL TAX	<u>69.50</u>	<u>66.20</u>

Homestead Exemption

Prior to 1982, Alabama law did not provide a homestead exemption that reduced the assessed valuation of owner-occupied, single-family residential property for purposes of municipal taxation, except in the case of persons who were totally disabled or who were 65 years of age or older and had an annual taxable income of \$7,500 or less. Reacting to the increase in ad valorem taxes which was anticipated to result from the statewide property reappraisal program conducted during 1982, the Legislature of Alabama in 1982 enacted a law which authorized the governing body of any municipality, county or other local taxing authority to grant by resolution or ordinance a homestead exemption which, when added to any other homestead exemption applicable to the same ad valorem tax levy, will not exceed \$4,000 in assessed value or 160 acres in area. Since no other homestead exemptions for purposes of

municipal taxation are provided by existing law except in the special cases of persons who are totally disabled or who are 65 years of age or older, the effect of this law was to empower the governing body of any municipality to reduce at any time the assessed value of owner-occupied, single-family residential property located in such municipality by up to \$4,000 per housing unit. Using the authority granted by this law, the governing body of the City has adopted an ordinance which, during the tax year ending September 30, 1989, provided an exemption of \$1,000 for each housing unit that qualifies as a homestead under the laws of Alabama. The governing body of the City may at any time adjust, rescind or reinstate any homestead exemption provided pursuant to the law.

Tax Increment Financing District

On September 29, 1998, the City established a Tax Increment Financing District ("TIF"), which was later enlarged on March 18, 2000 to include an area of approximately 344 city blocks contiguous to City Hall. The Ordinance establishing the TIF anticipates that all tax increments permitted by the Tax Increment Act (Code of Alabama 1975, § 11-99-1, et seq.) will be captured by the City for the purpose of paying the cost of public projects within the TIF including the cost of financing. These tax increments will equal the incremental increase in ad valorem taxes on property within the TIF since September 29, 1998. The City has taken the position that no incremental ad valorem taxes that constitute General Bond Tax, School Bond Tax, any educational taxes or library taxes will be diverted from their intended use. See "CITY DEBT MANAGEMENT - Tax Increment Financing Warrants" herein.

Significant Property Tax Litigation

The levy, assessment and collection of ad valorem taxes in the State of Alabama have, since 1970, been subject to significant litigation, which has resulted in substantial changes in Alabama's property tax system affecting ad valorem tax receipts of the various taxing authorities and districts. The City does not believe that Jefferson or Shelby Counties (the "Counties") are now a party to any such litigation that relates to ad valorem taxes levied by the Counties, as distinguished from litigation that relates to ad valorem taxes levied by counties generally. There can be no assurance, however, that other litigation concerning the Alabama property tax system in general, or that of Jefferson or Shelby Counties in particular, will not be initiated or resolved in such a manner as to affect adversely the levy or collection of ad valorem taxes by the Counties, including any ad valorem taxes levied for the use and benefit of the City.

Assessment and Collection

For that part of the City which is located in Jefferson County, ad valorem taxes on taxable properties, except motor vehicles and public utility properties, are assessed by the Jefferson County Tax Assessor and collected by the Jefferson County Tax Collector. Ad valorem taxes on motor vehicles in that part of the City located in Jefferson County are assessed and collected by the Jefferson County Revenue Director, and ad valorem taxes on public utility properties are assessed by the State Department of Revenue and collected by the Jefferson County Tax Collector.

For the part of the City located in Shelby County, ad valorem taxes on taxable properties, except motor vehicles and public utility properties, are assessed and collected by the Shelby County Property Tax Commissioner. The Shelby County License Office assesses and collects ad valorem taxes on motor vehicles in that part of the City located in Shelby County, and ad valorem taxes on public utility properties are assessed by the State Department of Revenue and collected by the Shelby County Tax Collector.

City ad valorem taxes are collected in advance, rather than in arrears. For example, taxes due October 1, 2009 refer to the tax year beginning on October 1, 2009 and ending September 30, 2010. In both Jefferson and Shelby Counties, ad valorem taxes are due and payable on October 1 and delinquent after December 31, in each year (except with respect to motor vehicles, which have varying due dates), after which penalty and interest are required to be charged. If real property taxes are not paid by the June 15 following the due date, a tax sale is required to be held.

Largest Ad Valorem Taxpayers

Listed below are the ten largest ad valorem taxpayers in the City, as of September 30, 2012, ranked by assessed value, and the total municipal ad valorem taxes paid by each during the tax year ended September 30, 2012.

<u>Taxpayer</u>	<u>Assessed Value</u>	<u>Municipal Taxes</u>
Alabama Power Company	\$121,989,780	\$3,476,708.73
American Cast Iron Pipe	50,549,619	1,731,932.95
AT&T Property Tax Group	39,184,960	1,116,771.36
GSA Birmingham Realty	29,020,540	827,085.39
BBVA Compass Bank	22,477,980	640,622.43
SL Regions LLC	20,345,980	579,860.43
AT&T Mobility LLC	18,258,540	520,368.39
Alabama Gas Corp	16,107,320	459,058.62
Chase Bank of Texas NA	13,336,000	380,076.00
Tish Robert Preston	11,716,000	333,906.00

Source: Jefferson County Tax Assessor and Shelby County Property Tax Commissioner.

Ad Valorem Tax Collection

All ad valorem taxes levied by the City are assessed by the Jefferson County Tax Assessor and the Shelby County Property Tax Commissioner, and are collected by the Jefferson County Tax Collector and Shelby County Property Tax Commissioner. Historically, the City has received approximately 99% of the ad valorem taxes assessed on all property other than motor vehicles. For the tax years ended September 30, 2011 and 2012, the City received an estimated 94.9% and 95%, respectively, of the ad valorem taxes assessed on all property other than motor vehicles.

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CITY OF BIRMINGHAM, ALABAMA
ASSESSED VALUE AND ESTIMATED TRUE VALUE OF TAXABLE PROPERTY

Tax Year Ending 9/30	Real Property		Personal Property		Motor Vehicles		Total	Total
	Assessed Value	Estimated True Value	Assessed Value	Estimated True Value	Assessed Value	Estimated True Value	Assessed Value	Estimated Value
1998	\$1,201,574,548	\$7,006,391,859	\$386,870,052	\$1,934,234,550	\$143,375,300	\$955,835,333	\$1,731,819,900	\$9,896,461,742
1999	1,245,579,161	7,221,650,200	465,625,220	2,327,558,550	128,842,960	858,953,067	1,840,047,341	10,408,161,817
2000	1,483,666,184	8,269,172,382	634,398,093	3,171,990,465	175,247,671	1,168,317,806	2,293,311,948	12,609,480,653
2001	1,492,553,277	8,766,012,503	442,548,075	2,212,740,375	215,371,080	1,435,807,200	2,150,472,432	12,414,560,078
2002	1,481,382,618	8,738,667,267	459,883,274	2,299,374,890	256,170,460	1,708,655,391	2,197,436,352	12,746,697,548
2003	1,527,621,957	8,988,867,310	491,701,935	2,458,367,375	252,543,640	1,683,624,267	2,271,867,532	13,130,858,952
2004	1,674,340,000	10,542,808,000	496,546,000	2,482,650,000	251,126,000	1,674,170,000	2,422,012,000	14,699,628,000
2005	1,776,272,000	11,123,810,000	489,175,000	2,445,835,000	250,363,000	1,669,088,000	2,515,810,000	15,238,733,000
2006	1,983,605,000	12,507,944,242 ¹	514,362,000	2,571,800,000	285,500,000	1,903,333,000	2,783,467,000	16,983,077,242*
2007	1,962,785,817	11,729,013,843	562,560,676	2,812,803,378	285,236,780	1,901,578,533	2,810,583,273	16,443,395,754
2008	2,081,487,337	12,456,237,998	575,281,675	2,876,408,376	280,698,580	1,871,323,867	2,937,467,592	17,203,970,241
2009	2,031,626,918	12,042,309,767	609,916,610	3,049,583,050	244,850,060	1,630,176,533	2,886,070,008	16,722,069,350
2010	1,998,183,372	11,805,426,652	595,210,474	2,976,052,370	235,501,940	1,570,012,933	2,828,895,786	16,351,491,955
2011	1,951,852,941	11,600,540,933	571,018,934	2,854,884,070	232,876,500	1,552,510,000	2,755,748,375	16,007,935,003
2012	1,885,701,938	11,040,343,120	549,550,240	2,747,562,800	253,975,040	1,693,166,933	2,689,227,218	15,481,072,853

Source: City's Finance Department; Jefferson County Tax Assessor; Jefferson County Tax Collector; Shelby County Property Tax Commissioner; Jefferson County Revenue Director and Shelby County License Office.

Note: Unless otherwise noted, the above calculations do not include tax exempt property.

¹ Includes exempt real property.

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The table below provides a comparison of the assessed value and estimated true value of all taxable property within the City by class for the last six tax years.

City of Birmingham, Alabama
Assessed Value and Estimated True Value of All Taxable Property
Last Six Tax Years

Tax Year Ending 30-Sep	Class 1 Property of Utilities		Class 2 All Unclassified Real and Personal Property		Class 3 Agriculture, Forest, Residential, Historic Property		Class 4 Motor Vehicles		Total	Total	Ratio of Assessed Value to Estimated True Value
	Assessed Value	Estimated True Value	Assessed Value	Estimated True Value	Assessed Value	Estimated True Value	Assessed Value	Estimated Value	Assessed Value	Estimated True Value	
2006	221,316,191	737,720,637	1,715,444,558	8,577,222,790	409,710,653	4,097,106,530	285,499,780.00	1,903,331,867	2,631,971,182	15,315,381,824	17.19%
2007	218,646,340	728,821,134	1,866,230,738	9,331,153,690	440,451,774	4,404,517,740	285,236,780.00	1,901,578,534	2,810,565,632	16,366,071,098	17.17%
2008	209,898,240	699,660,800	1,984,448,984	9,922,244,920	462,407,628	4,624,076,280	280,869,700.00	1,872,464,667	2,937,624,552	17,118,446,667	17.16%
2009	215,101,040	717,003,467	1,972,102,351	9,860,511,755	448,535,382	4,485,353,820	244,526,480.00	1,630,176,534	2,880,265,253	16,693,045,576	17.25%
2010	212,316,380	707,721,267	1,944,617,951	9,723,089,755	433,674,085	4,336,740,850	235,501,940.00	1,570,012,934	2,826,110,356	16,337,564,806	17.30%
2011	212,799,421	709,331,403	1,870,926,188	9,354,630,940	439,146,266	4,391,462,660	232,876,500.00	1,552,510,000	2,755,748,375	16,007,935,003	17.22%
2012	208,111,380	693,704,600	1,835,441,332	9,177,206,660	391,699,466	3,916,994,660	253,975,040	1,693,166,933	2,689,227,218	15,481,072,853	17.37%

Source: Information provided by the City.

- [1] (a) The classifications of property for ad valorem taxation, as set forth above, are established by Amendment No. 373 to the Constitution of Alabama of 1901, as amended.
- (b) The assessed values are provided by:
- For Class I, II and III Property in Birmingham in Jefferson County, Alabama: Tax Assessor of Jefferson County
- For Class I, II and III Property in Birmingham in Shelby County, Alabama: Property Tax Commissioner of Shelby County
- For Class IV Property in Birmingham in Jefferson County, Alabama: Jefferson County Department of Revenue
- For Class IV Property in Birmingham in Shelby County, Alabama: Judge of Probate of Shelby County
- (c) The estimated market values of property are the quotient of the assessed values of property in a classification divided by the assessment ratio applicable to that classification, as set forth below.
- [2] Class I Property consists of all property of utilities used in the business of such utilities and is assessed at the rates of thirty percent (30%) of the fair and reasonable market value thereof.
- [3] Class II Property consists of all real and personal property not otherwise classified in another class (generally commercial property) and is assessed at the ratio of twenty percent (20%) of the fair and reasonable market value thereof. The amounts shown above as assessed values of Class II Property are net of, and do not include, the amounts or values of any abatements, industrial exemptions, other exemptions, or penalties with respect to such property.
- of the fair and reasonable market value thereof. Class II amounts do not include the amounts or values of any abatements, industrial exemptions, other exemptions or
- or penalties with respect to such property.
- [4] Class III Property consists of all agricultural, forest, single-family owner-occupied residential property, and historic buildings and sites, and is assessed, upon application by the owner, at the ratio of ten percent of the current use value (not fair and reasonable market values of such property). The amounts shown above as assessed values of Class III property are net of, and do not include, the amount of any homestead exemptions with respect to such property.
- [5] Class IV Property consists of motor vehicles owned and operated by individuals for personal or private use, and not for hire, rent or compensation, and is assessed at the ratio of fifteen percent
- percent of the fair and reasonable market value thereof.

Ad Valorem Tax Revenue

The following table shows historic ad valorem tax revenues of the City that were available for deposit in the General Fund for the fiscal years indicated:

Fiscal Year Ended June 30	Total Amount Collected*
2001	\$16,785,704
2002	18,542,000
2003	18,939,684
2004	22,525,000
2005	23,639,000
2006	26,168,000
2007	27,561,000
2008	28,554,000
2009	30,273,000
2010	26,150,000
2011	23,626,000
2012	23,181,000

Source: Amounts are derived from audited financial statements of the City for the fiscal years ended June 30, 2001 through 2012.

* Prior to 2010, the portion of ad valorem tax revenues due to be paid, by statute, to the Jefferson County Board of Health ("Board of Health") and the Birmingham-Jefferson County Transit Authority (the "Transit Authority") were included in the total amount of property taxes collected as revenue on the City's financial statements and were also deducted as an expense. Prior to and after 2010, the amounts owing to the Board of Health and the Transit Authority were and continue to be remitted directly to Transit Authority and Board of Health by the City's tax collector. As a result of a change in accounting procedures, the City no longer treats the portion of the ad valorem tax revenues due the Transit Authority and the Board of Health as an item of revenue and expense on the City's financial statements. Accounting for the amounts due the Transit Authority on the City's financial statements ceased beginning in 2010 and accounting for the amounts due the Board of Health ceased beginning in 2011. The ad valorem tax revenue due the Transit Authority after the accounting procedure change and not included in the "Property (ad valorem) tax" calculation above was \$3,483,527.49, \$3,947,279.83 and \$3,144,824.23 in 2010, 2011 and 2012, respectively. The ad valorem tax revenue due the Board of Health after the accounting procedure change and not included in the "Property (ad valorem) tax" calculation above was \$1,534,510.60 and \$1,159,722.18 in 2011 and 2012, respectively. Accordingly, the actual total property (ad valorem) taxes collected by the City for 2010, 2011 and 2012 were \$29,633,225.10, \$29,107,565.11 and \$27,485,823.62, respectively.

SALES AND USE TAXES

General

The City levies and collects a privilege or license tax, commonly called a sales tax, against persons, firms or corporations engaged in the business of selling at retail, or otherwise consuming any tangible personal property, or conducting places of amusement within the corporate limits of the City. The City also levies a use tax on tangible personal property brought into Alabama for storage, usage or consumption in Alabama where no tax was collected on the initial sale. The sales tax and use tax are imposed at equal rates.

The City's sales and use taxes are currently levied at a rate of four percent effective for the period beginning on January 1, 2008 and ending on December 31, 2013. Most municipalities in the Birmingham area, including Hoover, Mountain Brook, Homewood and Vestavia Hills, all located adjacent or in close proximity to the City, levy a sales tax at a general rate of three percent. The sales and use taxes applicable to agricultural machinery, mining and manufacturing machinery and passenger automobiles are levied at lower rates. The ordinance levying the sales and use taxes incorporate by reference exemptions and regulations under the statewide sales and use tax act. The sales and use tax is collected monthly by the City. Under applicable judicial precedents, such taxes may not be levied at rates that are confiscatory or unreasonable.

Sales and Use Tax Revenue

The following table shows historic sales and use tax revenues of the City for the fiscal years indicated:

Fiscal Year Ended June 30	Total Amount Collected*
2001	\$106,341,206
2002	103,695,000
2003	101,834,000
2004	100,608,000
2005	107,271,000
2006	109,085,000
2007	109,665,000
2008	129,732,000
2009	131,904,000
2010	127,197,000
2011	131,162,000
2012	134,869,000

Source: Amounts are derived from audited financial statements of the City for the fiscal years ended June 30, 2001 through 2012.

* The City increased the general sales and use tax rates from three percent to four percent effective for the period beginning on January 1, 2008 and ending on December 31, 2013. At its meeting on February 5, 2013, the City Council voted unanimously to extend the general sales tax rate increase through December 31, 2018, and extend the use tax rate increase with no expiration.

OCCUPATIONAL TAXES

General

The City imposes an income-based tax (an "occupational tax") upon all persons engaging in or following any trade, occupation or profession within the City as an employee. This tax applies to all persons whether or not such employee is a resident of the City. The City's occupational tax is an amount equal to one percent of such employee's "gross receipts." The City's occupational tax ordinance defines "gross receipts" to include any payment made to an employee by an employer, including salary or wages, bonuses, incentive pay, overtime pay, non-cash compensation and other compensation and benefits, but does not include amounts deferred in a section 401(k) plan or 403(b) qualified plan. The City's occupational tax ordinance excludes certain occupations requiring a City license under the City's business license ordinance from paying the City's occupational tax. See "LICENSE AND PERMIT REVENUES - General" herein. Employers in the City are required to deduct the tax from each payment due an employee and must remit the same monthly directly to the City.

Occupational Tax Revenue

The following table shows historic occupational tax revenues of the City for the fiscal years indicated:

Fiscal Year Ended June 30	Total Amount Collected
2001	\$62,091,468
2002	63,051,000
2003	64,522,000
2004	65,537,000
2005	69,346,000
2006	72,297,000
2007	75,269,000
2008	76,918,000
2009	76,325,000
2010	73,008,000
2011	74,909,000
2012	77,703,000

Source: Amounts are derived from audited financial statements of the City for the fiscal years ended June 30, 2001 through 2012.

LICENSE AND PERMIT REVENUES

General

Under general authority of Alabama law, the City charges fees for licenses and permits for certain persons engaged in and carrying on certain exhibitions, trades, businesses, vocations, occupations and professions in the City. The licenses or permits for such activities must be paid for or taken out annually by such persons. The City's business license ordinance levies varying license fees on different occupations, businesses or professions. The amount of the license or permit fees varies according to the type of business or occupation licensed or permitted. In addition, the City levies separate license fees on persons engaged in the business of the sale or delivery of any alcoholic beverage or liquor at varying rates. Those enumerated occupations, businesses or professions (including those involving alcoholic beverages) are therefore exempt from the City's occupational tax. See "OCCUPATIONAL TAX – General" herein. However, persons working in licensed occupations as employees pay the City's occupational tax but not license fees. Business license fees are collected by the City.

The City also imposes fees for the issuance of permits allowing persons to engage in certain activities, which are, in general, construction or inspection-related. These permits include items such as building permits, elevator permits, plumbing permits and excavation permits. The City issues permits through its Department of Planning, Engineering and Permits.

The City increased the business license tax levied by the City on non-regulated businesses by approximately 100% beginning January 1, 2008.

Business License and Permit Revenues

The following table shows historic business license and permit revenues of the City for the fiscal years indicated:

Fiscal Year Ended June 30	Total Amount Collected*
2001	\$50,430,393
2002	51,743,000
2003	50,759,000
2004	52,776,000
2005	55,622,000
2006	60,564,000
2007	65,349,000
2008	91,063,000
2009	87,525,000
2010	78,556,000
2011	79,984,000
2012	87,671,000

Source: Amounts are derived from audited financial statements of the City for the fiscal years ended June 30, 2001 through 2012.

* The City increased the business license tax levied by the City on non-regulated businesses by approximately 100% beginning January 1, 2008.

CITY DEBT MANAGEMENT

The principal forms of indebtedness that the City is authorized to incur include general obligation bonds, general obligation warrants, general obligation bond anticipation notes, revenue anticipation notes, gasoline tax anticipation bonds and various revenue anticipation bonds and warrants relating to enterprises. In addition, the City has the power to enter into certain leases which constitute a charge on the general credit of the City, to guarantee obligations of certain public corporations and to enter into certain funding agreements with regard to the obligations of other public agencies. General obligation warrants, certain revenue anticipation bonds, warrants and notes and capitalized lease obligations may be issued or incurred without voter approval.

General Obligation Bond Debt Service

Although general obligation bonds of the City are payable from any or all taxes and revenues of the City that are not otherwise pledged or restricted to a specific use, the City has a long-standing debt management policy under which it budgets annually and sets aside certain tax proceeds and other moneys in separate funds (i.e., the Bond Fund) for the payment of debt service on its general obligation bonds. The proceeds from a 9.2 mill ad valorem tax for general bond debt service (the "General Bond Tax") and a 2.8 mill ad valorem tax for school bond debt service (the "School Bond Tax"), both authorized by the Alabama Constitution, are customarily paid into the Bond Fund. The School Bond Tax expires on September 30, 2021, and the proceeds of the School Bond Tax can only be used to pay debt service on bonds issued for school construction purposes. The General Bond Tax is levied without limit as to time, and the proceeds of the General Bond Tax can, under existing law, be used only for payment of debt service on the City's general obligation bonds heretofore or hereafter issued.

The Bond Fund balance as of June 30, 2012 was \$29,659,000. The maximum annual debt service on the City's general obligation bonds after issuance of the Bonds is estimated to be \$34,095,373* occurring in the fiscal year ending June 30, 2013. The City has projected that the proceeds of the General Bond Tax and the School Bond Tax, together with the proceeds of such taxes currently held in the Bond Fund, will continue to be sufficient to provide for debt service on its outstanding general obligation bonds. This projection is based on a number of assumptions, including bond interest rates, rate of increase of ad valorem tax collections, and investment earnings, that the City considers reasonable; however, the future availability of sufficient funds in the Bond Fund cannot be guaranteed. The Bonds are general obligations of the City, and it should be noted that the City has not specifically pledged the General Bond Tax, the School Bond Tax, the Bond Fund or any other taxes or funds of the City as security for the Bonds.

* Preliminary.

General Obligation Warrants Debt Service

Debt service on the City's general obligation warrants (the issuance of which need not be approved by referendum) is paid from all revenues of the City legally available therefor, which excludes revenues paid into the Bond Fund. Therefore, debt service on general obligation warrants of the City are payable from revenues such as ad valorem taxes not deposited in the Bond Fund, sales taxes, occupational taxes, business license taxes and any other revenues of the City deposited in the City's General Fund.

Revenue Bond and Warrant Debt Service

The City has no revenue bonds or warrants outstanding other than the revenue component of the Tax Increment Financing District No. I Revenue Warrant No. 1 and Tax Increment Financing District No. I Revenue Warrant No. 2, both dated November 6, 2009. See "CITY DEBT MANAGEMENT - Tax Increment Financing Warrants".

Authorized But Unissued Debt; Future Debt Issuance

Pursuant to the Bond Election held on October 9, 2012, the City has been authorized to issue general obligations bonds in the maximum principal amount of \$150,000,000 for the purposes and uses set forth in the Bond Ordinance. The Bonds represent approximately \$68,060,534.95 of the authorized \$150,000,000. The City expects to issue no more than approximately \$2,255,000 of the additional approximately \$81,939,465.05 of bonds authorized pursuant to the Bond Election for additional projects during the 2013 calendar year as the City's "Series 2013-B" bonds. The City expects to issue the remainder of the authorized but unissued bonds within three to five years for the purposes approved in the Bond Election. Other than the remaining approximately \$81,939,465.05 of bonds approved pursuant to the Bond Election, the City has no other authorized but unissued debt, other than short-term obligations incurred in the ordinary course of its operations.

General Obligation Bonds

The following table lists the outstanding principal amount of all general obligation bonds of the City as of March 1, 2013:

<u>Issue</u>	<u>Principal Outstanding</u>
General Obligation Refunding Bonds, Series 2011	\$4,235,000
General Obligation Capital Improvement and Refunding Bonds, Series 2007-A	111,795,000
General Obligation Refunding Bonds, Series 2006-B	34,655,000
General Obligation Refunding Bonds, Series 2006-A	70,540,000
General Obligation Refunding Bonds, Series 2005-A	23,845,000
General Obligation Capital Improvement and Refunding Bonds, Series 2002-B	145,000
TOTAL	<u>\$245,215,000</u>

General Obligation Warrants

The following table lists the outstanding principal amount of all general obligation warrants of the City as of March 1, 2013:

<u>Issue</u>	<u>Principal Outstanding</u>
General Obligation Warrants, Series 2012-CTB	\$900,000
General Obligation Warrants, Series 2012-RB	5,400,000
General Obligation Refunding Warrants, Series 2010-A	44,065,000
General Obligation Recovery Zone Economic Development Warrants, Series 2010-B (Taxable)	39,115,000
General Obligation Refunding Warrants, Series 2009-A	16,090,000
General Obligation Warrants, Series 2007-B	22,095,000
General Obligation Parking Improvement Warrants, Series 2006-C	24,740,000
General Obligation Refunding Warrants, Series 2004-B	5,255,000
General Obligation Refunding Warrants, Series 2003-B	3,265,000
General Obligation Refunding Warrants, Series 2003-A	<u>3,710,000</u>
TOTAL	<u>\$164,635,000</u>

Honda Plant Obligation

The City participates in the East Central Alabama Industrial Development Authority (the "East Central Alabama Authority"), a public corporation created pursuant to Chapter 92A, Title 11 (Section 11-92A-1, et seq.) of the Code of Alabama of 1975, as amended. The East Central Alabama Authority has issued bonds in the amount of \$15,475,000 to provide financing for a portion of the costs of (i) making certain improvements with respect to a parcel of land located in Talladega County, Alabama upon which American Honda Motor Company, Inc. (or an affiliate thereof) has constructed an automobile assembly plant and (ii) acquiring, constructing and/or installing a facility to teach skills relating to the automobile manufacturing industry. The City, along with nine other cities and four counties, has entered into a funding agreement with the East Central Alabama Authority and First Commercial Bank, as trustee, whereby the City agrees to make annual payments on February 1 in each of the years 2001 through 2015, inclusive, in an annual average amount of approximately \$195,000, to pay principal of and interest on the principal amount of \$2,000,000 of bonds of the East Central Alabama Authority as the same becomes due and payable. The obligation of the City to make these payments constitutes a general obligation of the City for which the full faith, credit and taxing power of the City is pledged.

Tax Increment Financing Warrants

On November 6, 2009, the City issued its Tax Increment Financing District No. I Revenue Warrant No. 1, dated November 6, 2009, outstanding in the aggregate principal amount of \$13,195,000 as of March 1, 2013, and its Tax Increment Financing District No. I Revenue Warrant No. 2, dated November 6, 2009, outstanding in the aggregate principal amount of \$6,695,000 as of March 1, 2013 (collectively, the "TIF Warrants"). The TIF Warrants were issued to refund certain prior tax increment secured obligations and to fund certain capital

improvements in the TIF. The TIF Warrants bear interest at fixed interest rates, are subject to monthly amortization beginning in December 2010, in the case of Warrant No.1 and November 2012, in the case of Warrant No.2, in stated principal amounts, and mature on November 1, 2020.

The TIF Warrants are limited obligations of the City payable solely from and secured by a pledge of that amount of the revenue produced in each year from the levy of certain local ad valorem taxes by the City and Jefferson County in the Tax Increment District (generally the downtown city center) which is in excess of the amount of such revenue produced from the levy of such taxes in such District in the year in which such District was established (1998), less commissions required by law to be paid to the Tax Assessor and Tax Collector of Jefferson County. See "AD VALOREM TAXES - Tax Increment Financing District" herein.

The TIF Warrants are additionally secured by (1) the obligations of the City pursuant to separate Annual Appropriation Agreements, dated November 6, 2009 between the City and the trustee for the TIF Warrants, for each series of the TIF Warrants that obligate the City to appropriate funds in each fiscal year of the City for the payment of the principal of and interest on the TIF Warrants in such fiscal year in an amount necessary to pay such principal of and interest on the TIF Warrants in such fiscal year and certain expenses related thereto; provided, such obligations are year-to-year obligations of the City and may be terminated unilaterally, without penalty, by the City at the end of any fiscal year of the City after satisfaction by the City of its obligations under such Annual Appropriation Agreements for such fiscal year.

Commercial Development Authority of the City of Birmingham 2011 Funding Agreement

The Commercial Development Authority of the City of Birmingham issued bonds to finance a multi-use development in the downtown area of the City. As of April 1, 2013, the outstanding original principal amount of the bonds is \$70,555,000. The development includes a four-star convention hotel of approximately 300 guest rooms and related meeting rooms, restaurant and exercise facilities, approximately 60,000 square feet of storefront space for lease to food service and entertainment facilities, and related streets and public infrastructure, all adjacent to the civic center complex, for use by the Birmingham Jefferson Civic Center Authority (the "BJCC"). The BJCC shall own and operate the facilities financed by the bonds. The Mayor of the City is a member of the board of directors of the BJCC. The City has pledged as a source of payment and security for its obligations under this Funding Agreement the following amounts received in each fiscal year: (i) \$3,000,000 of the Occupational Tax, and (ii) 2/3rds of the proceeds of the Lodging Tax levied at the rate of 3.00%. The Funding Agreement is a full faith and credit general obligation of the City and calls for annual payments through fiscal year 2041 of approximately \$4,995,000.

Public Athletic, Cultural and Entertainment Facilities Board Funding Agreement

On December 15, 2011, the City entered into a Funding Agreement with the Public Athletic, Cultural and Entertainment Facilities Board of the City of Birmingham ("PACE Board"). The Funding Agreement provides for the funding and development of an 8,500 seat minor league baseball stadium, to be the home of the Birmingham Barons, the City's minor league baseball team, and a Negro League baseball museum, to be located in the downtown area of the City. In order to provide funding for the construction of the facilities, the City increased its Lodging Tax by 3.5% effective January 15, 2011, and the PACE Board issued its Series 2011A and 2011B bonds in the amount of \$64,000,000. The Funding Agreement pledges the increase in the Lodging Tax (3.5%) and certain revenue from the operations of the baseball stadium to pay debt service on the PACE Board's Series 2011A and 2011B Bonds. The Funding Agreement is a general obligation of the City and has a term equal to the term of the PACE Boards Series 2011A and 2011B bonds, which mature on October 1, 2041, subject to mandatory tender on December 14, 2026. The PACE Board has also entered into a lease with the Birmingham Barons, which expires on December 31, 2041. Construction of the baseball stadium has commenced and is expected to be completed prior to the Birmingham Barons' 2013 season.

Birmingham Zoo Obligations

The City has approved the contribution of \$1,500,000 in each year for a period of ten years, commencing in the fiscal year ended June 30, 2010, and thereafter the contribution of \$500,000 in each year for a period of fifteen years, to the Birmingham Zoo to pay the costs of operations and capital projects, including certain new exhibits.

Economic Development Incentive Obligations

The City has entered into agreements in recent years with other entities for economic development purposes. Pursuant to these agreements, the City will make payments over stated periods of years for the development of various projects and facilities that the City believes will promote the tax and revenue base of the City and increase employment opportunities in the City. The City's economic development office generally expects, based upon the information provided to it and upon certain assumptions, that these other agreements will result in greater tax revenues for the City than the City is obligated to pay under such agreement, and in certain cases, the City's obligations are capped at an amount not to exceed the tax revenues it actually receives.

The aggregate outstanding obligation of the City under these other agreements is \$27,120,000. These obligations are limited obligations of the City payable generally as rebates of taxes received by the City from the private entity. Certain of these obligation are not subject to the City's constitutional debt limitation. See "CITY DEBT MANAGEMENT – Constitutional Debt Limitation" for additional information.

Derivatives Transactions

The City is not a party to any interest rate swaps or other derivatives transactions and has no present plans to enter into interest rate swaps or other derivatives transactions in the future. However, the City has the authority to enter into such transactions from time to time at its discretion.

Other Debt Obligations

The City has entered into a capital lease with Municipal Leasing Consultants, LLC, for certain equipment and improvements to existing equipment. The outstanding principal balance on the lease as of June 30, 2012 is \$1,074,134.35. The City will make semiannual payments under the lease of \$112,923.21 through July, 2017 unless the lease is terminated or prepaid.

Constitutional Debt Limitation

The City's present constitutional debt limit is an amount equal to twenty percent (20%) of the assessed value of the taxable property therein. However, the following, among other types of indebtedness, are, under existing law, not chargeable against the City's constitutional debt limit: obligations issued for the purpose of acquiring, providing or constructing schools, water works or sewers; obligations incurred for street or sidewalk improvements where the costs thereof, in whole or in part, are to be assessed against the property abutting such improvements; subject to certain conditions, tax anticipation notes; certain obligations to make contributions towards the debt service of other public entities; revenue securities issued for the purpose of extending, enlarging or improving water, electric, gas or sewer systems and payable solely from the revenues of one or more of such systems; and certain other obligations exempt under specific constitutional provisions.

The following calculation reflects the City's estimated legal debt margin following the issuance of the Bonds:

**CITY OF BIRMINGHAM, ALABAMA
COMPUTATION OF LEGAL DEBT MARGIN**

Net assessed value of real and personal property (as of September 30, 2012) after exemptions and including motor vehicles ¹	\$2,689,227,218
Debt limit (20% of assessed value)	537,845,443
Aggregate outstanding indebtedness ²	498,666,163
<u>Less:</u>	
Estimated outstanding indebtedness not chargeable against the debt limit ³	(89,832,040)
Balance in the Bond Fund ⁴	(29,668,690)
Aggregate indebtedness chargeable against debt limit	379,165,433
<u>Legal debt margin</u>	<u>\$ 158,680,010</u>

¹ As reported by the Jefferson County Tax Assessor, Jefferson County Department of Revenue (motor vehicles), Shelby County Property Tax Commissioner and Shelby County License Officer (motor vehicles).

² Includes the aggregate principal amount of general obligation bonds, general obligation warrants, Economic Development Incentive Obligations (\$2,170,628), the Birmingham Zoo Obligations (\$18,000,000) and the funding for the Honda Project (\$585,000), all as of March 1, 2013. Does not include any other obligation of the City and does not reflect principal payments made on any obligations after March 1, 2013. Does not include the obligations of the city incurred pursuant to Amendment No. 772 to the Constitution of Alabama, as amended.

³ Not less than the stated amount was issued for schools, water works or sewers and is not chargeable against the City's constitutional debt limit.

⁴ Book value as of June 30, 2012 as reported by the City's Finance Department.

Amendment No. 772 to the Constitution of Alabama authorizes the counties and municipalities within the State to use public funds for certain purposes intended to further the economic development of such political subdivisions. Amendment No. 772 authorizes any county or municipality to (i) acquire real property, buildings, plants, factories, facilities, machinery and equipment of any kind and to improve and develop such properties for use as sites for industry of any kind or as industrial parks, (ii) lease, sell, grant, exchange or otherwise convey all or any part of any real property, buildings, plants, factories, facilities, machinery and equipment or any industrial park project to any individual, firm, corporation or other entity, public or private, for the purpose of constructing developing, equipping and operating industrial, commercial, research or service facilities of any kind or (iii) lend its credit to, or grant public funds and things of value for the benefit of, any individual, firm, corporation or other entity, public or private, for the purpose of promoting the economic and industrial development of such political subdivision.

Amendment No. 772 also authorizes counties and municipalities to issue bonds, warrants, notes and other evidences of indebtedness and to use the proceeds thereof in furtherance of the powers discussed in the paragraph immediately above, subject to the limitation that the aggregate principal amount of obligations issued for such purposes may not exceed fifty percent (50%) of the assessed value of taxable property in such county or municipality. Amendment No. 772 provides that the bonds, warrants, notes or other evidences of indebtedness may be secured by the full faith and credit of the issuer or may be limited as to the source of payment.

The issuance of bonds, warrants, notes and other evidences of indebtedness pursuant to Amendment No. 772 is not subject to the City's twenty percent constitutional debt limit (discussed above).

The City has outstanding obligations incurred under Amendment No. 772 in the aggregate amount of approximately \$162,520,048, which includes approximately \$19,459,000 to The Children's Hospital of Alabama, \$71,400,000 to the Commercial Development Authority of the City of Birmingham and \$64,000,000 to the Public Athletic, Cultural and Entertainment Board, as well as certain other obligations of lesser amounts aggregating approximately \$7,661,048. These obligations are limited obligations of the City payable generally as rebates of taxes received by the City from the private entity, except the obligations to the Commercial Development Authority and the Public Athletic, Cultural and Entertainment Board, both of which are general obligations of the City.

Debt Ratios

The following table shows the City's ratio of debt to assessed value and debt per capita, as of June 30 for the fiscal years indicated (including motor vehicles):

Statement of Debt to Assessed Value, and Debt Per Capita

Fiscal Year Ended	Population ¹	Assessed Value	Net Outstanding Debt ²	Ratio of Outstanding Debt to Assessed Value	Outstanding Debt Per Capita
2003	235,959	2,422,011,707	511,500,000	21.12%	2,168
2004	233,540	2,515,810,000	492,497,000	19.58%	2,109
2005	232,137	2,567,735,000	474,029,000	18.46%	2,042
2006	231,368	2,783,467,000	558,692,000	20.07%	2,415
2007	230,618	2,814,119,158	523,360,000	18.60%	2,269
2008	230,228	2,677,578,333	497,675,000	18.59%	2,162
2009	230,130	2,637,721,936	400,370,912	15.18%	1,740
2010	242,820	2,880,265,253	400,367,912	13.90%	1,649
2011	212,237	2,826,110,356	437,253,380	15.47%	2,060
2012	212,237	2,755,748,375	402,056,310	14.59%	1,894

1 Population for 2000 is from the 2000 federal decennial census data; population for 2001 through 2010 is from U.S. Census Bureau population estimates; population for 2011 and 2012 is from the 2010 federal decennial census data.

2 Includes the outstanding principal amount of the City's general obligation bonds and general obligation warrants, net of amounts held in the Bond Fund.

Source: U.S. Census Bureau; City's Finance Department.

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Debt Service

The following table sets forth the City's anticipated general obligation debt service requirements following the issuance of the Bonds:

Fiscal Year Ended June 30	General Obligation Bonds	General Obligation Warrants ^{1,2}	Series 2013-A Bonds	Total General Obligations ^{2,3}
2013	34,095,373	21,537,523	0	55,632,896
2014	31,087,924	21,985,505	0	53,073,429
2015	31,052,643	17,768,519	0	48,821,161
2016	28,908,499	17,748,788	0	46,657,286
2017	21,279,518	18,717,454	945,000	40,941,971
2018	23,143,268	18,724,222	3,998,550	45,866,040
2019	22,212,643	9,715,983	4,703,550	36,632,176
2020	14,458,643	9,666,436	5,595,350	29,720,429
2021	12,361,833	8,825,099	5,845,350	27,032,282
2022	10,893,055	8,778,053	5,852,750	25,523,858
2023	12,536,033	8,742,602	5,846,750	27,125,385
2024	10,139,630	8,376,441	5,841,750	24,357,821
2025	10,150,475	8,309,414	5,841,750	24,301,639
2026	12,714,313	8,250,012	5,846,250	26,810,574
2027	12,747,613	6,679,739	5,849,750	25,277,102
2028	12,785,100	6,678,257	5,842,000	25,305,357
2029	12,820,763	6,677,527	5,848,250	25,346,540
2030	12,868,363	6,681,178	5,842,500	25,392,041
2031	12,906,775	4,748,984	5,845,000	23,500,759
2032	12,954,875	4,754,713	5,845,000	23,554,588
2033	13,006,200	4,752,925	5,842,250	23,601,375
2034	0	2,607,597	5,841,500	8,449,097
2035	0	2,607,423	5,837,250	8,444,673
2036	0	2,609,444	5,849,250	8,458,694
2037	0	2,608,473	5,846,250	8,454,723
2038	0	2,609,510	5,848,500	8,458,010
2039	0	2,609,805	5,840,250	8,450,055
2040	0	2,606,635	5,846,500	8,453,135
2041	0	0	5,836,000	5,836,000
2042	0	0	5,854,000	5,854,000
2043	0	0	5,848,500	5,848,500
TOTAL	<u>\$365,123,539</u>	<u>\$246,378,261</u>	<u>\$149,679,800</u>	<u>\$761,181,595</u>

¹ The American Recovery and Reinvestment Act of 2009 Act added Sections 54AA, 1400U-1, 1400U-2 and 6431 to the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), which provide for the issuance of Recovery Zone Economic Development Bonds to finance capital expenditures for governmental projects and allow the issuer, upon meeting certain requirements, to receive a payment directly from the United States Treasury for a percentage of the interest due on the Recovery Zone Economic Development Bonds on each interest payment date (a "Subsidy Payment"). The percentage of the interest constituting the Subsidy Payment on Recovery Zone Economic Development Bonds has been set in Section 6431 of the Internal Revenue Code at forty-five percent (45%). The United States Treasury may offset any Subsidy Payment to which the City is otherwise entitled against any other tax liability of the City payable to the United States Treasury, such as withholding or payroll taxes, or other penalties or interest that may be owed at any time to the United States Treasury. Amounts are net of anticipated Subsidy Payments. Assumes the anticipated Subsidy Payments are received in full by the City without offset. The Subsidy Payments could be reduced as a result of the sequester of a portion of the federal budget imposed by the Budget Control Act of 2011; the sequestration order was signed by President Obama and took effect on March 1, 2013 (the City has received the Subsidy Payments due during the City's 2013 fiscal year). The annual Subsidy Payment ranges from approximately \$1,099,960 in 2013 to \$79,065 in 2040. The subsidy is paid in semiannual amounts for February 1 and August 1 interest payments.

² Does not include any obligations of the City secured solely by a pledge of specific revenues and does not include accrued compensated absences.

³ Does not include the Tax Increment Financing Warrants.

ECONOMIC AND DEMOGRAPHIC INFORMATION

General

Birmingham is the most populous city in Alabama, with a 2010 Census population of 212,237. The City is the county seat of Jefferson County (population 658,466) and is located in north central Alabama within 200 miles of Atlanta, Nashville, Memphis and Montgomery. In 2000, the Birmingham MSA was expanded to include additional counties and was officially designated the Birmingham-Hoover MSA by the federal Office of Management and Budget. The seven Birmingham-Hoover MSA counties are: Bibb, Blount, Chilton, Jefferson, Saint Clair, Shelby and Walker. Jefferson County, which had a population of 658,466 in 2010, is the center of the seven-county Birmingham-Hoover Metropolitan Statistical Area (MSA)*, which covers approximately 5,310 square miles. The total population of the 7 counties now comprising the Birmingham-Hoover MSA was 1,128,047 in 2010. Birmingham is the principal health care, financial, transportation, distribution and wholesale and retail center of the State. The Medical Center of the University of Alabama at Birmingham and the facilities of Birmingham's other hospitals serve as a State and regional center for health care.

The economic and demographic information included in this section demonstrates generally that the population of the City is declining but that population in surrounding areas is growing and that other economic statistics for the City and adjacent areas indicate a stable economy. In the early to mid 1980s, the City conducted an aggressive annexation campaign, increasing the area of the City from approximately 101 to 160 square miles, which added approximately 1,500 new residents. Much of the land annexed by the City was undeveloped or commercial. Currently, however, there is no proactive pursuit of annexation.

Population

The Birmingham-Hoover MSA has experienced steady population growth over the years. Although the City of Birmingham experienced an 8.7 percent loss in population between 1990 and 2000, the Birmingham-Hoover MSA grew 13.92 percent from 1990 to 2005. The suburban counties of Blount, Shelby and St. Clair experienced some of the fastest growth in population in the State. It is anticipated that most of the population growth in the Birmingham-Hoover MSA will continue to occur outside the present city limits of the City of Birmingham and that the City will continue to serve as an employment, service and cultural center for residents of the suburban areas. The following table summarizes historical population trends for Birmingham, Jefferson County, the Birmingham-Hoover MSA, and the State of Alabama.

Population Trends

<u>Year</u>	<u>Birmingham</u>	<u>Jefferson County</u>	<u>Birmingham-Hoover MSA</u>	<u>State of Alabama</u>
2010	212,237	658,466	1,128,047	4,779,736
2000	242,820	662,047	1,052,238	4,447,100
1990	265,968	651,527	956,858	4,040,389
1980	286,799	671,324	884,040	3,893,888
1970	300,910	644,991	794,083	3,444,165
1960	340,887	634,864	772,044	3,266,740
1950	326,037	558,928	708,721	3,061,743

Sources: Birmingham Regional Chamber of Commerce and U.S. Census Bureau.

* The Birmingham Standard Metropolitan Statistical Area (SMSA) was established in 1967, and originally included Jefferson, Shelby and Walker Counties. St. Clair County was added to the SMSA in 1973. Blount County was added in 1983, at which time the official federal government designation became the Birmingham Metropolitan Statistical Area (MSA). Walker County was removed from the Birmingham MSA.

Employment Statistics

In the past, the Birmingham area economy has (along with the economies of other industrial urban areas) been adversely affected by the nationwide reduction in activity and employment in the industrial sector. However, the local economy has become increasingly diversified. The following table presents comparative unemployment statistics:

COMPARATIVE EMPLOYMENT TRENDS Annual Averages and Most Recent Available Month (In thousands)

	<u>December 2012</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Birmingham										
Employed	81.9	80.8	81.1	82.2	84.8	91.8	96.0	96.7	96.5	100.2
Unemployed	6.7	8.1	9.9	11.5	11.2	6.1	4.3	4.4	4.8	8.0
Unemployment Rate	7.6%	9.1%	10.9%	12.3%	11.7%	6.2%	4.3%	4.4%	4.7%	7.4%
Birmingham MSA										
Employed	491.2	484.7	486.3	451.3	465.6	504.0	519.7	520.5	509.2	501.7
Unemployed	30.5	35.9	43.8	50.3	48.1	24.3	17.0	17.3	18.4	23.0
Unemployment Rate	5.8%	6.9%	8.3%	10.0%	9.4%	4.6%	3.2%	3.2%	3.5%	4.4%
Jefferson County										
Employed	282.7	278.9	279.9	262.8	271.1	293.5	305.1	307.0	303.6	302.1
Unemployed	18.7	21.9	26.8	30.1	29.6	15.3	10.8	11.0	11.9	15.0
Unemployment Rate	62%	7.3%	8.7%	10.4%	9.8%	4.9%	3.4%	3.5%	3.8%	4.7%
Shelby County										
Employed	97.2	95.9	96.2	86.8	89.5	96.9	97.8	96.6	91.9	88.1
Unemployed	4.7	5.4	6.5	7.4	6.9	3.4	2.3	2.3	2.5	2.7
Unemployment Rate	4.6%	5.3%	6.3%	7.8%	7.1%	3.4%	2.3%	2.4%	2.6%	3.0%
State of Alabama										
Employed	2,013.8	1,987.2	1,99.4	1,861.0	1,900.1	2,044.4	2,106.0	2,100.1	2,051.9	2,007.2
Unemployed	140.9	165.8	196.5	219.7	212.4	111.5	76.8	76.0	81.3	106.6
Unemployment Rate	6.5%	7.7%	9.0%	10.6%	10.1%	5.2%	3.5%	3.5%	3.8%	5.0%
United States										
Employed	143,060	142,469	139,869	138,687	139,878	145,363	146,047	144,427	141,730	139,252
Unemployed	11,844	12,506	13,747	15,259	14,265	8,924	7,078	7,001	7,591	8,149
Unemployment Rate	7.6%	8.1%	8.9%	9.9%	9.3%	5.8%	4.6%	4.6%	5.1%	5.5%

Source: Alabama Department of Industrial Relations.

Note: Unemployment rates computed using unrounded data; not seasonally adjusted.

The following table lists the largest employers in the Birmingham-Hoover MSA for the dates indicated:

BIRMINGHAM-HOOVER MSA*
LARGEST EMPLOYERS
2012

<u>Employer</u>	<u>Service or Product</u>	<u>Number of Employees</u>
University of Alabama at Birmingham	Education, healthcare	21,550
Bellsouth/AT&T	Telecommunications	7,500
Regions Financial Corp./Amsouth	Banking and financial services	6,000
St. Vincent's Health System	Healthcare	4,703
Honda Manufacturing of Alabama	Manufacturing	4,500
Baptist Health System, Inc.	Healthcare, management services	4,000
Children's Health System	Healthcare	3,652
Mercedes-Benz U.S. International, Inc.	Automobile dealers; related	3,500
Southern Nuclear Operating Company	Electricity, gas and sanitary services	3,200
Alabama Power Company	Utilities	3,000
Blue Cross - Blue Shield of Alabama	Healthcare	3,000
BBVA Compass Bank	Banking and financial services	2,804
Brookwood Medical Center	Healthcare	2,600
Southern Company Generation	Electricity, gas and sanitary services	2,500
American Cast Iron Pipe Company	Manufacturing	2,400
U.S. Steel – Fairfield Works	Manufacturing	2,400

* Disaggregated information is not available for the City.
Source: City's Finance Department.

The following chart presents comparative employment statistics by type of employment in the Birmingham MSA. The data includes all full and part-time non-agricultural wage and salary employees, but excludes proprietors, self-employed persons, workers in private households and unpaid family workers.

BIRMINGHAM MSA
HISTORIC DISTRIBUTION OF NON-AGRICULTURAL EMPLOYMENT
(Jobs in Thousands)

<u>Sector</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2008</u>	<u>2012**</u>
Goods-Producing	95.3	96.5	81.2	84.5	78.3	60.1
Mining	6.3	9.9	3.4	2.6	3.1	3.2
Construction	13.5	20.4	23.2	30.4	32.8	20.6
Manufacturing	75.5	66.2	54.6	51.5	42.3	36.3
Durable Goods	56.6	48.9	35.3	33.0	30.1	26.2
Nondurable Goods	18.9	17.3	19.3	18.4	12.3	10.1
Service-Producing	171.8	260.5	319.8	401.9	448.8	430.2
Transportation & Utilities	19.2	29.3	31.4	30.8	115.3	20.7
Trade	59.7	83.7	95.4	119.4	94.0	90.4
Finance, Insurance & Real estate	16.8	23.0	29.6	38.2	39.8	31.4
Services	38.1	67.1	100.7	145.0	199.0	193.8
Government	<u>38.0</u>	<u>57.4</u>	<u>62.7</u>	<u>68.5</u>	<u>83.7</u>	<u>77.8</u>
Total*	267.1	357.0	401.0	478.5	527.1	490.3

* Totals may not add due to rounding.

** Preliminary, November, 2012.

Source: Alabama Department of Industrial Relations.

The following table shows employment data for occupation and industry for the City from the 2010 Census:

	<u>Number Employed</u>	<u>Percentage</u>
<u>Occupation</u>		
Management, professional, and related occupations	24,247	28.4%
Service occupations	18,690	21.9
Sales and office occupations	21,077	24.7
Natural resources, construction, and maintenance occupations	8,227	9.6
Production, transportation, and material moving occupations	13,065	15.3
<u>Industry</u>		
Agricultural, forestry, fishing and hunting, and mining	463	0.5
Construction	5,156	6.0
Manufacturing	8,174	9.6
Wholesale trade	2,017	2.4
Retail trade	9,390	11.0
Transportation and warehousing, and utilities	4,115	4.8
Information	1,865	2.2
Finance, insurance, real estate, and rental and leasing	6,242	7.3
Professional, scientific, management, administrative, and waste management services	8,305	9.7
Educational, health and social services	21,165	24.8
Arts, entertainment, recreation, accommodation and food services	9,975	11.7
Other services (except public administration)	4,549	5.3
Public administration	3,890	4.6

Source: U.S. Census Bureau.

Since 1970 Jefferson County has undergone restructuring from a manufacturing-based to a service-based economy. Nationwide recessions in 1973-74, 1980 and 1982-83 caused significant declines in durable goods manufacturing, particularly in the steel industry. The local economy, however, became more diversified as a result of significant growth in fields such as health services and health sciences research.

The area's 21 hospitals and numerous specialized health care facilities have turned Birmingham into a major medical center. The University of Alabama at Birmingham, the area's largest employer, is home to a world-known patient-care and research medical center. The Kirklin Clinic, opened in June 1992 by the University of Alabama Health Services Foundation, has enhanced Birmingham's reputation in healthcare. Birmingham is Alabama's center for advanced technology, with high-technology firms involved in industries such as telecommunications, engineering, aerospace design and computer services, in addition to health care. Southern Research Institute, located on Birmingham's Southside, is the largest nonprofit independent research laboratory located in the Southeast. The University of Alabama at Birmingham is ranked in the top 30 universities receiving federal research and development funds and in funding received from the National Institutes of Health.

Construction and expansion of hospital and health care facilities in the downtown area of Birmingham and in the southeastern area of Birmingham by St. Vincent's Hospital, Children's Hospital, the University of Alabama at Birmingham and Trinity Medical Center are in progress and total over \$1.2 billion in capital expenditures.

Per Capita Personal Income

Per Capita Personal Income is defined as the current income from all sources received by one resident in an area. It is measured before deduction of income and other personal taxes, but after deduction of personal contributions for social security, government retirement, and other social insurance programs. Per capita personal income in the Birmingham-Hoover MSA and the County are above average for the State. Per capita personal incomes in the Birmingham MSA are at the national average, while per capita personal incomes in the County are above national average.

The following chart provides a comparison of per capita income among the Birmingham-Hoover MSA, Jefferson County, the State and the United States:

	<u>Jefferson County</u>		<u>Birmingham-Hoover MSA*</u>		<u>State of Alabama</u>		<u>United States</u>	
	<u>Income</u>	<u>% of National Average</u>	<u>Income</u>	<u>% of National Average</u>	<u>Income</u>	<u>% of National Average</u>	<u>Income</u>	<u>% of National Average</u>
2011	\$44,074	102%	\$40,816	94.5%	\$34,880	80.8%	\$43,169	100%
2010	\$42,256	102%	\$39,108	94.5%	\$33,710	81.4%	\$41,404	100%
2009	\$40,399	100%	\$37,592	93.4%	\$32,406	80.6%	\$40,227	100%
2008	\$43,180	108%	\$39,886	99%	\$33,655	84%	\$40,166	100%
2007	42,551	108%	39,299	100%	32,803	83%	39,392	100%
2006	41,370	110%	37,922	101%	31,415	83%	37,698	100%
2005	39,005	110%	35,947	101%	29,803	84%	35,424	100%
2004	37,482	111%	34,230	101%	28,370	84%	33,881	100%
2003	34,728	108%	31,841	99%	26,729	83%	32,271	100%
2002	33,799	107%	31,055	99%	25,802	82%	31,462	100%
2001	32,295	104%	29,992	96%	25,090	81%	31,145	100%
2000	31,235	103%	28,976	96%	24,069	79%	30,318	100%
1999	28,211	101%	26,757	96%	22,722	81%	27,939	100%
1989	17,946	97%	17,488	94%	14,899	80%	18,566	100%
1979	8,827	96%	8,541	93%	7,199	78%	9,230	100%
1969	3,394	88%	3,298	86%	2,748	71%	3,846	100%

*Information from 2000 through 2011 is for the Birmingham-Hoover MSA. Information for prior years is for the Birmingham MSA.
Source: Bureau of Economic Analysis, U.S. Dept. of Commerce.

Median Family Income

Median Family Income is defined by the U.S. Census as the amount which divides the income distribution of families into two equal groups, half having incomes above the median, half having incomes below the median.

National, State and Birmingham-Hoover MSA Median Family Income

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012**</u>
United States	\$54,400	\$56,500	\$57,500	\$58,000	\$62,400	\$59,000	\$61,500	\$64,000	\$64,400	\$61,455	\$65,000
Alabama	47,000	46,900	47,700	48,650	54,800	48,700	51,700	53,200	54,100	\$51,991	\$55,400
Birmingham-Hoover MSA*	52,700	54,200	55,200	56,250	57,400	55,500	59,100	60,900	61,700	\$58,637	\$62,800

* Information for 2006 through 2012 is for the new Birmingham-Hoover MSA. The statistics presented for years prior to 2006 are for the Birmingham MSA.

** Estimates.

Source: Center for Business and Economic Research, University of Alabama; HUD Office of Economic Affairs.

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Information regarding household and family income in the City for 2010 (from the 2010 Census) is as follows:

	<u>Number</u>	<u>Percent</u>
<u>Households</u>	87,228	100.0
Less than \$10,000	15,003	17.2
\$10,000 to \$14,999	8,374	9.6
\$15,000 to \$24,999	14,044	16.1
\$25,000 to \$34,999	11,601	13.3
\$35,000 to \$49,999	14,393	16.5
\$50,000 to \$74,999	13,171	15.1
\$75,000 to \$99,999	3,751	4.3
\$100,000 to \$149,999	4,100	4.7
\$150,000 to \$199,999	1,396	1.6
\$200,000 or more	1,483	1.7
Median household income (dollars)	30,212	(X)
<u>Families</u>	48,750	100.0
Less than \$10,000	6,825	14.0
\$10,000 to \$14,999	2,535	5.2
\$15,000 to \$24,999	7,410	15.2
\$25,000 to \$34,999	7,605	15.6
\$35,000 to \$49,999	8,190	16.8
\$50,000 to \$74,999	8,629	17.7
\$75,000 to \$99,999	2,633	5.4
\$100,000 to \$149,999	2,730	5.6
\$150,000 to \$199,999	1,024	2.1
\$200,000 or more	1,121	2.3
Median family income (dollars)	34,971	(X)
Per capita income (dollars)	18,507	(X)
Median earnings (dollars):		
Male full-time, year-around workers	33,863	(X)
Female full-time, year-around workers	30,403	(X)

Source: U.S. Census Bureau.

Education

The Birmingham public school system included approximately 25,798 students in approximately 49 schools.

The County is the home of several colleges and universities, business schools and junior colleges and trade schools. These schools have a combined enrollment of over 60,000. The largest institution is the University of Alabama at Birmingham (UAB), which includes University College, the Graduate School and the UAB Medical Center. The UAB complex, featuring a wide range of undergraduate, graduate and professional programs, is the third largest educational institution in Alabama, with a total enrollment of approximately 17,500. The UAB Medical Center consists of the schools of medicine, dentistry, nursing, optometry and public health and the School of Community and Allied Health. UAB has an annual payroll exceeding \$590 million and is the largest employer in the County.

**Institutions of Higher Education
Jefferson County**

<u>Name</u>	<u>Type</u>	<u>Approximate Enrollment</u>
Four-Year		
Birmingham School of Law	Private	500
Birmingham-Southern College	Private	1,542
Miles College	Private	1,668
Samford University	Private	4,715
University of Alabama at Birmingham*	State Supported	17,543
Two-Year		
Herzing College of Business & Technology	Private	414
ITT Technical Institute	Private	1,020
Jefferson State Junior College	State Supported	9,688
Lawson State Community College	State Supported	4,863
Virginia College	Private	8,472

*Includes advanced professional degree students, such as residents and interns.
Source: Birmingham Business Alliance.

In 2011, the City lagged behind both the State of Alabama and the nation in the percentage of its residents who are college graduates, as the following table demonstrates.

EDUCATIONAL LEVELS		
	<u>Percent of Population High School Graduates</u>	<u>Percent of Population With Completed Bachelor's Degree or More*</u>
City	81.3%	21.6%
Birmingham MSA	84.8	27.0
State of Alabama	82.7	22.3
United States	85.9	28.5

* 25 years old or older.
Source: U.S. Census Bureau.

Housing and Construction

The City has aggressively promoted renovation and construction of housing within the City. Programs which have stimulated housing are as follows: The City Grant plus 2356 Housing Assistance Program, for construction of single-family units; the City Rebate Grant Program, for home maintenance and improvements; and the City Rental Rebate Assistance Program, for multifamily housing improvements for low- and moderate-income persons.

The following table provides comparative information on housing units in the City, Jefferson County, Shelby County and the Birmingham MSA in 1970, 1980, 1990, 2000 and 2010.

BIRMINGHAM MSA HOUSING UNITS

	Housing Units					Percent Change			
	<u>2010</u>	<u>2000</u>	<u>1990</u>	<u>1980</u>	<u>1970</u>	<u>1970-1980</u>	<u>1980-1990</u>	<u>1990-2000</u>	<u>2000-2010</u>
City of Birmingham	108,981	111,927	117,691	114,503	105,370	8.7%	2.8%	(4.9%)	(2.6%)
Jefferson County	300,552	288,162	273,097	259,805	212,937	22.0	5.1	5.5	4.3
Shelby County	80,970	59,302	39,201	24,644	12,144	102.9	59.1	51.3	36.5
Birmingham MSA	502,776	395,925	376,897	340,968	263,146	29.6	10.5	5.0	27.0

Source: U.S. Census Bureau.

Recent residential construction activities in the City and the Birmingham-Hoover MSA are summarized in the following tables.

NEW PRIVATELY-OWNED RESIDENTIAL BUILDING PERMITS CITY OF BIRMINGHAM

<u>Year</u>	Single-Family		Multi-Family (Two or more families)		
	<u>Permits Issued</u>	<u>Construction Cost</u>	<u>Permits Issued</u>	<u>Units</u>	<u>Construction Cost</u>
2000	118	\$14,605,141	13	328	\$14,655,118
2001	108	13,833,579	2	24	1,113,202
2002	188	25,489,678	12	76	4,275,520
2003	152	23,868,552	7	238	18,180,256
2004	144	23,581,209	53	828	57,407,006
2005	220	39,153,094	22	445	34,579,125
2006	303	54,557,389	56	980	71,538,630
2007	232	44,084,170	11	234	18,883,836
2008	132	24,723,795	18	312	23,204,909
2009	75	13,541,203	21	62	6,108,792
2010	110	18,861,792	7	347	35,716,750
2011	121	21,706,831	2	105	7,151,833

Source: U.S. Census Bureau.

**NEW PRIVATELY-OWNED RESIDENTIAL BUILDING PERMITS
BIRMINGHAM-HOOVER MSA**

<u>Year</u>	Single-Family		Multi-Family	
	<u>Permits Issued</u>	<u>Construction Cost (000s)</u>	<u>Permits Issued</u>	<u>Construction Cost (000s)</u>
2000	4,352	\$569,298	781	\$42,454
2001	4,652	627,149	430	15,987
2002	4,918	716,830	259	14,218
2003	5,970	912,511	703	43,501
2004	6,358	1,029,479	1,442	92,483
2005	6,873	1,148,340	795	54,965
2006	6,441	1,072,569	1,376	118,634
2007	4,930	865,318	503	39,964
2008	2,325	415,270	1,034	110,242
2009	1,683	282,759	124	10,473
2010	1,563	275,049	367	37,360
2011	1,795	346,975	589	41,806

Source: U.S. Census Bureau.

Bank Deposits

The following table shows deposits in FDIC-insured institutions between 2006 and 2012 in the Birmingham-Hoover MSA, Jefferson County, Shelby County and the State.

**DEPOSITS IN FDIC-INSURED COMMERCIAL BANKS
(As of June 30 of each year, in thousands)**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Alabama	\$68,332,000	\$70,989,000	\$73,021,000	\$79,622,000	\$82,059,493	\$84,217,992	\$84,785,357
Jefferson County	16,178,000	17,094,000	17,660,000	20,471,000	22,613,636	23,760,045	23,938,324
Shelby County	1,959,000	2,183,000	2,221,000	2,484,000	2,449,729	2,516,973	2,672,475
Birmingham-Hoover MSA	20,796,000	21,911,000	22,482,000	25,614,000	27,846,000	29,094,000	29,406,000

Source: Federal Deposit Insurance Corporation.

Airport Traffic

The following table provides current and historical information regarding Birmingham-Shuttlesworth International Airport traffic:

BIRMINGHAM-SHUTTLESWORTH INTERNATIONAL AIRPORT PASSENGERS ARRIVING & DEPARTING

<u>Year</u>	<u>Number of Passengers</u>
1998	2,853,333
1999	3,046,220
2000	3,067,777
2001	3,012,729
2002	2,810,990
2003	2,672,637
2004	2,890,091
2005	3,138,429
2006	3,052,058
2007	3,222,689
2008	3,110,767
2009	2,934,317
2010	2,950,429
2011	2,902,086
2012	2,401,059*

Source: Birmingham Chamber of Commerce; Birmingham-Shuttlesworth International Airport Authority.

* Reflects the number of passengers through November, 2012.

JEFFERSON COUNTY FISCAL CONCERNS

Jefferson County, the largest county in the State by population, has been experiencing significant financial difficulties since early 2008. The trustee for the County's approximately \$3.2 billion of outstanding sewer revenue warrants has declared events of default with respect to such warrants and on September 22, 2010, a Jefferson County Circuit Court judge appointed John S. Young, Jr., LLC ("Young") as receiver for the County System, with the power to raise rates and do other things necessary to help alleviate the County System's fiscal problems. Young prepared and provided a report to the Court that recommended significant rate increases and other potential means of raising revenue in order to address the outstanding sewer debt. On November 9, 2011, the County filed for protection under Chapter 9 of the United States Bankruptcy Code. In January, 2012, the Bankruptcy Court effectively relieved Young of his control over the County System, including his ability to raise rates, by ruling that the "automatic stay" applied to Young, though he still legally remains the receiver. The ruling essentially placed the Jefferson County Environmental Services Department back in charge of the County System on a day-to-day basis. Young has appealed the Bankruptcy Court's ruling. Young's appeal has been consolidated with an appeal by Jefferson County regarding what expenses can be paid out of sewer revenues. Jefferson County failed to make payments due in February, 2013, on the sewer revenue warrants and the bankruptcy trustee has filed a motion to lift the automatic stay in order to allow acceleration of the sewer revenue warrant obligations.

Jefferson County's occupational tax was declared invalid in January 2009 by a state court, and the replacement occupational tax approved by the Alabama legislature in late August, 2009, was held to be unconstitutional in late 2010 by a Jefferson County Circuit Court, which holding was affirmed by the Alabama Supreme Court. Since the Alabama Supreme Court's affirmation of the unconstitutionality of the replacement occupational tax in late 2010, no new legislation establishing a replacement occupational tax has been adopted. The occupational tax revenues account for approximately twenty-five percent of the County's general fund revenues. Although Jefferson County is continuing its efforts to restructure its debt, no assurance can be given that it will be successful. Developments with regard to Jefferson County may have adverse effects on the market value of debt

obligations of other issuers in the State. The nature and extent of the potential adverse effects on debt obligations of other issuers in the State is impossible to predict due to, among other factors, the unprecedented amount of debt involved in the Jefferson County financial crisis and the limited historical precedent for defaults and Chapter 9 bankruptcy by general purpose governmental entities, but may include, without limitation, a decrease in the market price and liquidity of such obligations. Although the City is located primarily in Jefferson County, the City has no financial obligation with regard to any of Jefferson County's outstanding debt.

LITIGATION

There is not now pending or threatened any litigation restraining, enjoining or in any manner questioning or affecting: the creation, organization or existence of the City; the title of the present members of the City Council or other officers of the City to their respective offices; the validity of the Bonds, or the proceedings and authority under which the Bonds will be issued.

Anthony Warren v. City of Birmingham, et al., CV-09-RR-1025-S, in the United States District Court for the Northern District of Alabama, Southern Division, is a lawsuit against the City of Birmingham and various named police officers alleging violations of Mr. Warren's civil rights, including alleged use of excessive force by the police arising out of an arrest following a chase by Birmingham police officers. The attorneys for the City have filed a Motion for Summary Judgment. The City through its attorneys in the City Law Department and appointed attorney, are actively defending the City and its officers, and assert various defenses on behalf of the City.

CSX Transportation, Inc. v. City of Birmingham, CV-2010-901772, in the Tenth Judicial Circuit for the State of Alabama, CSX has filed a lawsuit for a refund of sales and use taxes paid by it to the City for diesel fuel for years 2004, 2005, 2006, and 2007. The underlying issue related to the taxes collected by the City for diesel fuel was heard in CSX v. Alabama Department of Revenue which is on appeal to the United States Court of Appeals for the Eleventh Circuit. The case is stayed pending the final disposition of CSX v. Alabama, a similar case on appeal. The City, through its attorneys in the City Law Department, is actively defending the case.

CSX Transportation, Inc. v. City of Birmingham, CV-12-904061, in the Tenth Judicial Circuit for the State of Alabama, is a lawsuit for a refund of sales and use taxes paid by CSX to the City for diesel fuel for years 2008 and 2009. The City, through its attorneys in the City Law Department, is actively defending the case, and has asserted various defenses on behalf of the City.

Gerald Neil Lindley v. City of Birmingham, et al., CV-10-J-0141-S, United States District Court for the Northern District of Alabama, Southern Division, is a lawsuit in which Plaintiff alleges he was unlawfully arrested on warrants, contracted a staph infection while in the City's custody, and did not receive medical treatment while incarcerated. The City prevailed on its Motion for Summary Judgment. The plaintiff filed an appeal in the United States Court of Appeals for the Eleventh Circuit. The City, through its attorneys in the City Law Department, will vigorously defend all allegations and assert various defenses on behalf of the City.

ACIPCO v. City of Birmingham, CV-12-01210 and CV-12-90390, filed in the Tenth Judicial Circuit for the State of Alabama, is a lawsuit in which ACIPCO claims as a manufacturer it was improperly assessed business taxes on gross receipts. ACIPCO maintains it stores pipe outside the City of Birmingham; therefore, any pipes stored outside the City should not be taxed in Birmingham. Discovery has begun in the case, but no trial date has been set. The City, through its attorneys in the City Law Department, is actively defending the case and asserts various defenses on behalf of the City.

Robert G. Methvin, Jr., et al v. City of Birmingham, CV-2012-200881-CV-2012-200885 (consolidated), filed in the Tenth Judicial Circuit for the State of Alabama, is an appeal of business tax assessment for years 2008, 2009, 2010 and 2011. Plaintiffs are shareholders in a law firm with its singular office located in the City of Birmingham. Plaintiffs allege that the firm's sole office is within the City of Birmingham however, their legal work was performed on cases with jurisdiction both within and without the City limits. Plaintiffs also assert its business license taxes were based upon Plaintiffs' annual net gross receipts from all sources, not just those earned in Birmingham, a violation of the Commerce Clause of the United States. The City defends its position by asserting Plaintiffs failed to comply with the City of Birmingham Business License Ordinance. The Business Ordinance requires Plaintiffs to provide the City with documentation to support any reported gross receipts for services

rendered outside the City. Pursuant to the Business Ordinance Plaintiffs are not entitled to exclude any receipt without supporting documentation. Both parties moved for Summary Judgment; the Court granted Summary Judgment in favor of the Plaintiff. The City timely filed a Motion to Alter, Amend or Vacate the Judgment on January 23, 2013. The Court has not ruled on the City's Motion. To the extent the City's Motion is not granted, the City, through its attorneys in the City Law Department, will file an appeal and vigorously defend all remaining allegations against it.

Joel L. Dilorenzo v. City of Birmingham, CV-13-900001, filed in the Tenth Judicial Circuit for the State of Alabama, is a lawsuit in which Plaintiff, an attorney, is attempting to create a class action on behalf of himself and all other professionals (attorneys, architects, etc.) on assessed business licenses fees by the City of Birmingham. Plaintiff alleges that any assessment of taxes on business/services rendered outside of the City is due to be refunded to all professionals. The case was filed January 1, 2013. The City, through its attorneys in the City Law Department, will actively defend the case and assert various defenses on behalf of the City.

Leaf River Energy LLC, et al. v. Steve Saylor, et al., CV-2012-000101, Alabama Supreme Court Case No. 1120132, filed in the Tenth Judicial Circuit for the State of Alabama, is an appeal of a tax assessment. Leaf River, as a result of overpayment of business taxes to the City, is alleging any overpayment refund to Leaf River by the City should include interest from the time of the over payment until the sum is refunded. The City asserts that under City ordinance, the City is only obligated to pay interest when the refund originated as the result of City error, and the overpayment error was not the fault of the City. The trial court granted Summary Judgment in favor of Leaf River. The City has appealed the trial court's ruling to the Supreme Court of Alabama.

Artago Wilson v. City of Birmingham, CV-2011-904149.00, filed in the Tenth Judicial Circuit for the State of Alabama, involves a potential class action by defendants in drug or drug-related offenses in which cash was seized under a state search warrant, and the seized funds were deposited with the Drug Enforcement Agency ("DEA") for federal condemnation. The underlying issue is whether the state court held jurisdiction over the funds seized, and, therefore, the federal condemnation was illegal. The case is stayed pending the final disposition of two similar cases on appeal; Earnest Alexander v. City of Birmingham, Alabama Court of Civil Appeal and Derrick Ervin v. City of Birmingham, Supreme Court of Alabama. The City, through its attorneys in the City Law Department, will vigorously defend all allegations and assert various defenses on behalf of the City.

J.W., et al. v. Birmingham Bd. of Edu., et al., 2:10-CV-3314-AKK, filed in the United States District Court for the Northern District of Alabama, Southern Division, is a lawsuit against the Birmingham Board of Education, Birmingham Police Chief, and various Birmingham police officers. Plaintiffs assert claims arising under 42 U.S.C. § 1983 based on the officers' allegedly unconstitutional use of mace against Plaintiffs while Plaintiffs were enrolled as students in Birmingham City Schools. Plaintiffs also assert state law tort claims for assault and battery and outrage. In addition to their individual claims, Plaintiffs assert allegations on behalf of a class composed of all current and future students who are or will be enrolled in any high school in the Birmingham City School system, seeking declaratory and injunctive relief pursuant to Fed. R. Civ. P. 23(b)(2) to require a separate policy and training in the Birmingham Police Department regarding the use of mace in high schools, which was certified by the district court. Defendants moved for summary judgment as to all of Plaintiffs' claims. The district court partially denied the City's motion for summary judgment. The City appealed the partial denial of summary judgment to the United States Court of Appeals for the Eleventh Circuit. To the extent the action is remanded to the district court, the City, through its attorneys in the City Law Department and its appointed outside counsel, will vigorously defend all remaining allegations against it.

Michael E. Carroll v. City of Birmingham, et al., 2:10-cv-02244-KOB. Carroll and those similarly situated allege violations of the Fair Labor Standards Act ("FLSA") in regards to the pay of firefighters. Specifically, Carroll claims that firefighters were not paid overtime pay for hours worked over 40 in a workweek. Carroll seeks unpaid compensation, liquidated damages, interest, attorney's fees and equitable relief. The City and Mayor Bell answered the Complaint, denied the material allegations, and asserted that firefighters are partially exempt from the FLSA overtime requirement. One hundred seventy two firefighters filed consents to join in the action. Mayor Bell filed a Motion for Summary Judgment. Counsel for Carroll agreed to dismiss all claims against Mayor Bell. The Court dismissed Mayor Bell as a party defendant to the case. Discovery on the issues of liability and whether the individuals who have filed consents are similarly situated to Michael Carroll is set to end on February 28, 2013. The

City, through its attorneys in the City Law Department and its appointed outside counsel, is continuing to vigorously defend this action.

Ensley Revitalization Committee, et al. v. City of Birmingham, CV-2012-903289.00, filed in the Tenth Judicial Circuit for the State of Alabama. Plaintiffs assert claims for personal injuries and real property damages from the willful, wanton, and reckless neglect by the City of a city-owned building. Discovery has begun in this civil matter. The City through its attorneys in the City Law Department will vigorously defend all allegations and assert various defenses on behalf of the City.

The City is a defendant in certain Workers Compensation lawsuits. The Alabama Supreme Court issued an opinion in Ex Parte City of Birmingham, 988 So.2d 1035 (Ala. Feb.1, 2008). The Court upheld the City's entitlement to set off 50% of pension benefits paid to an injured city employee against an award of Workers' Compensation benefits approved by the Court of Civil Appeals in City of Birmingham v. George, 988 So.2d 1031, (Ala. Civ. App., 2007). Based on these decisions of the Alabama Supreme Court, the City engaged Brentwood Services Administrators, Inc. to coordinate, manage and oversee the provisions of medical benefits and other benefits for injured employees under the Workers' Compensation Act, Sec. 25-5-1, et seq., of the Code of Alabama of 1975. The City had previously provided medical treatment for injured employees as part of its personnel costs. The City has subrogation rights against any third party to recovery any expenses and costs for personal injury and property damages caused by third party. Disability payments were available through the Retirement and Relief System of Birmingham. Workers' Compensation lawsuits are assigned to attorneys on staff for the City, who are actively defending the City and its officers, and assert various defenses on behalf of the City. The recovery of disability lawsuits varies based upon specific factors set forth in the state statute. These factors include weekly wage, percentage of disability from the injury, partial or total disability, temporary or permanent disability or death. There is a statutory cap on the amount of disability benefits any injured employee may receive based upon application of the aforementioned factors, with the maximum being 66 and 2/3% of the adjusted weekly wage up to 300 weeks.

Additionally, the City is a defendant in numerous suits and has been notified of numerous claims against it arising from alleged defective sidewalks and streets, alleged negligence relating to motor vehicles and other matters relating to the normal operation of a municipality such as employment and contract disputes, as well as suits and claims arising from the alleged denial of civil rights. Section 11-93-1 et seq. of the Code of Alabama of 1975, as amended, places a limit of \$100,000 with respect to the City's liability for any bodily injury or death resulting from a negligent or wrongful act of one of the City's agents, officers, or employees. That provision further places a limit of \$300,000 with respect to the City's liability for personal injuries and deaths arising from a single occurrence. The Supreme Court of Alabama has upheld the constitutionality of this statute. The City does not carry liability insurance to cover such suits and claims but believes that any liability resulting from such suits and claims will be covered adequately by funds of the City which will be available to discharge such liability without impairing its ability to perform any of its other obligations.

UNITED STATES BANKRUPTCY CODE

The rights and remedies of the registered owners of the Bonds are subject to the provisions of Title 11 of the United States Code (Bankruptcy).

The United States Bankruptcy Code permits, under certain specific circumstances (but only after authorization by the legislature or by a governmental officer or organization empowered by state law to give such authorization), a political subdivision or public agency or instrumentality of a state – such as the Issuer and the City – to file a petition for relief in the U.S. District Court for the district in which such public body is located, if (among other things) it is insolvent or unable to meet its debts as they mature, and it desires to effect a plan to adjust its debts. Bankruptcy proceedings by the City could have adverse effects on holders of the Bonds, including (a) delay in the enforcement of their remedies, (b) subordination of their claims or charges to claims of those supplying goods and services to the City after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings, (c) subordination of liens; (d) avoidance of liens or preferential transfers; (e) the issuance, with the approval of the Court, of certificates of indebtedness having priority over pre-existing obligations; and (f) imposition without their consent of a reorganization plan reducing or delaying or extinguishing payment on the Bonds. The effect of these and other provisions of the Bankruptcy Code cannot be predicted with any certainty and may be significantly affected by judicial interpretation.

Prospective purchasers of the Bonds should assume Alabama law presently authorizes the City and other incorporated municipalities in Alabama to file such petitions for relief.

LEGAL MATTERS

The legality and validity of the Bonds will be approved by Hand Arendall LLC, Birmingham, Alabama, and Walker Law LLC, Birmingham, Alabama, Co-Bond Counsel to the City. Co-Bond Counsel have been employed primarily for the purpose of preparing certain legal documents and supporting certificates, reviewing the transcript of proceedings by which the Bonds have been authorized to be issued, and rendering opinions in conventional form as to the validity and legality of the Bonds, the exemption of interest on the Bonds from Alabama income taxation and the exclusion of interest on the Bonds from gross income for federal income tax purposes. Although Co-Bond Counsel assisted in the preparation of certain portions of this Official Statement and are of the opinion that the statements made herein under the captions "THE BONDS," "LEGAL MATTERS," "TAX MATTERS" and in Appendix B hereto fairly summarize the matters therein referred to, Co-Bond Counsel have not been requested to check or verify, have not checked or verified, and will express no opinion with respect to the adequacy, accuracy, completeness or fairness of any other information contained in this Official Statement. It is anticipated that Co-Bond Counsel will each render opinions substantially in the form attached hereto as Appendix B with respect to the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction and the rendering of an opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS

In the opinion of Co-Bond Counsel, under existing law, interest on the Bonds will be excluded from gross income for federal income tax purposes if the City complies with all requirements of the Internal Revenue Code, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be and remain excluded from gross income. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so included in gross income, retroactive to the date of issuance thereof. The City has covenanted to comply with all such requirements.

Co-Bond Counsel are also of the opinion that, under existing law, interest on the Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

Co-Bond Counsel will express no opinion regarding other federal tax consequences arising with regard to the Bonds other than the opinions referred to in the preceding paragraphs. The form of the opinions of Co-Bond Counsel are expected to be substantially as set forth in Appendix B.

Co-Bond Counsel are also of the opinion that, under existing law, interest on the Bonds will be exempt from State of Alabama income taxation.

Although Co-Bond Counsel are expected to render opinions that interest on the Bonds is excludable from gross income for federal tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a bondholder's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the bondholder's particular tax status and the bondholder's other items of income or deduction. Co-Bond Counsel will express no opinion regarding any such other tax consequences.

The exemption of interest on the Bonds from present federal and Alabama income taxation does not necessarily result in exemption under the income or other tax laws of any other state or local taxing authority. The laws of the several states and local taxing authorities vary with respect to the taxation of such income, and each holder of Bonds is advised to consult his own tax adviser in that regard and as to the status of the interest on the Bonds under state and local tax laws.

No Bank Qualification

Any financial institution purchasing any of the Bonds should note that such obligations will not qualify as "qualified tax-exempt obligations" under Section 265(b)(3) of the Internal Revenue Code with respect to the deduction of interest costs attributable to carrying or purchasing the Bonds.

Future Tax Legislation

There can be no assurance that additional legislation will not be introduced or enacted, after the issuance and delivery of the Bonds, so as to cause interest on the Bonds to be or to become included in gross income for purposes of federal income taxation or to impose additional requirements as a condition to the exclusion of such interest from gross income. No assurance can be given that the introduction or enactment of any such additional legislation will not adversely affect the marketability of the Bonds.

Original Issue Discount

Under existing law, the original issue discount of a Bond, to the extent properly allocable to each holder of such Bond, is excludable from gross income for federal income tax purposes with respect to such holder. The original issue discount is the excess of the amount to be paid at maturity of such Bond over its initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of the Bonds of such maturity were sold.

Original issue discount on tax-exempt obligations accrues on a compounded basis. The amount of original issue discount so accrued in a particular accrual period will be considered received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the holder's tax basis in such Bond. Purchasers of any Bond at an original issue discount should consult their tax advisors regarding the determination and treatment of original issue discount for federal income tax purposes, and with respect to state and local tax consequences of owning such Bonds.

Original Issue Premium

An amount equal to the excess of the purchase price of a Bond over the amount to be paid at maturity constitutes premium on such Bond. A purchaser of a Bond must amortize any premium over such Bond's term using constant yield principles, based on the Bond's yield to maturity. As premium is amortized, the purchaser's basis in such Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to such purchaser. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of such Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any Bond at a premium, whether at the time of initial issuance or subsequent thereto, should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes, and with respect to state and local tax consequences of owning such Bonds.

CONTINUING DISCLOSURE UNDERTAKING

The City will enter into an undertaking (the "Undertaking") for the benefit of the beneficial owners of the Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board ("MSRB") pursuant to the requirements of Rule 15c2-12 (the "Rule") adopted by the United States Securities and Exchange Commission under the Securities Act of 1934, as amended. The Undertaking is summarized below.

Annual Report

In the Undertaking, the City agrees, in accordance with the provisions of the Rule, to provide or cause to be provided to the MSRB, not later than 180 days after the close of each fiscal year of the City, commencing with the fiscal year ended June 30, 2013, the following annual financial information and operating data (the "Annual Report"):

- (1) The assessed value of all taxable property within the corporate limits of the City for the previous fiscal year of the City;
- (2) Total ad valorem tax collections from the City's ad valorem tax for the previous fiscal year of the City;
- (3) Total sales and use tax collections for the previous fiscal year of the City;
- (4) Total occupational license tax collections for the previous fiscal year of the City;
- (5) Total license and permit fee or tax collections for the previous fiscal year of the City;
- (6) Total revenues collected by the City from charges for services for the previous fiscal year of the City;
- (7) The ten largest ad valorem taxpayers in the City, ranked by assessed value, for the previous fiscal year;
- (8) A list of the outstanding principal amounts of all general obligation bonds of the City as of the end of the previous fiscal year;
- (9) A list of the outstanding principal amounts of all general obligation warrants of the City as of the end of the previous fiscal year;
- (10) A statement of revenues, expenditures and changes in fund balances for the City's general fund for the previous fiscal year; and
- (11) A statement of revenues, expenditures and changes in fund balances for the City's general bond debt reserve fund for the previous fiscal year.

The City also agrees, in accordance with the Rule, to provide or cause to be provided in a timely manner to the MSRB, notice of any failure to provide or cause to be provided the Annual Report, or any part thereof, as described in this paragraph.

Audited Financial Statements

The City agrees to provide or cause to be provided within 270 days after the close of each fiscal year of the City its audited financial statements to the MSRB; provided, however, that if audited financial statements of the City are not available at such time, the City will provide unaudited financial statements within 270 days after the end of the fiscal year and will provide its audited financial statements for such fiscal year when and if available. The

audited financial statements of the City so provided will be prepared pursuant to generally accepted accounting principles as applicable to it.

Notice of Material Events

The City agrees to provide or cause to be provided, in a timely manner not in excess of ten business days after the occurrence of the event, as required by the Rule, to the MSRB, notice of the occurrence of any of the following events with respect to the Bonds:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. modifications of the rights of holders of the Bonds, if material;
8. bond calls, if material, and tender offers;
9. defeasances;
10. release, substitution or sale of property securing repayment of the Bonds;
11. rating changes;
12. bankruptcy, insolvency, receivership or similar event of the City;
13. the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; or
14. appointment of a successor or additional trustee or the change of name of a trustee, if material.

Form and Method of Filing

All filings to be provided under the Undertaking shall be made by posting such information in electronic format on the MSRB's EMMA system at <http://emma.msrb.org> accompanied by identifying information as prescribed by the MSRB. All such filings shall be made in conformity with the procedures and requirements established by the MSRB in effect at the time of such filing.

Additional Information

The City may from time to time choose to provide other information in addition to the information and notices listed above, but the City does not undertake in the Undertaking to commit to provide any such additional information or to update or to continue to provide such additional information or notices once provided.

Amendment; Waiver

The City may amend the Undertaking and any provision of the Undertaking may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that such amendment or waiver would not cause the undertakings therein to violate the Rule taking into account any subsequent change in or official interpretation of the Rule.

Beneficiaries and Enforcement

The City agrees that its undertakings pursuant to the Rule set forth in the Undertaking are intended to be for the benefit of the holders of the Bonds and shall be enforceable by such holders. No failure by the City to comply with its obligations under the Undertaking shall constitute an event of default under the Bond Ordinance. No failure by the City under the Undertaking shall ever subject the City to money damages in any amount or of any type.

A failure by the City to comply with an Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

Certain bonds and warrants issued by the City are insured by bond insurance companies. The ratings on those bond insurance companies have been downgraded at various times over the past two (2) years. Information about the downgrades was publicly reported. The City may have not filed a notice under the Rule with respect to each such downgrade. Otherwise, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Official Statement including, without limitation, statements containing the words "estimates," "believes," "anticipates," "expects," and words of similar import, constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the City or other entities to which the forward-looking statements relate to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements. The City disclaims any obligation to update any such factors or to publicly announce the results of any revision to any of the forward-looking statements contained herein to reflect future events or developments.

UNDERWRITING

The Bonds are being purchased by Loop Capital Markets LLC, Goldman, Sachs & Co., Kipling Jones & Co., Securities Capital Corporation, Terminus Securities, Gardnyr Michael Capital, Inc. and Merchant Capital, L.L.C., as underwriters for the Bonds (collectively, the "Underwriters"), for a purchase price of \$73,573,929.90. The purchase price reflects an underwriting discount of \$402,216.85 and a net original issue premium of \$5,915,611.80.

The initial public offering prices set forth on the inside front cover for the Bonds may be changed from time to time by the Underwriters without notice, and the Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the initial offering prices set forth on the inside cover page.

Loop Capital Markets LLC, an underwriter of the Bonds, has entered into an agreement (the “**Distribution Agreement**”) with UBS Financial Services Inc. for the retail distribution of certain municipal securities offerings at the original issue prices. Pursuant to the Distribution Agreement, Loop Capital Markets LLC will share a portion of its underwriting compensation with respect to the Bonds with UBS Financial Services Inc.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the City and to persons and entities with relationships with the City, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City. The underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

RATINGS

Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Corporation ("S&P"), Fitch Ratings, Inc. ("Fitch") and Kroll Bond Rating Agency are expected to assign the Bonds ratings of Aa2, AA, AA and AA, respectively. All ratings reflect only the views of the rating organizations, and an explanation of the significance of a rating may only be obtained from the respective rating agency. There is no assurance that the ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agencies, if, in the judgment of each such agency, circumstances so warrant. Any such reduction or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. The City has undertaken no responsibility either to bring to the attention of the owners of the Bonds any proposed change in or withdrawal of such ratings or to oppose any such revision or withdrawal.

FINANCIAL STATEMENTS

The audited financial statements of the City for the fiscal year ended June 30, 2012, included in this Official Statement within the Comprehensive Annual Financial Report attached hereto as Appendix A, have been audited by Banks, Finley, White & Co., independent accountants, as stated in their report appearing in Appendix A hereto.

CERTIFICATE

The governing body of the City has approved this Official Statement and the distribution hereof.

CITY OF BIRMINGHAM, ALABAMA

By /s/ William A Bell, Sr.
Mayor

By /s/ J. Thomas Barnett, Jr.
Director of Finance

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APPENDIX A

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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CITY OF BIRMINGHAM

2012 COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
JUNE 30, 2012

OFFICE OF THE DIRECTOR OF FINANCE
J. THOMAS BARNETT, JR.

**City of Birmingham, Alabama
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2012**

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**City of Birmingham, Alabama
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2012**

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Government Finance Officers Association**
- **City of Birmingham Organization Chart**



OFFICIALS OF THE CITY OF BIRMINGHAM



MAYOR
WILLIAM A. BELL, SR.

CITY COUNCIL

Roderick V. Royal, President, District #9
Steven W. Hoyt, President Pro-Tem, District #8

LaShunda Scales, District #1
Valerie A. Abbott, District #3
Johnathan Austin, District #5
James "Jay" Roberson, District #7

Kim Rafferty, District #2
Maxine Herring Parker, District #4
Carole C. Smitherman, District #6

DEPARTMENT HEADS

AUDITORIUM.....	Kevin Arrington, Director
CITY CLERK.....	Lee Frazier, City Clerk
CITY COUNCIL.....	Cheryl A. Kidd-Harmon, Council Administrator
COMMUNITY DEVELOPMENT.....	Jim Fenstermaker, Director
EQUIPMENT MANAGEMENT.....	George R. Rainey, Director
FINANCE.....	J. Thomas Barnett, Jr., Director
FIRE.....	Ivor Brooks, Chief
INFORMATION MANAGEMENT SERVICES.....	Bobby Dorr, Director
LAW.....	Thomas Bentley, Acting City Attorney
MAYOR'S OFFICE.....	Erskine R. Faush, Jr., Chief of Staff Jarvis Patton, Chief of Operations
MUNICIPAL COURT.....	Andra Sparks, Presiding Judge
PERSONNEL.....	Peggy Polk, Director
PLANNING, ENGINEERING AND PERMITTING.....	Andre Bittas, Director
POLICE.....	A.C. Roper, Chief
PUBLIC WORKS.....	Stephen Fancher, Director
TRAFFIC ENGINEERING.....	Gregory Dawkins, Traffic Engineer

BOARD DIRECTORS

ARLINGTON.....	Steve Moode, Director
LIBRARY.....	Renee Blalock, Director
MUSEUM OF ART.....	Gail Trechsel, Director
PARKS AND RECREATION.....	Marietta Stewart, Director
SLOSS FURNACES.....	Bob Rathburn, Director
SOUTHERN MUSEUM OF FLIGHT.....	James T. Griffin, Director



CITY OF BIRMINGHAM

DEPARTMENT OF FINANCE

A-100 CITY HALL
710 NORTH 20TH STREET
BIRMINGHAM, ALABAMA 35203-2227

WILLIAM A. BELL, SR.
MAYOR

J. THOMAS BARNETT, JR.
FINANCE DIRECTOR

TELEPHONE (205) 254-2205
FAX (205) 254-2937

HENRY YOUNG III
DEPUTY DIRECTOR

BARBARA D. MCGRUE
DEPUTY DIRECTOR

December 28, 2012

To the Mayor
City Council Members
Citizens of the City of Birmingham

The City of Birmingham's Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2012, is hereby submitted. This report represents the official comprehensive publication of the City's financial position at June 30, 2012. Responsibility for the accuracy, completeness, and fairness of the data, including all disclosures, rests with management of the City of Birmingham. The basis of reliance for the financial statements is a comprehensive framework of internal control; because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the statements are free of any material misstatements.

In compliance with the City's Mayor-Council Act, the submitted financial statements were subjected to an independent audit. Banks, Finley, White & Co. has issued an unqualified opinion on the City of Birmingham's financial statements for the year ended June 30, 2012. Their report is located at the front of the financial section of the CAFR.

Additionally, the City of Birmingham is responsible, as a recipient of federal and state assistance, to ensure an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments. Information regarding the single audit which includes the Schedule of Expenditures of Federal Awards, findings and recommendations, and the auditor's reports on the internal control structure and compliance with applicable laws and regulations is included in a separate report and is available upon request.

Immediately following the auditor's report is the City's Management Discussion and Analysis (MD& A) which provides, in a narrative format, an introduction, overview, and analysis of the basic financial statements. This letter of transmittal should be read in conjunction with the MD&A.

CITY PROFILE AND REPORTING ENTITY

The City of Birmingham was incorporated in 1871 and is centrally located in the State of Alabama. It operates under a mayor-council form of government. The Mayor is elected at large and serves a four year term. The Council is composed of nine members, elected by district and they serve a four year term.

Included in this report is an organizational chart showing the twenty-four departments responsible for the administration and operation of the City of Birmingham. These departments provide valuable services to the citizens such as police and fire protection, maintenance and construction of highways and streets, recreational and cultural activities, sanitation services, and libraries and museums. This report includes, separately, the financial operations of two legal entities – the Birmingham Airport Authority and the Birmingham Parking Authority – for which it is financially accountable. Additional information regarding these two discretely presented component units is provided in the notes to the financial statements (Note 1A).

ECONOMIC CONDITIONS AND OUTLOOK

Birmingham's diverse economy, once highly dependent on the iron and steel industry, benefits today from a range of businesses including finance and healthcare. Projects that are planned, under construction and recently completed are contributing to the economy. These projects increase tax revenues and provide jobs which will continue to have a positive impact on the Birmingham-Hoover Metro Area unemployment rate, which averaged 8.3% in 2011. The preliminary October, 2012 Metro Area unemployment rate was 7.0% compared to the State of Alabama's October unemployment rate of 8.1% and 7.9 % for the United States.

The University of Alabama at Birmingham (UAB), Alabama's largest employer, has a major influence on the economy of the City, providing stability during economic downturns. UAB has several construction projects underway, and completed significant projects in the past year. The recently opened Women and Infants Center on the UAB campus provides a new hospital specializing in women's healthcare services, and premature and newborn infant care. The general hospital sector of Birmingham's economy remains strong, not only with new development at UAB's Medical Center, but also with facility expansion occurring at St. Vincent's Hospital and at Princeton Baptist Medical Center. A new, 380 bed state-of-the art replacement facility for Children's Hospital recently opened. Investment in the facility was approximately \$384 million.

Birmingham's banking sector continues to diversify. A number of medium-sized and smaller banks also continue to do well through aggressive new customer recruitment.

Cadence Bank has announced the relocation of its headquarters and operations center to Birmingham from Starkville, Mississippi. Larger banking institutions are returning to profitability.

Birmingham Crossplex has opened to rave reviews. The natatorium and indoor track facility, located approximately 4 miles to the west of the City Center hosts track and field, volleyball and aquatic competition. With the completion of these first-class athletic facilities, which are drawing events from national, regional and State athletic organizations, the City will turn its economic development efforts to the recruitment of new retail businesses that will locate on adjacent city-owned property.

Sustainability of neighborhoods and providing retail shopping opportunities throughout the City is vitally important to the growth of Birmingham's economy. Recruitment of neighborhood grocery stores is seeing success and grocery stores are being recruited for several communities. Many neighborhood projects are currently planned or underway to improve the quality of life for the City's citizens.

In the City Center, more than 4000 residents live in the "loft district," which was made even more attractive by the City's new Railroad Reservation Park, a 19 acre "green space" located within an easy walk of the Central Business District and UAB. In November, 2012 Railroad Park was awarded the Urban Land Institute's Urban Space Award. The award recognizes parks that help revitalize communities. The park surpassed such renowned new parks such as Riverwalk in Calgary, Alberta; Pier 25 in New York; Tanner Springs Park in Portland and High Line Park in New York.

A new minor league baseball park is under construction adjacent to Railroad Park and will be the home of the Birmingham Barrons, a double-A farm team for the Chicago White Sox. The ballpark is expected to open in April, 2013. The Rotary Club of Birmingham has announced a major project to connect, by greenway, the Railroad Park with Sloss Furnace National Historic Landmark, approximately seven blocks away.

The City acquired a major park and recreational facility for the eastern region of the City, by gift from a junior college. The facilities, including a pool, gym, ball fields and walking trails have undergone some renovation and Opened in November 2012.

A Westin Hotel and entertainment district adjacent to the Birmingham-Jefferson Convention Complex (BJCC) is under construction and should begin to welcome new patrons in January, 2013. The new hotel will bring hotel room availability in the immediate BJCC area to more than 1000, a convention and tourism industry standard required to attract larger trade shows and conventions.

The City of Birmingham continues an emphasis on becoming one of the nation's leading "Green" communities. In 2012, through the Planning, Engineering and Permits Department, the City will commence a program to recognize architects, builders and developers who plan, construct and rehabilitate structures to LEED Certification standards. Also, through a public-private partnership established with Alabama Power Company and other utilities and businesses, energy audits of existing City buildings will

commence early in 2012, with the first audit focusing on measures that can be taken to improve the energy efficiency of Birmingham City Hall. Finally, in 2011, educational training as to the importance of recycling was provided to City employees in preparation for a new recycling initiative which began in 2012 at City locations.

Over the past few years, a complex of federal government offices has developed on the northern edge of Birmingham's Central Business District. The complex includes new regional offices for the Bureau of Alcohol, Tobacco, Firearms and Explosives, the Federal Bureau of Investigation, and the Social Security Administration. Growth in the complex continued in 2012 with a groundbreaking for a new location of the Department of the Treasury, formerly located in the City of Homewood.

Birmingham's success in recruiting the Cadence Bank headquarters, and assistance in the expansion of the BBVA Compass Bank's operations center brought major additions to the financial landscape. Construction company headquarters projects, such as Dunn Building Company, which relocated from outside the City, and B.L. Harbert International, which is building a new \$7 million Lakeshore campus, added to an impressive list of construction companies already in the City. KAMTEK, a tier one supplier to the world's most prestigious automotive manufacturers, announced an expansion as a result of winning a new contract with Mercedes-Benz. Also, Motus Motorcycles graduated from Innovation Depot, the City's business incubator, and will begin to manufacture its award winning motorcycles in the City. Birmingham also came out on top in a heated recruitment battle with other southeastern cities for the new headquarters of the Bass Anglers Sportsman Society (B.A.S.S.), which relocated late in 2011 from Lakeland, Florida. Integrated Medical Systems, a leader in the repair and refurbishment of surgical instruments, relocated its corporate headquarters into the City and expanded its existing repair facility in Birmingham.

These strategic initiatives and others throughout the City have been pursued vigorously by Birmingham's governmental and business leadership over the past year, bringing a new respect and confidence in the City of Birmingham from the area's elected leaders, developers, financiers and the general populous of the metro region. As the nation's economy rebounds over the next few years, Birmingham will continue its aggressive focus on growth and new business attraction, setting the stage for the City to reinforce its status as a leading regional partner, and a southeastern city regaining its position as one of our country's best places to live, work and play.

In November, 2011, Jefferson County filed for bankruptcy protection in Federal Bankruptcy Court. Subsequent to year-end, the City collected all amounts due from the County. While the situation continues to unfold, the City does not expect long-term adverse consequences as a result of the filing.

On October 9, 2012 City voters approved a bond referendum. The approval authorizes the issuance of up to \$150 million of general obligation bonds for the following purposes: \$6.3 million for landfill expansion, \$20 million for public parks and recreational facilities, \$48.7 million for street and sidewalk improvements, \$19 million

for economic development initiatives, \$45 million for public buildings and equipment and \$11 million for storm and sanitary sewer improvements. The City anticipates that the City's Bond Reserve Fund, which receives 12 mills of ad-valorem tax annually, will be sufficient to pay debt service on the bonds, when issued. The City currently plans to issue approximately \$75 million of the bonds during the spring of 2013. The remainder of the bonds would most likely be issued three to five years thereafter.

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ended June 30, 2011. The Certificate of Achievement is a prestigious national award presented to state and local governments for publishing an easily readable and efficiently organized CAFR whose contents conform to program standards and complies with generally accepted accounting principles and applicable legal requirements. The Certificate is valid for a period of one year. The City of Birmingham has received the award for the last 34 consecutive years. We believe our current CAFR continues to conform to Certificate of Achievement program requirements, and we are submitting it to GFOA for consideration.

Additionally, the City of Birmingham's budget report for the fiscal year beginning July 1, 2011, was awarded the Government Finance Officer's Association Award for Distinguished Budget Presentation. In order to receive this award, a governmental unit must publish a document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. The City believes its current budget report also meets the above criteria, and we have submitted it to the GFOA for consideration.

Preparation of this document was made possible by the dedicated efforts of the staff of the Finance Department and City Administration. I wish to express my appreciation to them and other department employees who contributed to the publication of this report with particular thanks to the entire General Accounting staff.

Additional information, including the City's Operating and Capital Budgets can be accessed at www.birminghamal.gov

Respectfully submitted,



J. Thomas Barnett, Jr.
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Birmingham
Alabama

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



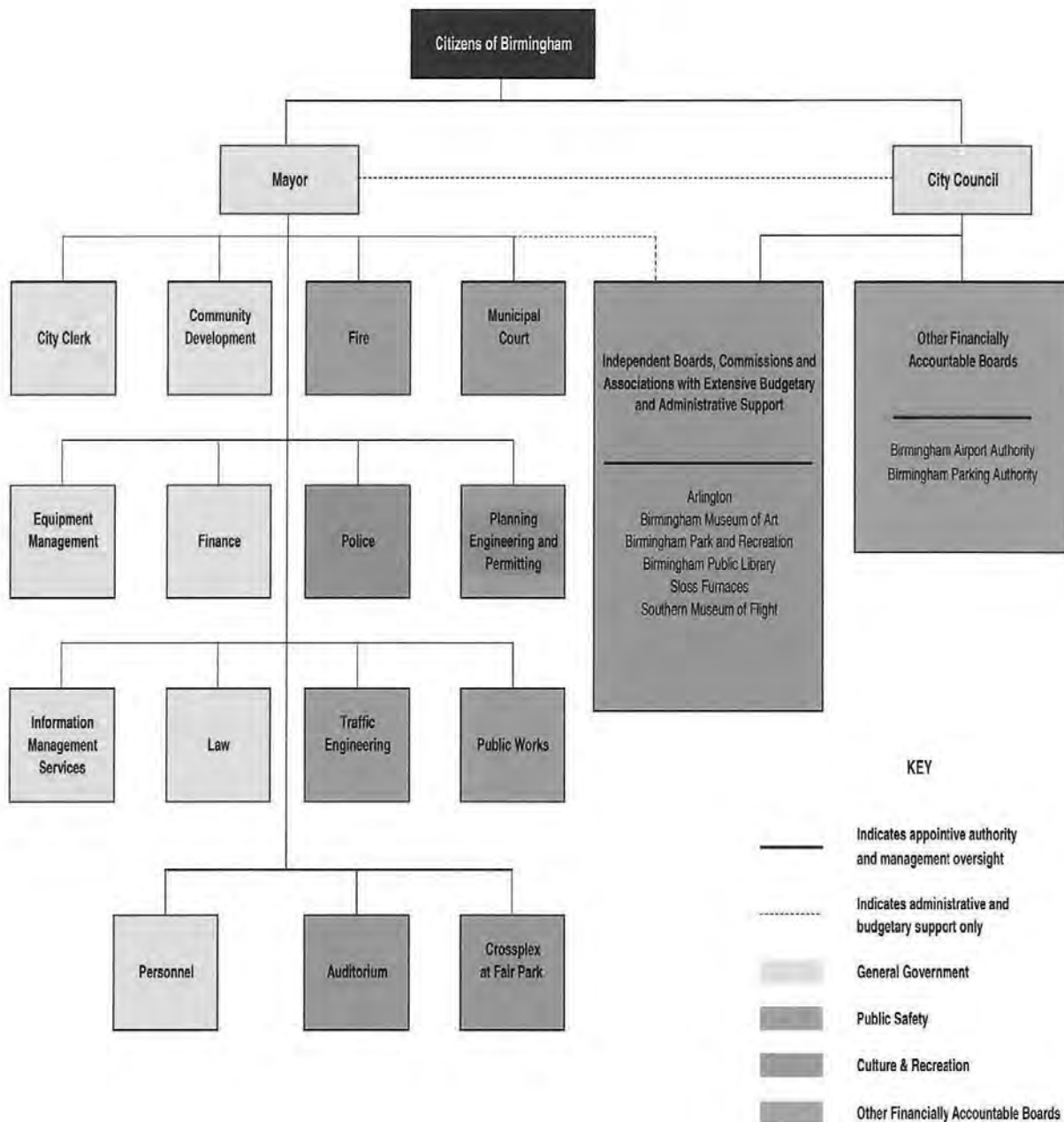
Christopher P. Moynell

President

Jeffrey R. Emer

Executive Director

City of Birmingham, Alabama Organization Chart



FINANCIAL SECTION

- **Independent Auditor's Report**
- **Management's Discussion and Analysis**
- **Basic Financial Statements**
- **Notes to the Financial Statements**
- **Required Supplementary Information**



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor
and Members of the City Council
Birmingham, Alabama

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the respective budgetary comparison for the General Fund of City of Birmingham, Alabama ("the City"), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Birmingham Parking Authority which represents .45 percent, .84 percent and 1.11 percent, respectively, of the assets, net assets, and revenues of the City. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Birmingham Parking Authority, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the respective budgetary comparison for the General Fund of the City of Birmingham, Alabama, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



To the Honorable Mayor
and Members of the City Council
Birmingham, Alabama
Page 2

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining statements of fiduciary net assets, combining and individual nonmajor fund financial statements, schedule of revenues, expenditures and changes in fund balance – general fund, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining statements of fiduciary net assets, combining and individual nonmajor fund financial statements, and the schedule of revenues, expenditures and changes in fund balance – general fund are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

December 28, 2012

Bank, Finley White & Co.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This narrative overview and analysis of the financial activities of the City of Birmingham for the fiscal year ended June 30, 2012, is offered by management of the City to the readers of the financial report. Please read it in conjunction with the letter of transmittal presented on pages 2-6 and the financial statements beginning on page 21.

Financial Highlights

- Total net assets for the City of Birmingham increased by \$9.4 million during the past fiscal year.
- The assets of the City of Birmingham exceeded its liabilities at the close of June 30, 2012, by \$182 million.
- The City of Birmingham's governmental funds reported combined ending fund balances of \$298 million as of June 30, 2012, a decrease of \$20 million over the prior fiscal year.

Overview of Financial Statements

Following this discussion the City of Birmingham's basic financial statements are presented. There are three components to these financial statements.

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

1. The government-wide financial statements give readers a broad overview of the finances of the City of Birmingham in a manner similar to a private-sector business. They are composed of two individual statements – the statement of net assets and the statement of activities.

The *statement of net assets* presented on pages 21 & 22 reports all of the City of Birmingham's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets could serve as a useful indicator as to whether the financial position of the City is improving or deteriorating.

The *statement of activities* presented on page 23 shows the changes in the City of Birmingham's net assets during the fiscal year ended June 30, 2012. This statement is prepared on the full accrual basis of accounting meaning that all changes to net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The government-wide statements show separately the governmental activities and the business-type activities. The governmental activities are those supported mainly by taxes and intergovernmental revenues. The City of Birmingham's activities (functions) include public safety, streets and sanitation, culture and recreation, and general government. The business-type activity for the City is supported by user charges which are intended to cover all or a significant portion of the activity costs. The City of Birmingham's business-type activity is the operation of the Emergency Communications District, better known as E-911.

2. Fund financial statements report the City's operations in more detail than what is presented in the government-wide financial statements. Fund financial statements include the statements for governmental, proprietary, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide statements. The focus for reporting the activities on the fund financial statements is on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing needs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance included in this report provide reconciliations to facilitate this comparison between governmental funds and governmental activities.

In fiscal year 2012, the City of Birmingham reported as major funds the General Fund, the Birmingham Fund, the Debt Reserve and Debt Service Funds, the 2010B Recovery Zone Warrants, the Public Improvement Fund, and the Capital Improvement Fund. The other City funds are reported aggregately as non-major funds. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements found beginning with pages 72 and 77 of this report.

The City of Birmingham adopts an annually appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget. The basic governmental fund financial statements can be found on pages 24 and 26 of this report.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The City maintains one type of proprietary fund, the Emergency Management Community District (E-911) which is an enterprise fund. The basic proprietary fund financial statements can be found on pages 29-31 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties external to the City of Birmingham. Fiduciary funds are not reflected in the government-wide financial statements because the resources are not available to support the City's own programs. The accounting used for fiduciary funds is similar to that used for proprietary funds. The basic fiduciary statements can be found on pages 32-33 of this report.

3. Notes to the financial statements are provided to give the reader additional information that is essential to understanding the data presented in the government-wide and fund financial statements.

Other required supplementary information is also presented in this report concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found in the notes to the financial statements for the pension funds beginning on page 55 of this report.

The following table summarizes the major features of the basic financial statements of the City of Birmingham.

Table of Financial Statements

Fund Financial Statements				
	Government-wide Financial Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds)	Activities of the City that are not proprietary or fiduciary	Activity of the City that operates similar to businesses	Activities for which the City acts as trustee for someone else's resources
Required financial statements	<ul style="list-style-type: none"> •Statement of net assets •Statement of activities 	<ul style="list-style-type: none"> •Balance sheet •Statement of revenues, expenditures, and changes in fund balance 	<ul style="list-style-type: none"> •Statement of net assets •Statement of revenues, expenses, and changes in net assets •Statement of cash flows 	<ul style="list-style-type: none"> •Statement of fiduciary net assets •Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be liquidated and liabilities that come due during the year or soon thereafter; no capital assets nor long-term debt included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	<ul style="list-style-type: none"> •Revenues for which cash is received during or soon after the end of the year •Expenditures when goods or services have been received and payment is due during the year or soon thereafter 	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Government-Wide Condensed Financial Information

Net assets represent the difference between the City of Birmingham's total assets and its total liabilities. Changes in the net assets can be a useful measuring tool to gauge performance over time. The City's net assets that are invested in capital assets net of related debt reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, infrastructure), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other revenue sources since the capital assets themselves cannot be liquidated to satisfy these liabilities.

The City of Birmingham's restricted net assets of approximately \$134 million are subject to bond and warrant covenants and by federal and state grant requirements. The City's total net assets increased by approximately \$9.4 million in fiscal year 2012. For additional details on the reconciliation between the two basis, see page 27 of this report.

The following table presents a condensed statement of the City's net assets at June 30, 2012 and 2011:

CONDENSED STATEMENT OF NET ASSETS

June 30, 2012 and 2011

(in thousands)

	Governmental Activities		Business-Type Activities		Totals	
	<u>06/30/12</u>	<u>06/30/11</u>	<u>06/30/12</u>	<u>06/30/11</u>	<u>06/30/12</u>	<u>06/30/11</u>
Current and other assets	\$350,294	\$376,971	\$2,477	\$182	\$352,771	\$377,153
Capital assets, net	<u>411,343</u>	<u>400,268</u>	<u>745</u>	<u>800</u>	<u>412,088</u>	<u>401,068</u>
Total assets	<u>761,637</u>	<u>777,239</u>	<u>3,222</u>	<u>982</u>	<u>764,859</u>	<u>778,221</u>
Current and other liabilities	74,350	70,848	271	1	74,621	70,849
Long-term liabilities	<u>505,357</u>	<u>531,852</u>			<u>505,357</u>	<u>531,852</u>
Total liabilities	<u>579,707</u>	<u>602,700</u>	<u>271</u>	<u>1</u>	<u>579,978</u>	<u>602,701</u>
Net assets:						
Invested in capital assets, net of related debt	133,210	90,213	919	919	134,129	91,132
Restricted	134,295	146,478			134,295	146,478
Unrestricted	<u>(85,574)</u>	<u>(62,151)</u>	<u>2,032</u>	<u>61</u>	<u>(83,542)</u>	<u>(62,090)</u>
Net assets	<u>\$181,930</u>	<u>\$174,540</u>	<u>\$2,951</u>	<u>\$980</u>	<u>\$184,882</u>	<u>\$175,520</u>

CONDENSED STATEMENT OF CHANGES IN NET ASSETS
For Years Ended June 30, 2012 and 2011
(in thousands)

Changes in Net Assets

	Governmental		Business-Type		Totals	
	Activities		Activities			
	<u>6/30/12</u>	<u>06/30/11</u>	<u>06/30/12</u>	<u>06/30/11</u>	<u>06/30/12</u>	<u>06/30/11</u>
REVENUES:						
Program revenues:						
Charges for services	\$117,156	\$110,054	\$6,608	\$6,392	\$123,764	\$116,446
Operating grants	25,118	24,276			25,118	24,276
General revenues:						
Sales and use tax	134,829	131,162			134,829	131,162
Occupational tax	77,703	74,909			77,703	74,909
Property tax	55,656	51,369			55,656	51,369
Unrestricted grants and						
contributions	19,500	22,548			19,500	22,548
Investment earnings	5,067	13,560	4	11	5,071	13,571
Other	<u>10,188</u>	<u>(217)</u>			<u>10,188</u>	<u>(217)</u>
Total revenues	<u>445,217</u>	<u>427,661</u>	<u>6,612</u>	<u>6,403</u>	<u>451,829</u>	<u>434,064</u>
EXPENSES:						
Program expenses:						
General government	126,871	114,375			126,871	114,375
Public safety	194,761	202,706	4,641	4,754	199,402	207,460
Streets and sanitation	56,109	54,553			56,109	54,552
Culture and recreation	42,705	40,024			42,705	40,024
Interest on long-term debt	<u>17,381</u>	<u>19,861</u>			<u>17,381</u>	<u>19,861</u>
Total expenses	<u>437,827</u>	<u>431,519</u>	<u>4,641</u>	<u>4,754</u>	<u>442,468</u>	<u>436,272</u>
Increase (Decrease) in net assets	7,390	(3,856)	1,971	1,649	9,361	(2,208)
Beginning net assets- as originally reported	174,540	178,395	980	(669)	175,520	177,728
Prior period adjustment						
Beginning net assets- as restated						
Ending net assets	<u>\$181,930</u>	<u>\$174,540</u>	<u>\$2,951</u>	<u>\$980</u>	<u>\$184,881</u>	<u>\$175,520</u>

Fund Analysis

Changes in fund balances for the City's major governmental funds for the fiscal year ended June 30, 2012, are as follows:

	Beginning Balance	Increase (Decrease)	Ending Balance
General Fund	\$ 99,216	\$ (7,101)	\$ 92,113
Birmingham Fund	83,700	(727)	82,913
Public Improvement Fund	589	165	754
General Bond Debt Reserve	36,295	(6,622)	29,673
General Bond Debt Service	(4,126)	4,112	(14)
Capital Improvement Fund	10,999	2,612	13,611
2010B Recovery Zone	35,799	(9,291)	26,508
Economic Develop. Warrants			
	\$ 262,471	\$ (16,851)	\$ 245,620

Governmental Funds

The focus of the reporting of the City's governmental funds is to provide information regarding near-term inflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The fund balance of the General Fund decreased mainly due to the appropriation of the surplus from the previous year. The Capital Improvement Fund increased due to added funding for capital improvements.

The Statement of Revenues, Expenditures, and Changes in Fund Balances provide additional details for the changes in specific funds. This statement can be found on page 26.

Budget Variances in the General Fund

During the fiscal year, revisions were made to the original budget adopted by the City due to changes in projected revenues. Amendments were also made in the projected expenditures. Storm related expenditures and reimbursements were also reflected in amendments.

Capital Assets and Long-Term Debt Activity

Capital Asset Activity

At June 30, 2012, the City of Birmingham reported approximately \$411 million in net capital assets, including its infrastructure, for governmental activities. The City's Emergency Management Communication District reported approximately \$744,000 in net capital assets. The notes to the financial statements on pages 46 and 47 provide more information on capital assets including the changes that occurred during the fiscal year.

Long-term Debt Activity

At June 30, 2012, the City of Birmingham had approximately \$468 million of outstanding debt for its bonds and warrants; of this amount, approximately \$430 million is considered long-term. The notes to the financial statements, on pages 48-51, include additional details for the City's long-term debt activity.

The City's bond ratings are AA, Aa2 and AA by Standard & Poor's, Moody's Investors Service and Fitch Ratings, respectively. The City's broad and diverse economy and consistently strong financial performance are the bases for these ratings.

The notes to the financial statements contain more detailed information regarding the City's long-term debt and the changes that occurred during the fiscal year. Please refer to them for additional information including the City's obligations for capitalized equipment leases, workmen's compensation claims, closure and post-closure costs, and compensated absences. The City does not have any debt for its enterprise operation.

Economic Factors Affecting the City of Birmingham and the 2013 Budget Information

Birmingham weathered the recession by implementing significant expense reduction and containment measures. In 2012, tax revenues showed some growth and this has continued into 2013. Through sound fiscal management we have managed to avoid decreasing our reserves substantially.

The City considered several factors in preparing the City's budget for the 2012 fiscal year. For one, the U. S. economy appears to have stabilized and is now growing at a slow rate. Absence of new housing construction continues to hold back economic growth, given housing's large multiplier effect.

Because much of the City's revenue is consumer driven (sales, use, occupational and business license taxes), slow economic growth translates directly into slow growth of a major portion of the City's revenue. Therefore, the City continues to monitor expenses closely and stands ready to adjust its budget as needed.

Availability of Information

The City's current and previous Operating and Capital Budgets, as well as Comprehensive Annual Financial Reports, are available on the City's website at www.birminghamal.gov.

Request for Information

This financial report is designed to give a general overview of the City of Birmingham's finances. Questions concerning any of the information may be sent to the following:

Director of Finance
710 North 20th Street, Suite A-100
Birmingham, AL 35203

Basic Financial Statements



City of Birmingham
Statement of Net Assets
June 30, 2012
(in thousands)

	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
Assets				
CURRENT ASSETS				
Unrestricted assets:				
Cash and investments	\$ 264,991	\$ 2,135	\$ 267,126	\$ 23,586
Cash with escrow agent	2,913	-	2,913	-
Receivables:				
Accrued interest	625	-	625	-
Accrued taxes receivable	30,279	-	30,279	-
Accounts (net of uncollectibles)	10,924	342	11,266	1,136
Notes (net of uncollectibles)	148	-	148	-
Loans	1,457	-	1,457	-
Due from other governments	6,498	-	6,498	10,719
Special assessments	10,888	-	10,888	-
Inventories	1,740	-	1,740	-
Prepaid items	374	-	374	389
Due from component unit	718	-	718	-
Other current assets	468	-	468	-
Restricted assets:				
Cash and cash equivalents	-	-	-	36,556
Investments	-	-	-	80,363
Accounts and grants receivable	-	-	-	1,091
Accrued interest receivable	-	-	-	227
Total Current Assets	332,023	2,477	334,500	154,067
NONCURRENT ASSETS				
Other assets:				
Deferred charges	18,271	-	18,271	4,133
Capital assets:				
Land	155,294	-	155,294	164,768
Buildings and capital facilities	185,927	1,025	186,952	106,263
Furniture and other equipment	152,388	2,233	154,621	15,561
Accumulated depreciation	(217,964)	(2,513)	(220,477)	(77,956)
Infrastructure	197,458	-	197,458	193,181
Accumulated depreciation, infrastructure	(133,015)	-	(133,015)	(86,504)
Construction in progress	71,255	-	71,255	141,662
Total Noncurrent Assets	429,614	745	430,359	461,108
Total Assets	761,637	3,222	764,859	615,175.00

The notes to the financial statements are an integral part of this statement

Statement of Net Assets
June 30, 2012
(in thousands)

	Primary Government		Total	Component Units
	Governmental	Business -Type		
	Activities	Activities		
Liabilities				
CURRENT LIABILITIES				
Payable from unrestricted assets:				
Accounts and vouchers payable	9,594	271	9,865	1,012
Contracts payable	410	-	410	-
Contracts payable - retainage	1,610	-	1,610	-
Accrued payroll and payroll taxes payable	2,038	-	2,038	109
Due to primary government	-	-	-	1,019
Estimated claims payable	7,662	-	7,662	-
Other liabilities	9,084	-	9,084	-
Deferred Revenue	-	-	-	-
Interest payable	5,103	-	5,103	-
Compensated absences	984	-	984	35
Bonds and warrants payable	37,865	-	37,865	-
Payable from restricted assets:				
Contracts Payable	-	-	-	9,440
Accrued Interest Payable	-	-	-	5,442
Current portion of revenue bonds payable	-	-	-	5,530
Total Current Liabilities	74,350	271	74,621	22,587
LONG TERM LIABILITIES				
Compensated absences	13,558	-	13,558	563
Bonds and warrants payable, net	430,303	-	430,303	205,392
Closure and postclosure costs	13,175	-	13,175	-
Workers' compensation claims payable	14,259	-	14,259	-
OPEB liability	25,893	-	25,893	-
Net pension obligation	8,169	-	8,169	-
Total Long Term Liabilities	505,357		505,357	205,955
Total Liabilities	579,707	271	579,978	228,541
Net Assets				
Invested in capital assets, net of related debt	133,210	745	133,955	329,955
Restricted for:				
Restricted for debt service	28,689	-	28,689	27,005
Restricted for future projects	105,606	-	105,606	4,611
Unrestricted	(85,574)	2,206	(83,368)	25,063
Total Net Assets	\$ 181,931	\$ 2,951	\$ 184,882	\$ 386,634

The notes to the financial statements are an integral part of this statement

City of Birmingham
Statement of Activities
For the Year Ended June 30, 2012
(in thousands)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government			Component Units
				Governmental Activities	Business-Type Activities	Total	
Primary Government							
Governmental Activities:							
Public safety:	194,761	17,011	3,492	(174,256)	-	(174,256)	-
Street and sanitation:	56,109	1,196	1,204	(53,708)	-	(53,708)	-
Cultural & recreational:	42,705	1,506	-	(41,200)	-	(41,200)	-
General government:	126,871	97,443	20,422	(9,005)	-	(9,005)	-
Interest on Long-Term Debt	17,381	-	-	(17,381)	-	(17,381)	-
Total Governmental Activities:	437,827	117,156	25,118	(295,550)	-	(295,550)	-
Business-Type Activities:							
Emergency Management Communication District	4,641	6,608	-	-	1,967	1,967	-
Total Business-Type Activities:	4,641	6,608	-	-	1,967	1,967	-
Total Primary Government:	\$ 442,468	\$ 123,764	\$ 25,118	(295,550)	1,967	(293,583)	-
Component Units							
Birmingham Airport Authority	34,781	36,880	21,210	-	-	-	23,308
Birmingham Parking Authority	5,681	5,746	-	-	-	-	65
Total Component Units:	\$ 40,462	\$ 42,626	\$ 21,210	-	-	-	23,373
Sales and use tax				134,829	-	134,829	-
Occupational tax				77,703	-	77,703	-
Property tax				55,656	-	55,656	-
Grants and contributions-unrestricted				19,500	-	19,500	-
Unrestricted investment earnings				5,067	4	5,071	103
Other				10,188	-	10,188	2,112
Interest on long-term debt					-	-	-
Total General Revenues, Special Items, and Transfers:				302,943	4	302,947	2,215
Change in Net Assets:				7,393	1,971	9,364	25,588
Net Assets - Beginning				174,539	980	175,519	361,046
Net Assets - Ending:				\$ 181,931	\$ 2,951	\$ 184,882	\$ 386,634

The notes to the financial statements are an integral part of this statement

**City of Birmingham
Balance Sheet
Governmental Funds
June 30, 2012
(in thousands)**

	General	Debt Reserve	Debt Service	Capital Improvement Fund	Birmingham Fund	Public Improvement	2010-Recovery Zone Econ Dev Warr	Other Governmental Funds	Total Governmental Funds
Assets									
Cash and investments	\$ 60,713	\$ 29,002	\$ -	\$ 13,917	\$ 82,652	\$ 755	\$ 27,242	\$ 52,596	\$ 266,877
Cash with fiscal agent	-	-	-	-	-	-	-	2,913	2,913
Receivables:									
Accrued interest	30	138	-	6	358	-	23	70	625
Accrued taxes	29,331	533	-	-	-	56	-	359	30,279
Accounts (net of uncollectibles)	10,818	-	-	-	-	-	-	107	10,925
Notes (net of uncollectibles)	116	-	-	-	-	-	-	32	148
Loans	1,325	-	-	-	-	-	-	132	1,457
Due from other governments	6,565	-	-	-	-	-	-	(67)	6,498
Special assessments	-	-	-	-	-	10,888	-	-	10,888
Due from component units	718	-	-	-	-	-	-	-	718
Inventories	1,740	-	-	-	-	-	-	-	1,740
Prepaid items	374	-	-	-	-	-	-	-	374
Other	468	-	-	-	-	-	-	-	468
Total Assets:	\$ 112,198	\$ 29,673	\$ -	\$ 13,923	\$ 83,010	\$ 11,699	\$ 27,265	\$ 56,142	\$ 333,910
Liabilities and Fund Balances									
Liabilities:									
Accounts and vouchers payable	8,237	-	14	34	37	-	419	2,738	11,479
Contracts payable	410	-	-	-	-	-	-	-	410
Contracts payable-retainage	-	-	-	278	-	-	338	994	1,610
Accrued payroll and payroll taxes payable	2,012	-	-	-	-	-	-	26	2,038
Deferred revenue	342	-	-	-	-	10,943	-	(399)	10,886
Other liabilities	9,082	-	-	-	-	-	-	1	9,083
Total Liabilities:	20,083	-	14	312	37	10,943	757	3,360	35,506
Fund Balances:									
Nonspendable:									
Inventory	1,573	-	-	-	-	-	-	-	1,573
Prepaid items	344	-	-	-	-	-	-	-	344
Spendable:									
Restricted:									
Debt Service	-	29,673	-	-	-	-	-	4,133	33,806
Capital Projects	-	-	-	13,611	-	755	26,508	35,294	76,168
Other	-	-	-	-	-	-	-	(129)	(129)
Assigned:									
Debt Service	-	-	(14)	-	-	-	-	-	(14)
Committed to:									
Stabilization	-	-	-	-	82,973	-	-	-	82,973
Neighborhood Improvements	-	-	-	-	-	-	-	9,158	9,158
Other Purposes	-	-	-	-	-	-	-	3,537	3,537
Unassigned	90,197	-	-	-	-	-	-	788	90,985
Total Fund Balances:	92,114	29,673	(14)	13,611	82,973	755	26,508	52,784	298,401
Total Liabilities and Fund Balances:	\$ 112,197	\$ 29,673	\$ -	\$ 13,923	\$ 83,010	\$ 11,698	\$ 27,265	\$ 56,144	\$ 333,907

The notes to the financial statements are an integral part of this statement

City of Birmingham
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Assets
Year Ended
June 30, 2012

Fund Balance - Total governmental funds	\$ 298,402
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Amounts reported for governmental activities in
the statement of net assets are different
because:

Deferred revenues are or not recognized until available in the funds	10,886
--	--------

Deferred items related to debt issuance used in governmental are not current financial resources and therefore are reported in reported in the governmental funds balance sheet.	18,271
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Capital Assets used in governmental activities are not current
financial resources and therefore are not reported in the
balance sheet.

Governmental Capital Asset	\$ 762,322	
Accumulated Depreciation	350,979	411,343

Long-Term Liabilities are not due and payable in the current
period and therefore, they are not reported in the
governmental funds balance sheet.

Warrants and Bonds Payable	(468,168)	
Compensated Absences	(14,542)	
Accrued interest payable	(5,103)	
Landfill Closure Cost	(13,175)	
OPEB liability	(25,893)	
Workers' Compensation claims payable	(14,259)	
Estimated Claims Payable	(7,662)	
Net Pension Obligation	(8,169)	(556,971)

Net assets of governmental activities:	\$ 181,931
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The notes to the financial statements are an integral part of this statement

City of Birmingham
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012
(in thousands)

	General	Debt Reserve	Debt Service	Capital Improvement Fund	Birmingham Fund	Public Improvement	2010-Recovery Zone Econ Dev Warr	Other Governmental Funds	Total Governmental Funds
Revenues									
Taxes	\$ 244,316	\$ 29,332	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,414	\$ 280,062
Licenses and permits	87,671	-	-	-	-	-	-	-	87,671
Intergovernmental	20,042	32	-	-	-	-	-	25,654	45,728
Charges for services	12,746	-	-	-	-	-	-	80	12,826
Fines and forfeitures	3,122	-	-	-	-	-	-	1,842	4,964
Investment income	738	2,328	-	53	987	12	311	637	5,066
Other operating revenues	6,752	-	-	2,254	-	155	-	1,727	10,888
Total Revenues:	375,387	31,692	-	2,307	987	167	311	36,354	447,205
Expenditures									
Current Expenditures:									
Public safety:									
Police	84,190	-	-	-	-	-	-	2,007	86,197
Fire	53,328	-	-	-	-	-	-	601	53,929
Planning, Engineering & Permits	19,960	-	-	-	-	-	-	1,636	21,596
Traffic Engineering	10,114	-	-	-	-	-	-	-	10,114
Municipal Court	4,101	-	-	-	-	-	-	2,641	6,742
Nondepartmental	-	-	-	-	-	-	-	(24)	(24)
Street and sanitation:									
Public Works	47,167	-	-	-	-	-	-	1,173	48,340
Cultural & recreational:									
Park & Recreation	10,322	-	-	-	-	-	293	586	11,201
Library	14,131	-	-	-	-	-	-	-	14,131
Arlington Historical Home	511	-	-	-	-	-	-	-	511
Boutwell Auditorium	1,118	-	-	-	-	-	-	-	1,118
Museum of Art	3,270	-	-	-	-	-	-	-	3,270
Sloss Furnace	474	-	-	-	-	-	-	-	474
Southern Museum of Flight	605	-	-	-	-	-	-	-	605
State Fairgrounds	2,432	-	-	-	-	-	-	-	2,432
Nondepartmental	-	-	-	-	-	-	-	114	114
General government:									
Finance	9,305	-	-	-	-	-	-	527	9,832
Equipment Management	16,301	-	-	-	-	-	-	-	16,301
Information Management Services	9,428	-	-	-	-	-	-	-	9,428
City Clerk	1,328	-	-	-	-	-	-	-	1,328
Community Development	575	-	-	-	-	-	-	15,612	16,187
Council Office	2,453	-	-	-	-	-	-	-	2,453
Legal	6,888	-	-	-	-	-	-	-	6,888
Mayor's Office	6,482	-	-	-	-	-	-	38	6,520
Personnel	6,349	-	-	-	-	-	-	-	6,349
Nondepartmental	44,322	-	77	2,431	564	1	475	2,391	50,261
Debt Service:									
Principal	13,819	-	21,285	-	-	-	-	3,203	38,307
Interest and fees	7,527	-	12,871	-	-	-	-	2,731	23,129
Capital Outlay:									
Capital outlays	320	-	-	2,724	1,150	-	8,834	6,145	19,173
Total Expenditures:	376,820	-	34,233	5,155	1,714	1	9,602	39,381	466,906
Excess (Deficiency) of Revenues Over (Under) Expenditures:	(1,433)	31,692	(34,233)	(2,848)	(727)	166	(9,291)	(3,027)	(19,701)
Other financing sources (uses):									
Proceeds from issuance of debt	-	-	8,400	-	-	-	-	-	8,400
(Premium)/Discount on debt issuance	-	-	(164)	-	-	-	-	-	(164)
Payment to escrow agent	-	-	(8,205)	-	-	-	-	-	(8,205)
Transfers in	1	-	38,314	5,460	-	-	-	213	43,988
Transfers out	(5,669)	(38,314)	-	-	-	-	-	(5)	(43,988)
Total Other financing sources (uses):	(5,668)	(38,314)	38,345	5,460	-	-	-	208	31
Net Change in Fund Balances:	(7,101)	(6,622)	4,112	2,612	(727)	166	(9,291)	(2,819)	(19,670)
Fund Balances - Beginning	99,215	36,295	(4,126)	10,999	83,700	589	35,799	55,601	318,072
Fund Balances - Ending:	\$ 92,114	\$ 29,673	\$ (14)	\$ 13,611	\$ 82,973	\$ 755	\$ 26,508	\$ 52,782	\$ 298,401

The notes to the financial statements are an integral part of this statement

City of Birmingham, Alabama
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2012
(in thousands)

Net change, decrease, in fund balances - total governmental funds	\$ (19,670)	\$ (19,670)
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Governmental funds report capital outlays as expenditures. In the statement of activities, however, these costs are allocated over their estimated useful lives and reported as depreciation expense.

This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay	28,980	
Depreciation	17,742	11,238

The repayment of principal of long-term debt uses current resources of governmental funds but has no effect on net assets		46,348
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Issuance of new new bonds and warrants		(8,400)
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Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds:

Change in compensated absences	(266)	
Change in closure and postclosure costs	(5,229)	
Amortization of deferred charges	(363)	
Change in interest payable	(772)	
Change in workers compensation	6	
Change in OPEB	(2,422)	
Change in net pension asset	(5,343)	
Change in estimated claims	(6,072)	(20,461)

Revenue not recognized until future years		(1,499)
Loss on disposal of fixed assets		(163)

Change, increase, in net assets of governmental activities	\$	<u><u>7,393</u></u>
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The accompanying notes are an integral part of these financial statements.

City of Birmingham
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012
(in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 243,830	\$ 243,930	\$ 244,316	\$ 386
Licenses and permits	79,427	79,427	87,671	8,244
Intergovernmental	12,905	12,905	20,042	7,137
Charges for services	13,902	13,902	12,746	(1,156)
Fines and forfeitures	4,615	4,615	3,122	(1,493)
Investment income	1,130	1,130	738	(392)
Other operating revenues	6,517	6,599	6,752	153
Total Revenues:	<u>362,326</u>	<u>362,508</u>	<u>375,387</u>	<u>12,879</u>
Expenditures				
Current Expenditures:				
Public safety:	169,060	178,019	171,693	6,326
Street and sanitation:	48,126	49,177	47,167	2,010
Cultural & recreational:	34,197	35,056	32,863	2,193
General government:	91,932	104,530	103,431	1,099
Debt Service:				
Principal	11,780	11,832	13,819	(1,987)
Interest and fees	7,542	7,542	7,527	15
Capital Outlay:				
Capital outlays	6,169	1,209	320	889
Total Expenditures:	<u>368,806</u>	<u>387,365</u>	<u>376,820</u>	<u>10,545</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures:	<u>(6,480)</u>	<u>(24,857)</u>	<u>(1,433)</u>	<u>23,424</u>
Other financing sources (uses)::	(1,198)	(5,668)	(5,668)	-
Net Change in Fund Balances:	<u>(7,678)</u>	<u>(30,525)</u>	<u>(7,101)</u>	<u>23,424</u>
Fund Balances - Beginning	99,215	99,215	99,215	-
Fund Balances - Ending:	<u>\$ 91,537</u>	<u>\$ 68,690</u>	<u>\$ 92,114</u>	<u>\$ 23,424</u>

The notes to the financial statements are an integral part of this statement

City of Birmingham
Statement of Net Assets
Proprietary Funds
Emergency Management Communication District
June 30, 2012
(in thousands)

Assets

Current assets:

Cash and investments	\$ 2,135
Total Current assets:	<u>2,135</u>

Restricted assets:

Accounts and grants receivable	342
Total Restricted assets:	<u>342</u>

Property, plant, and equipment:

Buildings and systems	1,025
Machinery and equipment	2,233
Less accumulated depreciation	<u>(2,513)</u>
Total Property, plant, and equipment:	<u>745</u>

Total Assets:	<u>3,222</u>
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Liabilities

Current liabilities:

Accounts payable	271
Total Current liabilities:	<u>271</u>

Total Liabilities:	<u>271</u>
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Net Assets

Invested in capital assets	745
Unrestricted	<u>2,206</u>
Total Net Assets:	<u>\$ 2,951</u>

The notes to the financial statements are an integral part of this statement

City of Birmingham
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Emergency Management Communication District
June 30, 2012
(in thousands)

Operating Revenues

Service fees	\$ 6,608
Total Operating Revenues:	<u>6,608</u>

Operating Expenses

Public safety	3,107
General and administrative	764
Repairs and maintenance	715
Depreciation	<u>55</u>
Total Operating Expenses:	<u>4,641</u>
Operating Income (Loss):	<u>1,967</u>

Nonoperating Revenues (Expenses)

Interest income	<u>4</u>
Total Nonoperating Revenues (Expenses):	<u>4</u>
Income (Loss) Before Contributions and Transfers:	<u>1,971</u>
Change in Net Assets:	1,971
Total Net Assets - Beginning	980
Total :	<u>980</u>
Total Net Assets - Ending:	<u>\$ 2,951</u>

The notes to the financial statements are an integral part of this statement

City of Birmingham
Statement of Cash Flows
Proprietary Fund
Emergency Management Communication District
June 30, 2012
(in thousands)

Cash flows from operating activities:	
Cash received from customers	6,266
Cash payments to suppliers	(4,288)
Cash payments to employees	-
Net cash from operating activities	<u>1,978</u>
 Cash flows from and related financing activities:	
Acquisition of capital assets	-
 Cash flows from investing activities:	
Interest received	<u>4</u>
 Net increase (decrease) in cash and cash equivalents	1,982
Cash and investments, beginning of year	<u>153</u>
Cash and investments, end of year	<u><u>2,135</u></u>
 Reconciliation of operating loss to net cash used by operating activities:	
Operating gain (loss)	1,966
 Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Depreciation	55
Change in accounts receivable	(313)
Change in prepaid items	-
Change in accounts payable and contracts payable	270
Change in due to other funds	-
Net cash from operating activities	<u><u>1,978</u></u>

The accompanying notes are an integral part of these financial statements

City of Birmingham
Statement of Fiduciary Net Assets
Pension Trust Funds
June 30, 2012
(in thousands)

	<u>Pension Trust Funds</u>
Assets	
Cash and cash equivalents	\$ 22,247
Receivables:	
Member loans	11,268
Interest and dividends	11,479
Total Receivables:	<u>22,747</u>
Investments, at fair value:	
U.S. government obligations	187,926
Domestic corporate bonds	187,519
Domestic stocks	530,652
Total Investments, at fair value:	<u>906,097</u>
Total Assets:	<u>951,091</u>
Liabilities	
Accounts payable and other	998
Accrued payroll and payroll taxes payable	(91)
Total Liabilities:	<u>907</u>
Net Assets	
Held in trust for future pension benefits	950,184
Total Net Assets	<u>\$ 950,184</u>

The notes to the financial statements are an integral part of this statement

City of Birmingham
Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the Year Ended June 30, 2012
(in thousands)

	<u>Pension Trust Funds</u>
Additions	
Additions:	
Contributions:	
Employer Contributions	\$ 18,304
Plan member contributions	16,633
Investment income:	
Investment earnings	33,287
Securities lending	993
Other income	92
Total Additions:	<u>69,309</u>
Total Additions:	<u>69,309</u>
Deductions	
Deductions:	
Benefits	73,943
Refunds of contributions	2,032
Administrative expenses	1,138
Investment Expenses	3,503
Total Deductions:	<u>80,616</u>
Total Deductions:	<u>80,616</u>
Change in Net Assets:	(11,307)
Net Assets - Beginning	961,490
Total	961,490
Net Assets - Ending	<u><u>\$ 950,184</u></u>

The notes to the financial statements are an integral part of this statement

City of Birmingham
Combining Statement of Net Assets
Component Units
June 30, 2012
(in thousands)

	<u>Birmingham Airport Authority</u>	<u>Birmingham Parking Authority</u>	<u>Total Nonmajor Component Units</u>
Assets			
CURRENT ASSETS:			
Unrestricted assets:			
Cash and investments	\$ 19,902	\$ 3,683	\$ 23,585
Receivables:			
Accounts (net of uncollectibles)	947	189	1,136
Due from other governments	10,719	-	10,719
Prepaid items	334	55	389
Restricted assets:			
Cash and cash equivalents	36,556	-	36,556
Investments	80,363	-	80,363
Accounts and grants receivable	1,091	-	1,091
Accrued interest receivable	227	-	227
Total Current Assets	<u>150,139</u>	<u>3,927</u>	<u>154,066</u>
NONCURRENT ASSETS:			
Other assets:			
Deferred charges	4,133	-	4,133
Capital assets::			
Land	162,828	1,940	164,768
Buildings and capital facilities	106,263	-	106,263
Furniture and other equipment	14,529	1,032	15,561
Accumulated depreciation	(77,257)	(698)	(77,955)
Infrastructure	193,181	-	193,181
Accumulated depreciation, infrastructure	(86,504)	-	(86,504)
Construction in progress	141,662	-	141,662
Total Noncurrent Assets	<u>458,835</u>	<u>2,274</u>	<u>461,109</u>
Total Assets	<u>608,974</u>	<u>6,201</u>	<u>615,175</u>

The notes to the financial statements are an integral part of this statement

City of Birmingham
Combining Statement of Net Assets
Component Units
June 30, 2012
(in thousands)

	<u>Birmingham Airport Authority</u>	<u>Birmingham Parking Authority</u>	<u>Total Nonmajor Component Units</u>
Liabilities			
CURRENT LIABILITIES:			
Payable from unrestricted assets:			
Accounts and vouchers payable	933	79	1,012
Accrued payroll and payroll taxes payable	-	109	109
Due to primary government	-	1,019	1,019
Compensated absences	-	35	35
Payable from restricted assets:			
Contracts Payable	9,440	-	9,440
Accrued Interest Payable	5,442	-	5,442
Current portion of revenue bonds payable	5,530	-	5,530
Total Current Liabilities:	<u>21,345</u>	<u>1,242</u>	<u>22,587</u>
LONG TERM LIABILITIES:			
Compensated absences	377	185	562
Bonds and warrants payable, net	205,392	-	205,392
Total Long Term Liabilities	<u>205,769</u>	<u>185</u>	<u>205,954</u>
Total Liabilities:	<u>227,114</u>	<u>1,427</u>	<u>228,541</u>
Net Assets			
Invested in capital assets, net of related debt	327,682	2,273	329,955
Restricted for:			
Restricted for debt service	27,005	-	27,005
Restricted for future projects	4,611	-	4,611
Unrestricted	22,563	2,501	25,064
Total Net Assets	<u>\$ 381,861</u>	<u>\$ 4,774</u>	<u>\$ 386,634</u>

The notes to the financial statements are an integral part of this statement

City of Birmingham
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2012
(in thousands)

Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Services	and Contributions	Airport Authority	Parking Authority	Total
Component Units						
Birmingham Airport Authority	34,781	\$36,880	\$21,210	\$23,308	\$0	\$23,308
Birmingham Parking Authority	5,681	5,746	-	-	65	65
For Component Units	\$ 40,462	\$ 42,626	\$ 21,210	\$ 23,308	\$ 65	\$ 23,373
Unrestricted investment earnings				93	10	103
Other				2,112	-	2,112
Total General Revenues, Special Items, and Transfers:				2,205	10	2,215
Change in Net Assets:				25,513	75	25,588
Net Assets - Beginning				356,347	4,699	361,046
Net Assets - Ending:				<u>\$ 381,861</u>	<u>\$ 4,774</u>	<u>\$ 386,634</u>

The notes to the financial statements are an integral part of this statement

City of Birmingham, Alabama
Notes to the Financial Statements
June 30, 2012

I. Organization and Summary of Significant Accounting Policies

A. Reporting Entity

The City of Birmingham, located in Alabama, is a municipal corporation that was incorporated on December 19, 1871. The City operates under a Mayor-Council form of government as provided by Act No. 425 of the Alabama Legislature (The Mayor-Council Act) and is comprised of a Mayor elected at large and a nine-member council that is elected by district.

The financial statements of the City have been presented in conformity with accounting principles accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accompanying financial statements present the City and its component units, entities for which the City of Birmingham is considered to be financially accountable. The City's discretely presented component units are presented in total in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

Discretely presented component units

- The Birmingham Airport Authority (BAA) is a seven-member board appointed by the City and is a public corporation organized under the provisions of the Code of Alabama. The Authority is responsible for the operations of the Birmingham-Shuttlesworth International Airport. Because the City of Birmingham appoints the BAA's governing body, the Authority is included as a component unit in these financial statements. The BAA's fiscal year ends June 30.

The BAA reimburses the City for the cost of providing security and fire protection services to the Airport. Amounts charged by the City for the fiscal year ended June 30, 2012, totaled \$3,400,629.

- The Birmingham Parking Authority (BPA) is a three-member board appointed by the City and operates parking facilities in the City and also acts as a financing agent for certain other parking facilities. The City appoints the BPA's governing body and the Authority is included as a component unit in these financial statements. The BPA's fiscal year ends June 30.

Complete financial statements for each component unit may be obtained at the following administrative offices:

Birmingham Airport Authority	Birmingham Parking Authority
5900 Airport Highway	1732 5 th Avenue North
Birmingham, Alabama 35222	Birmingham, Alabama 35203
Financial statement date: June 30, 2012	Financial statement date: June 30, 2012

Related Organizations

The City of Birmingham is also responsible for appointing a voting majority of the boards of other organizations, but the City's financial accountability for these organizations does not extend beyond making the appointments. The City appointed a voting majority of the Birmingham-Jefferson County Transit Authority (BJCTA) and the Birmingham Housing Authority (BHA). In fiscal year 2012, the City provided funding to the BJCTA in the amount of \$10,903,988 and

City of Birmingham, Alabama
Notes to the Financial Statements
June 30, 2012

\$39,565 to the BHA. These organizations are related organizations that have not been included within the City's financial statements.

Joint Venture

As defined in GASB Statement No. 14, a joint venture is a legal entity or other organization that results from a contractual arrangement and is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (1) an ongoing financial interest or (2) an ongoing financial responsibility. The City participates in the Birmingham-Jefferson County Civic Center Authority (BJCCA) which was created by the Alabama Legislature as a public corporation authorized to construct, maintain, operate, and manage a civic center in the City of Birmingham, Jefferson County, Alabama. The BJCCA also owns a hotel that is managed by an independent operator. The City is a joint participant in the BJCCA with Jefferson County; each is obligated, by contract, to remit amounts to supplement the BJCCA's debt service payments. In accordance with the interlocal agreement, the City remitted \$1,500,000 to the BJCCA during fiscal year 2012 representing the last payment under the agreement. The City does not have an equity ownership in this joint venture. Separate financial statements indicated a change in net assets of \$315,619 for the year ended August 31, 2011; net assets at August 31, 2011 totaled \$147,168,465. This is the most current audited information available. Complete financial statements for the BJCCA may be obtained at the administrative offices at 2100 Richard Arrington Jr. Blvd. North, Birmingham, AL 35203.

B. Government-wide and Fund Financial Statements

The government-wide financial statements of the City consist of the statement of net assets and the statement of activities for all of the nonfiduciary activities of the City and its two component units. The effect of interfund activity has been removed from these statements. The statements report separately the *governmental activities* from the *business-type activities*. Governmental activities are normally supported by taxes and intergovernmental revenues, whereas business-type activities rely on fees and charges for support. The City, as the *primary government*, is shown separately from its two legally separate *component units*.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function; *program revenues* include (a) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. *General revenues* include taxes and other items not included in program revenues.

Included in this report are separate financial statements for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The City reports its major individual governmental funds as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements, the proprietary fund financial statements, and the fiduciary fund financial statements are all reported using the *economic*

City of Birmingham, Alabama
Notes to the Financial Statements
June 30, 2012

resources measurement focus and the *accrual basis of accounting*. Under this focus and basis, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when the cash is received or expended.

Property taxes are recognized as revenues in the year of their levy; grants and similar items are recognized as revenue when all the eligibility requirements of the providers have been met.

All governmental funds are accounted for using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. The City of Birmingham considers revenues to be *available* if they are collected within 60 days of the end of the current fiscal period; the major sources of accrued revenue are the various business and ad valorem taxes the City collects as well as grant revenues. Expenditures are recorded when the liability is incurred, consistent with accrual accounting. Debt service expenditures, claims and judgments, as well as expenditures related to compensated absences are recorded only when payment is due.

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent liabilities and the reported amount of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events were evaluated through the date the financial statements were issued.

For the purposes of the statement of cash flows, highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

The City of Birmingham reports the following major governmental funds:

The *General Fund* is the City's primary operating fund and accounts for all financial resources except those required to be accounted for in other funds.

The *General Bond Debt Reserve Fund* accounts for the receipt of property taxes earmarked for debt service.

The *General Bond Debt Service Fund* accounts for the payment of principal and interest on general obligation bonds.

The *Birmingham Fund* is considered a Special Revenue Fund and accounts for proceeds the City received from the sale of the Industrial Water Board. The Birmingham fund is considered a reserve fund set aside for use in emergency situations and/or as revenue shortage or budgetary imbalances occur. Funds may be appropriated as follows: (a) Operating Budget Amendments or other appropriations for any fiscal year, not exceeding 5% of the five year average market value of the fund, by majority council vote; (b) Any other additional amount for any lawful purpose with majority Council vote and a declaration of extraordinary circumstance.

The *Capital Improvement Fund* accounts for funds from miscellaneous sources used for various capital improvement projects.

The *2010 Recovery Zone Economic Development Warrants Fund* account for funds used for various capital improvement projects.

City of Birmingham, Alabama
Notes to the Financial Statements
June 30, 2012

Public Improvement Fund accounts for construction of Public Improvements which are to be paid wholly or in part from assessments levied against the property benefited by the improvements.

The City reports its only proprietary fund as a *major* proprietary fund:

The *Emergency Management Communications District* accounts for the operation of the Enhanced Universal Emergency Number Service (E911).

The *Pension Trust Funds* account for the activities of the City's seven pension plans.

The accompanying financial statements reflect the elimination of interfund activity with the exception of the charges to the City's proprietary fund. These amounts are shown on the statement of net assets as *internal balances*.

The operating revenues of the proprietary fund include charges to customers for the operation of the 911 telephone service. Nonoperating revenues include investment earnings. The operating expenses of the proprietary fund are those expenses incurred in the normal operations of providing the 911 services, as well as depreciation of the capital assets.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments – Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City. State statutes authorize the City to invest in U. S. government obligations, U. S. government agency obligations, U.S. corporate stock, U.S. debt, State of Alabama obligations, county obligations, and other municipal obligations. The City invests its funds in accordance with State law

All investments, including those of the City's component units, are reported at fair value, market value, or best available estimates. Short-term investments are reported at cost which approximates market value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. All investments have established markets to determine their fair value.

2. Receivables and Payables – The City shows "due to/from other funds" at the end of the fiscal year to show any current outstanding balances from lending/borrowing arrangements between funds.

The City shows receivables at June 30, 2012 consist of the following:

		Governmental Activities		Business - Type Activities		Total Primary Government
Taxes Receivable	\$	30,223,772	\$	-	\$	30,223,772
Customers and Other		16,557,012		341,508		16,898,520

City of Birmingham, Alabama
Notes to the Financial Statements
June 30, 2012

Other Governments	7,215,416	-	7,215,416
Gross Receivable	53,996,200	341,508	54,337,708
Less: allowance for uncollectible	(5,632,583)	-	(5,632,583)
Net Receivable	\$ 48,363,617	\$ 341,508	\$ 48,705,125

Taxes Receivable – All property taxes levied by the State of Alabama, the City, Jefferson and Shelby Counties, are assessed by the Jefferson and Shelby Counties Tax assessors and collected by their tax collectors. The property tax calendars specify the following actions and dates:

Levy (assessment date)	September 30
Lien date	September 30
Due date	October 1
Collection dates	October 1 to December 31
Delinquent date	January 1

The City of Birmingham receives a 4% sales tax for the sale of tangible goods within the City limits and a 1% occupational tax on wages of persons employed within the City limits. Tax collections are remitted to the City on a monthly basis. All amounts remitted within the bill paying period are included in revenue; taxes collected within the fiscal year but remitted to the City after year-end are accrued in both the government-wide and fund financial statements.

3. Inventories and Prepaid Items – Inventories are valued on the average cost basis. Inventory consists of expendable supplies held in the General Fund for consumption. The cost is recorded as an expenditure at the time individual items are used (consumption method). Payments made to vendors for services that will benefit periods beyond June 30, 2012, are recorded as prepaid items.
4. Restricted assets – Certain assets of the Birmingham Airport Authority (component unit) are restricted by the terms of federal grants and programs. These particular funds are restricted for designated capital projects and any debt incurred to finance the construction of those projects.
5. Capital assets – Capital assets include property, buildings, furniture and other equipment, and infrastructure. Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital outlays are recorded as expenditures of the governmental funds. Capital assets, other than infrastructure, are defined by the City as items with an estimated useful life of three years or more and an individual cost in excess of \$5,000. Capital assets are recorded at cost where historical cost is available or at estimated historical cost if actual cost is not available. Donated capital assets are recorded at their estimated fair value at time of donation. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend useful lives are expensed. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

City of Birmingham, Alabama
Notes to the Financial Statements
June 30, 2012

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings, capital facilities and improvements	50
Furniture and equipment	3 – 20
Infrastructure	25 – 50

The City recognizes the intrinsic value of historical works and collections. As such, the City has adopted a policy that these items will not be considered capital items and subject to depreciation. This policy covers the historical works and collections housed at the City's various museums. Should the sale of any of these items occur, the City is committed to using the funds generated from the sale to purchasing other similar collectibles.

6. Compensated absences – City of Birmingham employees earn vacation leave at graduated rates based on the employee's length of service (one day per month of service, initially), and up to 40 days of unused leave may be carried over to the following year. Vacation pay is accrued when incurred in the government-wide financial statements. The City does not have a policy for vested sick pay, thus no liability for accumulated unpaid sick leave is accrued.
7. Long-term obligations – Long-term debt and other long-term obligations are reported in the government-wide financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premiums and discounts. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, any bond premiums and issuance costs have been recognized in the current period. The face amount of the new debt issued and the premiums received are reported as other financing sources; issuance costs are reported as debt service expenditures.

8. Equity classification – In the government-wide statements, equity is classified as net assets and displayed in three components: a. Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets; b. Restricted net assets – consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional or enabling legislation; c. Unrestricted net assets – all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent

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because they are either (a) not in spendable form-prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the City Council, the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes, or changes the commitment by taking the same action it employed to impose the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been committed for use in satisfying those contractual requirements.

Assigned fund balance – This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The City council and Finance Director have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources-committed, assigned, and unassigned-in order as needed.

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

The annual budget for the City of Birmingham's General Fund is adopted on a basis consistent with generally accepted accounting principles. Budgets for the Special Revenue and Capital Projects Funds are adopted on an individual project basis. Budgets are prepared for the Debt Service Funds based on general obligation bond resolutions.

On or before May 20, the Mayor submits to the City Council a proposed General Fund operating budget for the upcoming fiscal year commencing July 1. The proposed budget includes proposed

City of Birmingham, Alabama
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expenditures and the means of financing them. Subsequently, a public hearing is held to obtain taxpayer comments; and prior to July 1, the official budget is enacted through passage of an ordinance.

The City's budget is prepared by fund, function, and department. The individual departments are authorized by the Mayor to make transfers of appropriations within their departments; however, any revisions that alter the total expenditures of any fund or transfer between departments must be approved by City Council. The legal level of budgetary control is the department level. This year's General Fund budget was amended as needed throughout the year by City Council action provided that adequate funds were available at the time of the amendments.

Encumbrance accounting is used in governmental funds. All general fund purchase orders lapse at year end and are reestablished along with their appropriations as needed in the new fiscal year. All purchase orders in capital projects and special revenue funds do not lapse and appropriations are reappropriated in the next fiscal year.

B. Fund Deficits of Non-Major Funds

Deficits in net assets/fund balance of non-major funds at June 30, 2012 are as follows:

Special Revenue Fund

Grants Fund	\$1,446,482
Fair Trial	\$130,058

Deficits in the Grant Fund results from expenses incurred for projects that were not reimbursed at June 2012.

III. Detailed Notes on All Funds

A. Deposits and Investments

Deposits - At June 30, 2012, the carrying amount of the City's demand deposits, certificates of deposits, and money market investments in all funds was \$113,333,137 and the bank balance was \$129,659,240.

Financial institutions utilized as depositories by the City must provide evidence of its designation by the Alabama State Treasurer as a qualified public depository under the Security of Alabama Funds Enhancement Act (SAFE). From time to time, the City may request that the depository (QPD) hold collateral for all its public depositories on a pooled basis in a custody account established by the State Treasurer as SAFE administrator. In the unlikely event a public entity should suffer a deposit loss due to QPD insolvency or default; a claim form would be filed with the State Treasurer who would use the SAFE pool collateral or other means to reimburse the loss.

City of Birmingham, Alabama
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Investments - At June 30, 2012, the City of Birmingham had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Avg. Maturity (years)</u>
U.S. Govt. agency obligations	\$ 183,694,009	6.56
U.S. Treasuries	137,168,665	5.14
U.S. Corporate debt	226,859,827	7.07
U.S. Corporate stock	542,471,718	-
Total fair value	<u>\$ 1,090,194,219</u>	
Portfolio weighted avg. maturity		6.42

Retirement & Relief System

The City's investment policy for its Retirement and Relief System does limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investments Highly Sensitive to Interest Rate Changes

The City also invests in mortgage-backed securities, representing U.S. government agency obligations with a fair value of \$20,314,630. Mortgage-backed securities are based on cash flows from the collection of mortgages. Prepayments arise when, for example, mortgage holders redeem their mortgages early. The investor's investment is returned early, or in extreme cases not returned at all. Mortgage-backed securities may be considered to be investments with terms that may cause their fair values to be highly sensitive to interest rate changes.

Credit Risk: The City's Retirement & Relief System's investment policy limits investments in all bonds to securities having a Standard & Poors rating of AAA, AA, A, or BBB, or a Moody's rating of Aaa, Aa, A, or Baa. The City's investments included the following bonds at June 30, 2012:

<u>Description</u>	<u>Rating</u>		<u>Fair Value</u>
U.S. Govt Agency Discount Notes, Bonds	AAA	\$ 169,588	
	AA	177,241,160	
	A	<u>6,283,260</u>	
			183,694,009
U.S. Corporate Bonds:	AAA	\$ 28,126,439	
	AA	28,595,401	
	A	114,171,943	
	BBB	<u>72,060,974</u>	

City of Birmingham, Alabama
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242,954,757
\$ 426,648,766

The City, at this time, does not have a formal credit risk policy for its internally managed funds.

Securities Lending Transactions – Under the provisions of State statutes, the City lends securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. One of the City's custodial banks manages the securities lending program and received both cash and domestic bonds as collateral. The collateral securities cannot be pledged nor sold by the City unless the borrower defaults. Collateral securities are initially pledged at 102% of the market value of the securities lent and this collateral is adjusted weekly to maintain the 102% level. The City's Pension Plans authorize the lending of domestic bonds and equity securities. The cash collateral is invested in commingled short-term fixed income accounts. The City, as a program participant, assumes the risk that (a) the overnight investment will not equal or exceed the rebate rate, (b) a loss of principal in the overnight investment, and (c) the collateral will not be sufficient if called upon to repurchase the lost security. The market value of collateral held and the market value (USD) of securities on loan for the client as of June 30, 2012 was \$193,485,524 and \$193,400,613, respectively. The City has incurred no loss through its participation in the securities lending program.

B. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows (in thousands):

	<u>June 30,</u> <u>2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30,</u> <u>2011</u>
Governmental activities:				
Capital assets, nondepreciable:				
Land	\$ 139,263	\$ 89,800	\$ 706,364	\$ 138,646
Construction in progress	65,191	16,501	10,348	71,254
Land, infrastructure projects	<u>16,647</u>	<u>-</u>	<u>-</u>	<u>16,647</u>
Total nondepreciable capital assets	221,101	16,591	11,145	226,547
Capital assets, depreciable:				
Buildings and capital facilities	184,052	2,055	179	185,927
Furniture and other equipment	149,995	3,899	1,505	152,388
Infrastructure	<u>189,677</u>	<u>7,780</u>	<u>-</u>	<u>197,457</u>
Total depreciable capital assets	523,724	13,734	1,684	535,772

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Less accumulated depreciation:				
Buildings and capital facilities	100,274	3,991	153	104,112
Furniture and other equipment	108,313	6,927	1,389	113,851
Infrastructure	<u>126,190</u>	<u>6,824</u>	<u>-</u>	<u>133,014</u>
Total accumulated depreciation	<u>334,777</u>	<u>17,742</u>	<u>1,542</u>	<u>350,977</u>
Net depreciable capital assets	<u>188,947</u>	<u>(4,009)</u>	<u>143</u>	<u>184,795</u>
Governmental activities,				
net capital assets	\$ <u>410,048</u>	\$ <u>12,582</u>	\$ <u>11,287</u>	\$ <u>411,343</u>
Business-type activities:				
Buildings and other capital facilities	\$ 1,025	\$ -	\$ -	\$ 1,025
Furniture and other equipment	<u>2,233</u>	<u>-</u>	<u>-</u>	<u>2,233</u>
Total capital assets	<u>3,258</u>	<u>-</u>	<u>-</u>	<u>3,258</u>
Less accumulated depreciation:				
Buildings and other capital facilities	420	20		440
Furniture and other equipment	<u>2,038</u>	<u>34</u>	<u>-</u>	<u>2,072</u>
Total accumulated depreciation	<u>2,458</u>	<u>54</u>	<u>-</u>	<u>2,512</u>
Business-type activities,				
net capital assets	\$ <u>799</u>	\$ <u>(54)</u>	\$ <u>-</u>	\$ <u>744</u>

Depreciation expense was charged to the following functions (in thousands):

Governmental activities:	
Public safety, including depreciation of infrastructure assets	\$ 11,201
Streets and sanitation	2,467
Cultural and recreation	2,982
General government	<u>1,091</u>
Total depreciation - governmental activities	\$ <u>17,742</u>

Business-type activities:

E-911 operations	<u>\$ 55</u>
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City of Birmingham, Alabama
Notes to the Financial Statements
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Prior Period Adjustment

An adjustment has been made to the beginning balance of construction in progress to capitalize previously expensed capital outlay charges in the amount of 9.8 million.

C. Interfund Transfers

During the course of normal operations, the City incurs numerous transactions between funds to provide services, construct assets, service debt, etc. Their transactions are generally reported as interfund transfers. No expectation of repayment between funds is expected related to these interfund transfers. The composition of interfund transfer balances at June 30, 2012, is as follows (in thousands):

Transfers Out	General Fund	Debt Service	Capital Projects	Non-Major Funds	Totals
General Fund	\$ -	\$ -	\$ 5,456	\$ 213	\$ 5,669
Debt Reserve	-	38,314	-	-	38,314
Non-Major Funds	1	-	4	-	5
	<u>\$ 1</u>	<u>\$ 38,314</u>	<u>\$ 5,460</u>	<u>\$ 213</u>	<u>\$ 43,988</u>

D. Long-term Debt

General obligation bonds

The City issues general obligation bonds to provide funds for the acquisition and/or construction of capital assets. The original amounts of general obligation bonds issued were \$388,770,000. The bonds are direct obligations of the City, and the full faith and credit of the City is pledged against the bonds. The bonds outstanding at June 30, 2012, are as follows (in thousands):

<u>Bond Series/Interest Rate</u>	<u>Maturity</u>	
2002-B; 2.25%-5.25%	12/01/2015	2,125
2005-A; 3.75%-5.75%	11/01/2023	25,545
2006-A; 4.00%-5.00%	04/01/2024	70,540
2006-B; 4.00%-5.00%	10/01/2015	40,790
2007-A; 4.00%-5.00%	12/01/2032	112,935
2011; 1.80%	04/01/2013	4,235
Total		\$ 256,170

City of Birmingham, Alabama
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Annual debt service requirements to maturity for general obligation bonds are as follows (in thousands):

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 22,225	\$ 11,870
2014	20,225	10,863
2015	21,230	9,823
2016	20,065	8,843
2017	13,275	8,005
2018-2022	53,110	29,959
2023-2027	38,280	20,008
2028-2032	55,040	9,296
2032-2033	12,720	286
Total	\$ 256,170	\$ 108,953

General obligation warrants and revenue warrants

The City issues general obligation warrants for the same purposes as general obligation bonds. The warrants are also direct obligations of the City for which it pledges its full faith and credit. Under state statute, general obligation warrants can be issued without an election and must be issued for a period of maturity of not longer than thirty years. Revenue warrants are tax increment financing district warrants in which ad valorem taxes are collected to fund the debt service. The original amounts of warrants issued were \$259,535,000. The warrants outstanding at June 30, 2012, are as follows (in thousands):

<u>Bond Series/Interest Rate</u>	<u>Maturity</u>	
2003-A; 5.25%	06/01/2014	3,710
2003-B; 1.2%-5%	07/01/2014	5,460
2004-B; 2.3%-4%	04/01/2020	5,255
2006-C; 4%-5%	04/01/2033	24,740
2007-B; 4%-5%	03/01/2030	22,960
2009-A; 3%-4.5%	06/01/2026	16,090
2010-A; 2%-4.5%	02/01/2018	51,925
2010-B; 4.2%-7%	02/01/2040	39,115
2010-RB (One month Libor plus 2.5%)	08/01/2013	5,400
2010-CTB (One month Libor plus 2.95%)	08/01/2013	900
Total		\$ 175,555

Revenue Warrants:

2009-A Tax Increment Financing	\$ 7,000
2009-B Tax Increment Financing	13,470
Total	\$ 20,470

City of Birmingham, Alabama
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Annual debt service requirements to maturity for the City's general obligation warrants and revenue warrants are as follows (in thousands):

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 15,240	\$ 8,022
2014	16,455	7,495
2015	12,905	6,810
2016	13,485	6,245
2017	15,015	5,661
2018-2022	52,145	20,201
2023-2027	28,075	12,283
2028-2032	22,945	6,596
2033-2037	12,500	2,686
2038-2040	7,260	566
Total	\$ 196,025	\$ 75,565

Total outstanding bonds and warrants payable (in thousands):

Bonds payable	\$ 256,170
Warrants payable	175,555
Revenue warrants	20,470
	<u>452,195</u>
Less current maturities	(37,865)
Unamortized premium and discount	<u>15,972</u>
Total bonds and warrants payable(noncurrent)	\$ <u>430,302</u>

Changes in long-term liabilities (in thousands):

	<u>Balance July 1, 2011</u>	<u>Addition</u>	<u>Reduction</u>	<u>Balance June 30, 2012</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds and warrants payable (net of premium and discounts)	\$ 501,900	\$ 8,400	\$ 42,132	\$ 468,168	\$ 37,865
Worker's compensation claims	14,265	-	6	14,259	-
Compensated absences	14,275	266	-	14,541	977
Closure and postclosure costs	7,946	5,229	-	13,175	-
OPEB liability	23,471	2,422	-	25,893	-
Total	\$ <u>561,857</u>	\$ <u>16,317</u>	\$ <u>42,138</u>	\$ <u>536,036</u>	\$ <u>38,842</u>

The City's general fund is typically used to liquidate long-term liabilities with the exception of bond debt service which is paid from the City's Bond Debt Reserve Fund.

On October 28, 2011, the City issued \$8,400,000 in General Obligation Refunding Bonds, Series 2011 (the Series 2011 Bonds). The Series 2011 Bonds were issued for the purposes of currently

City of Birmingham, Alabama
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refunding the City's outstanding Series 2002A General Obligation Refunding Bonds due in 2012 and 2013 in the amount of \$8,205,000. The refunding resulted in net present value of interest cost savings over the same term of approximately \$113,000.

The Series 2011 Bonds mature on April 1, 2013 and require the City to pay principal in the amount of \$4,165,000 on April 1, 2012 and interest on April 1, 2012 and October 1, 2012. On April 1, 2013, the unpaid balance of the Series 2011 Bonds, plus accrued interest will be come due. Interest on the Series 2011 Bonds accrues and is paid at the rate of 1.8%. The bonds were privately placed with a bank.

E. Risk Management

The City of Birmingham is exposed to various risks of loss related to torts, theft, errors and omissions, job-related illnesses and injuries, and natural disasters. Risk management is the process of managing the City's activities to minimize the adverse effects of certain types of losses and to obtain resources to provide for or restore the economic damages of those losses. The City finances its risk through self-insurance (risk retention) and through the purchase of insurance with a commercial insurance carrier (risk transfer).

In fiscal year 2008, the Alabama Supreme Court failed to overrule a lower appellate court's opinion that the City of Birmingham was not exempt from the State of Alabama's worker compensation rules. The City's current legal position is based on a determination that the Alabama Supreme Court addressed a portion of the appellate issues and did not address directly the issue of whether the City's special exemption applied. The City has preserved the issue in appropriate cases now pending at the trial court level. At this time, none of these cases have reached the point of appeal. The City is self-insured for its Workers' Compensation liability. The city currently has in force an excess workers compensation insurance policy, whereby the City retains the first \$1,000,000 of liability per claim and has a \$2,000,000 corridor deductible. The City had a professional actuary estimate its' liability at June 30, 2012. This amount was calculated to be \$14,258,941 and has been accrued on the government-wide financial statements. The changes to the liability for workers compensation claims are shown below:

<u>June 30</u>	<u>Beginning Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
2012	14,265	(6)	-	14,258
2011	11,947	2,318	-	14,265
2010	2,836	9,111	-	11,947
2009	2,836	-	-	2,836
2008	7,200	(4,364)	-	2,836

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The City is a defendant in numerous suits and has been notified of numerous claims against it arising from alleged defective sidewalks and streets, alleged negligence relating to motor vehicles and other matters relating to the normal operation of a municipality such as employment and contract disputes, as well as suits and claims arising from the alleged denial of civil rights. Section 11-93-1 et seq. of the Code of Alabama 1975, as amended, places a limit of \$100,000 with respect to the City's liability for any bodily injury or death resulting from a negligent or wrongful act of one of the City's agents, officers, or employees. That provision further places a limit of \$300,000 with respect to the City's liability, in the aggregate, where more than two persons have claims or judgments on account of personal injuries and deaths arising from a single occurrence. The Supreme Court of Alabama has upheld the constitutionality of this statute. The City is self-insured, any liability resulting from a suit or claim is covered by funds of the City which are available to discharge such liability without impairing the City's ability to perform any of its other obligations. The City covers all legal claims out of its General Fund resources. Claims and liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. At June 30, 2012, the amount of these liabilities totaled \$7,662,000.00 and is considered a current liability. The liability is the City's best estimate based on available information.

Changes in the General Fund's claims liability amount in the last five fiscal years are as follows (in thousands):

<u>June 30</u>	<u>Beginning Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
2012	1,589	7,901	1,828	7,662
2011	1,696	953	1,060	1,589
2010	1,948	613	865	1,696
2009	3,087	449	1,588	1,948
2008	3,235	944	1,092	3,087

F. Commitments and Contingencies

Birmingham Zoo Obligations – The City is obligated to make a contribution of \$1,500,000 each year for a period of ten years, commencing in the fiscal year ended June 30, 2010, and thereafter the contribution of \$500,000 in each year for a period of fifteen years, to the Birmingham Zoo to pay the costs of operation and capital projects, including certain new exhibits.

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Honda Plant Obligation - The City participates in the East Central Alabama Industrial Development Authority (the "East Central Alabama Authority"), a public corporation created pursuant to Chapter 92A, Title 11 (Section 11-92A-1, et seq.) of the Code of Alabama of 1975, as amended. The East Central Alabama Authority has issued bonds in the amount of \$15,475,000 to provide financing for a portion of the costs of (i) making certain improvements with respect to a parcel of land located in Talladega County, Alabama upon which American Honda Motor Company, Inc. (or an affiliate thereof) has constructed an automobile assembly plant and (ii) acquiring, constructing and/or installing a facility to teach skills relating to the automobile manufacturing industry. The City, along with nine other cities and four counties, has entered into a funding agreement with the East Central Alabama Authority and First Commercial Bank, as trustee, whereby the City agrees to make annual payments on February 1 in each of the years 2001 through 2015, in an annual average amount of approximately \$195,000, to pay principal and interest on the outstanding principal amount of \$975,000. The obligation of the City to make these payments constitutes a general obligation of the City for which the full faith, credit and taxing power of the City is pledged.

Tax Increment Financing Warrants

On November 6, 2009, the City issued its Tax Increment Financing District No. I Revenue Warrant No. 1, dated November 6, 2009, in aggregate principal amount of \$14,000,000 and its Tax Increment Financing District No. I Revenue Warrant No. 2, dated November 6, 2009, in aggregate principal amount of \$7,000,000 (collectively, the "TIF Warrants"). The TIF Warrants were issued to refund certain prior tax increment secured obligations and to fund certain capital improvements in the TIF. The TIF Warrants bear interest at fixed interest rates and are subject to monthly amortization beginning in December 2010, in the case of Warrant No.1 and November 2012, in the case of Warrant No.2, in stated principal amounts, and mature on November 1, 2020.

The TIF Warrants are limited obligations of the City payable solely from and secured by a pledge of that amount of the revenue produced in each year from the levy of certain local ad valorem taxes by the City and Jefferson County in the Tax Increment District (generally the downtown city center) which is in excess of the amount of such revenue produced from the levy of such taxes in such District in the year in which such District was established (1998), less commissions required by law to be paid to the Tax Assessor and Tax Collector of Jefferson County.

The TIF Warrants are additionally secured by (1) the obligations of the City pursuant to separate Annual Appropriation Agreements, dated November 6, 2009 between the City and the trustee for the TIF Warrants, for each series of the TIF Warrants that obligate the City to appropriate funds in each fiscal year of the City for the payment of the principal of and interest on the TIF Warrants in such fiscal year in an amount necessary to pay such principal of and interest on the TIF Warrants in such fiscal year and certain expenses related thereto; provided, such obligations are year-to-year obligations of the City and may be terminated unilaterally, without penalty, by the City at the end of any fiscal year of the City after satisfaction by the City of its obligations under such Annual Appropriation Agreements for such fiscal year.

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Civic Center Authority Obligations

The Birmingham-Jefferson Civic Center Authority (the "Civic Center Authority") has heretofore issued its Special Tax Refunding Bonds, Series 2002-A, and its Special Tax Refunding Bonds, Series 2003-A (Taxable) (collectively, the "Civic Center Authority Obligations"). In connection with the issuance of the bonds of the Civic Center Authority in 1989, the City and the Civic Center Authority entered into a Pledge and Appropriation Agreement in which the City agreed to make annual payments (solely out of the proceeds of its occupational license tax) of \$3,000,000 through the fiscal year ending June 30, 2011 and \$1,500,000 in the fiscal year ending June 30, 2012, to provide a source of payment for the Civic Center Authority bonds issued in 1989. The bonds issued in 1989 have since been refunded by a portion of the Civic Center Authority Obligations. The City's Pledge and Appropriation Agreement has been fulfilled. The final payment was made in December, 2011 in the amount of \$1,500,000.00.

Public Athletic, Cultural and Entertainment Board of the City of Birmingham 2011 Funding Agreement

The City increased its Lodgings Tax by 3.5%, effective January 15, 2011. The proceeds of the tax increase are to be used to construct a minor league baseball stadium, to be the home of the Birmingham Barons minor league baseball team, and a Negro League baseball museum in the downtown area of the City. On December 15, 2011, the City entered into a Funding Agreement with the Public Athletic, Cultural and Entertainment Facilities Board of the City of Birmingham (the "Board"). The Funding Agreement pledged the increased Lodgings Tax portion (3.5%) and certain revenue from the operations of the baseball stadium to pay debt service on the Board's Series 2011A and Series 2011B Bonds, issued to provide financing for the construction. The Bonds were issued in the amount of \$64 million, with annual debt service payments of approximately \$3,665,000, including interest at rates ranging from 3.09% to 4.87%. The Funding Agreement is a general obligation of the City and has a term equal to the term of the Board's Series 2011A and Series 2011B Bonds, which mature on October 1, 2041, subject to mandatory tender on December 14, 2026.

Economic Development Incentive Obligations

The City has entered into agreements in recent years with other entities for economic development purposes. Pursuant to these agreements, the City will make payments over stated periods of years for the development of various projects and facilities that the City believes will promote the tax and revenue base of the City and increase employment opportunities in the City. The City's economic development office generally expects, based upon the information provided to it and upon certain assumptions, that these agreements will result in greater tax revenues for the City than the City is obligated to pay under such agreement, and in certain cases, the City's obligations are capped at an amount not to exceed the tax revenues it actually receives.

The aggregate outstanding obligation of the City under these other agreements is approximately \$27,120,000. These obligations are limited obligations of the City payable generally as rebates of taxes received by the City from the private entity.

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Commercial Development Authority of the City of Birmingham 2011 Funding Agreement

The Bonds supported by this Funding Agreement were issued by The Commercial Development Authority of the City of Birmingham, a public corporation of the City, to finance a four-star convention hotel of approximately 300 guest rooms and related meeting rooms, restaurant and exercise facilities, approximately 60,000 square feet of storefront space for lease to food service and entertainment facilities, and related streets and public infrastructure, all adjacent to the civic center complex, in the downtown area of the City, for use by the Birmingham – Jefferson Civic Center Authority (the “Civic Center Authority”). The Civic Center Authority, a public corporation, shall own and operate the facilities financed by such bonds. The Mayor of the City is a member of the board of directors of the Civic Center Authority. The City has pledged as a source of payment and security for its obligations under this Funding Agreement the following amounts received in each fiscal year: (i) \$3,000,000 of the Occupational Tax and (ii) 2/3rds of the proceeds of the Lodgings Tax levied at the rate of 3.00%. This Funding Agreement is a full faith and credit general obligation of the City. The agreement calls for annual payments through fiscal year 2041 of approximately \$4,995,000.

G. Closure and Post Closure Cost

State and federal laws and regulations require the City to place a final cover on its landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. Although closure and postclosure costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of the estimated closure and postclosure cost liability as a long-term liability. The liability is increased or decreased each period based on landfill capacity used as of each balance sheet date.

The approximate \$13,175 million reported as closure and postclosure cost liability at June 30, 2012, represents the cumulative amount reported to date based on the use of approximately 95 percent of the estimated capacity of the landfill. These amounts are based on what it would cost to perform all closure and postclosure care in 2012. Actual costs may be higher due to inflation, deflation, changes in technology, and/or changes in laws or regulations. Officials estimate the landfills’ remaining lives to be approximately three years.

H. Pension Funds

The City of Birmingham maintains seven single-employer defined benefit pension plans covering substantially all employees. These plans consist of the Retirement and Relief System, Firemen’s and Policemen’s Supplemental Pension System, Firemen’s Pension and Relief System, Policemen’s Pension and Relief System, Limited Firemen’s Retirement and Relief, Limited Policemen’s Retirement and Relief, and the Unclassified Employees Pension and Relief System. Each of the seven plans was established by state law and is administered by a separate board of managers.

City of Birmingham, Alabama
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Plan descriptions

The funding methods and determination of benefits payable were established by the legislative acts creating such plans and provide that the pension plan funds are to be accumulated from employee contributions, employer contributions, and income from the investment of accumulated funds. The cost of administering the plans is funded by the City. The City acts as the trustee for six of these plans. Separate financial statements are presented in this report for the pension funds.

Summary of significant accounting policies

The activities and the financial statements of the pension plans are accounted for on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Each pension plans' cash assets are invested in equity and fixed-income securities. All plan assets are reported at fair value. Investments traded in publicly traded markets are valued at the last reported sales price on the government's balance sheet date. Actuarial valuations are performed annually, and the latest are all dated July 1, 2011. The plans do not issue stand-alone financial reports, and all required disclosures are included in this report. Estimates have been prepared through June 30, 2012 for the City of Birmingham Retirement and Relief System and the Fireman and Police Supplemental Pension Plan.

Plan descriptions and disclosures as of the last actuarial study of July 1, 2011 for each pension plan follow.

City of Birmingham Retirement and Relief System – This system covers all civil service employees, elected officials, and appointed employees. Membership is mandatory for covered employees and is effective upon employment. Appointed and elected employees have the option of participating in this plan or in an alternative retirement plan. The City and employees each contribute one-half of the required contribution payable as a percent of compensation for the year, exclusive of overtime and subject to statutory limits. The plan is funded by contributions from employees, the City, and income from the investment of accumulated funds.

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contributions	Actual Contributions	Percentage Contributed
2002	8,580,579	10,537,461	122.8%
2003	9,756,787	10,697,621	109.6%
2004	11,290,871	11,347,715	100.5%
2005	12,875,198	10,881,632	84.5%
2006	13,742,543	11,398,732	82.9%
2007	14,173,353	12,006,508	84.7%
2008	14,818,900	12,061,584	81.4%
2009	17,050,689	12,770,110	74.9%
2010	21,118,910	13,224,808	62.6%
2011	18,147,791	13,772,490	75.9%

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Supplementary Information for Retirement & Relief System

Actuarial Valuation:

Frequency	Annual
Latest Date	7/1/2011
Basis for Contributions	7/1/2011
Cost Method	Entry Age Normal

Amortization:

Method	Level Dollar
Open/Closed	Open/Rolling 30 years
Equivalent Single Period Remaining	30
Asset Valuation Method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period, further adjusted, if necessary, to be within 20% of the market value.

Assumptions:

Investment Earnings	7.00
Salary Increase:	
Inflation	3.0%
Merit, Longevity, etc.	Varies from .00% to 6.5%
Administrative Expense	Changes from \$250,000 to \$270,000

Plan Membership:

Retired participants and beneficiaries receiving benefits	2,803
Terminated participants entitled to, but not yet receiving benefits	246
Active participants	<u>3,807</u>
Total membership	<u>6,856</u>

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Liability (AAL)- Entry Age	Unfunded (Overfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2002	778,605,246	758,085,228	(20,520,018)	102.71%	151,180,057	0.00%
7/1/2003	785,646,456	796,083,861	10,437,405	98.69%	152,242,441	6.86%
7/1/2004	801,612,266	838,485,603	36,873,337	95.60%	158,062,119	23.33%
7/1/2005	819,166,736	875,792,038	56,625,302	93.53%	158,898,488	35.64%
7/1/2006	898,671,013	946,584,547	47,913,534	94.94%	162,849,137	29.42%
7/1/2007	935,821,094	992,864,448	57,043,354	94.25%	167,807,596	33.99%

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7/1/2008	953,079,670	1,050,785,799	97,706,129	90.70%	174,113,556	56.12%
7/1/2009	910,769,192	1,083,256,135	172,486,943	84.08%	186,523,480	92.47%
7/1/2010	913,077,824	1,113,441,433	200,363,609	82.01%	193,229,880	103.69%
7/1/2011	892,096,375	1,158,070,396	265,974,021	77.03%	177,977,161	149.44%

Retirement and Relief System
Development of the Net Pension Obligation and the Annual Pension Cost

Fiscal Year Ended June 30,	Employer Annual Required Contribution	Employer Amount Contributed	Interest on NPO @ 7%	ARC Adjustment	Amortization Factor	Pension Cost	Change in NPO	NPO Balance
2002	8,580,579	10,537,461	(1,236,872)	(1,923,3860	8.5743	9,267,093	(1,270,368)	(17,761,997)
2003	9,756,787	10,697,621	(1,332,150)	(2,022,300)	8.7831	10,446,937	(250,684)	(18,012,681)
2005	12,875,198	10,881,632	(1,299,835)	(2,035,605)	8.514	13,610,968	2,729,336	(14,601,802)
2006	13,742,543	11,398,732	(1,095,135)	(1,150,095)	12.6962	13,797,503	2,398,771	(12,203,031)
2007	14,173,353	12,006,508	(915,227)	(919,064)	13.2777	14,177,190	2,170,682	(10,032,349)
2008	14,818,900	12,061,584	(702,264)	(755,580)	13.2777	14,872,216	2,810,632	(7,221,717)
2009	17,050,689	12,770,110	(505,520)	(543,899)	13.2777	17,089,068	4,318,958	(2,902,759)
2010	21,118,910	13,224,808	(203,193)	(218,620)	13.2777	21,134,337	7,909,529	5,006,770
2011	18,147,791	13,772,490	350,474	274,789	18.2204	18,223,476	4,450,896	9,457,756

Fiscal Year Ending	Cost (APC)	Contributed	Net Pension Obligation (Asset)
06/30/09	17,089	75%	\$(2,903)
06/30/10	21,134	63%	5,007
06/30/11	18,223	76%	9,458

City of Birmingham Firemen's and Policemen's Supplemental Pension System- This system covers sworn firemen and policemen and provides retirement benefits for twenty or twenty-five years of service. Membership is mandatory for such personnel and is effective upon employment. Employees hired prior to May 2, 1978, contribute 3.3% of payroll, exclusive of overtime; those hired on or subsequent to May 2, 1978, contribute 5.22% and the City matches these amounts. The plan is funded by contributions from employees, the City, and income from the investment of accumulated funds.

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contributions	Actual Contributions	Percentage Contributed
2002	2,756,102	2,936,000	106.5%
2003	2,722,342	3,039,000	111.6%
2004	2,570,134	3,260,000	126.8%
2005	2,647,128	3,244,000	122.5%
2006	2,630,520	3,463,000	131.6%
2007	2,888,088	3,599,000	124.6%

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2008	3,072,635	3,405,000	110.8%
2009	4,381,216	4,127,000	94.2%
2010	5,043,635	3,945,000	78.2%
2011	4,912,926	3,988,000	81.2%

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)- Entry Age	Unfunded (Overfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2002	\$ 29,149,739	\$52,276,639	\$ 23,126,630	55.76%	\$ 62,814,588	36.82%
7/1/2003	31,645,591	53,770,787	22,125,196	58.85%	61,434,690	36.01%
7/1/2004	33,867,873	56,331,392	22,463,519	60.12%	64,549,815	34.80%
7/1/2005	36,527,498	57,546,099	21,018,601	63.48%	65,474,617	32.10%
7/1/2006	38,069,000	62,588,559	24,519,559	60.82%	67,050,579	36.57%
7/1/2007	40,990,266	68,629,929	27,639,663	59.73%	67,702,728	40.83%
7/1/2008	42,802,299	90,449,029	47,646,730	47.32%	71,066,835	67.04%
7/1/2009	44,956,837	101,215,788	56,258,951	44.42%	78,881,652	71.32%
7/1/2010	46,373,242	107,747,064	61,373,822	43.04%	83,274,992	73.70%
7/1/2011	47,775,761	109,761,716	61,985,955	43.53%	79,533,564	77.94%

Supplementary Information for Firemen's & Policemen's Supplemental Pension Plan

Actuarial Valuation:

Frequency	Annual
Latest Date	7/1/2011
Basis for Contributions	7/1/2011
Cost Method	Entry Age Normal

Amortization:

Method	Level Percent of Payroll
Open/Closed	Open/Rolling 30 years
Equivalent Single Period Remaining	30
Asset Valuation Method	

Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period, further adjusted, if necessary, to be within 20% of the market value.

Assumptions:

Investment Earnings	7.00
Salary Increase:	
Inflation	3.0%

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Merit, Longevity, etc.

Varies from .50% to 6.50%

Plan Membership:

Retired participants and beneficiaries
receiving benefits
Active participants
Total membership

315
1,474
1,789

Firemen's and Policemen's Supplemental Pension Plan
Development of the Net Pension Obligation and the Annual Pension Cost

Fiscal Year Ended June 30	Employer Annual Required Contribution	Employer Amount Contributed	Interest on NPO @ 7%	ARC Adjustment	Amortization Factor	Pension Cost	Change in NPO	NPO Balance
2002	\$ 2,756,102	\$ 2,936,000	\$ -	\$ -	9.3741	\$ 2,756,102	\$(179,898)	\$(179,898)
2003	2,722,342	3,039,000	(13,492)	(18,109)	9.9343	2,726,959	(312,041)	(491,939)
2004	2,570,134	3,260,000	(36,895)	(50,584)	9.7252	2,583,823	(676,177)	(1,168,116)
2005	2,647,128	3,244,000	(87,609)	(120,538)	9.6908	2,680,057	(563,943)	(1,732,059)
2006	2,630,520	3,463,000	(129,904)	(136,424)	12.6962	2,637,040	(825,960)	(2,558,020)
2007	2,888,088	3,599,000	(179,061)	(192,656)	13.2777	2,901,683	(697,317)	(3,255,337)
2008	3,072,635	3,405,000	(227,874)	(245,174)	13.2777	3,089,935	(315,065)	(3,570,402)
2009	4,381,216	4,127,000	(249,928)	(268,903)	13.2777	4,400,191	273,191	(3,297,211)
2010	5,043,635	3,945,000	(230,805)	(248,327)	13.2777	5,061,157	1,116,157	(2,181,054)
2011	4,912,926	3,988,000	(152,674)	(119,704)	18.2204	4,879,956	891,956	(1,289,098)

Annual Pension Percentage of APC

Fiscal Year Ending	Cost (APC)	Contributed	Net Pension Obligation (Asset)
06/30/09	4,400	94%	(3,297)
06/30/10	5,061	78%	(2,181)
06/30/11	4,879	81%	(1,289)

City of Birmingham Unclassified Employees Pension and Relief System – This system covers laborers not hired under civil service. Employees contribute \$10.00 bi-weekly. The City is required by City ordinance to contribute a sum, computed as a percentage of payroll, to fund the

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annual cost of the unfunded liability over thirty years. The membership of this plan is closed and is funded by City contributions approximately equal to current benefit payments.

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)- Actuarial Entry Age	Unfunded (Overfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2007	\$ 1,864,000	\$ 1,265,192	\$ (598,808)	147.33%	N/A	N/A
7/1/2008	1,591,000	1,136,772	(454,228)	139.96%	N/A	N/A
7/1/2009	1,128,000	1,083,359	(44,641)	104.12%	N/A	N/A
7/1/2010	1,134,000	934,841	(199,159)	121.30%	N/A	N/A
7/1/2011	1,079,000	834,784	(244,216)	129.25%	N/A	N/A

Information about funded status and funding progress is presented using the entry age normal actuarial cost method. This presentation is intended to serve as a surrogate for the funding progress of the plan.

Supplementary information for the Unclassified Employees Pension & Relief Fund

Actuarial Valuation:

Frequency	Annual
Latest Date	7/1/2011
Basis for Contributions	7/1/2011
Cost Method	Aggregate Cost Method
Asset Valuation Method	Market Value

Assumptions:

Investment Earnings	7.00
Salary Increase	N/A

Plan Membership:

Retired participants and beneficiaries receiving benefits	22
Active participants	<u>3</u>
Total membership	<u>25</u>

Policemen's Pension and Relief Fund – This system covers policemen employed prior to September 1939. There are 3 beneficiaries currently in the plan.

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Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contributions	Percentage Contributed
2002	\$ 66,425	100%
2003	57,585	100%
2004	51,617	100%
2005	42,714	100%
2006	31,054	100%
2007	23,488	100%
2008	18,807	100%
2009	18,934	100%
2010	17,549	100%
2011	15,529	100%

Analysis of Funding Progress

This plan is frozen and has 3 participants receiving benefits. The City pays benefits as they become due.

Supplementary information for Policemen's Pension & Relief

Actuarial Valuation:

Frequency	Annual
Latest Date	7/1/2011
Basis for Contributions	7/1/2011
Cost Method	Funded Frozen Plan

Assumptions:

Investment Earnings	7%
Mortality Table	1994 Group Annuity Mortality Table

Limited Firemen's Retirement and Relief System – This system covers certain designated firemen formerly members of the Firemen's Pension and Relief Fund. Current membership includes 2 beneficiaries.

Schedule of Employer Contributions:

Year Ended June 30,	Annual Required Contributions	Percentage Contributed
2002	69,862	100%
2003	51,953	100%
2004	34,926	100%
2005	34,500	100%
2006	28,025	100%
2007	29,927	100%

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2008	29,650	100%
2009	26,460	100%
2010	20,918	100%
2011	17,425	100%

Analysis of Funding Progress

This plan is frozen with 2 participants receiving benefits. The City pays benefits as they come due.

Supplementary information for Limited Firemen's Pension & Relief

Actuarial Valuation:

Frequency	Annual
Latest Date	7/1/2011
Basis for Contributions	7/1/2011
Cost Method	Frozen Plan

Assumptions:

Investment Earnings	7%
Mortality Table	1994 Group Annuity Mortality Table

Limited Policemen's Retirement and Relief System – This system covers certain designated policemen formerly members of the Policemen's Pension and Relief Fund. Current membership includes 2 beneficiaries.

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contributions	Percentage Contributed
2002	81,903	100%
2003	64,832	100%
2004	61,913	100%
2005	48,701	100%
2006	29,323	100%
2007	19,841	100%
2008	19,454	100%
2009	15,867	100%
2010	14,301	100%
2011	14,948	100%

Analysis of Funding Progress

This plan is frozen with two participants receiving benefits. The City pays benefits as they come due.

Supplementary information for Limited Policemen's Retirement and Relief

Actuarial Valuation:

Frequency	Annual
Latest Date	7/1/2011

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Basis for Contributions	7/1/2011
Cost Method	Frozen Plan
Assumptions:	
Investment Earnings	7%
Mortality Table	1994 Group Annuity Mortality Table

City of Birmingham Retirement and Relief System Health Department Employees— This system covers certain employees of the Jefferson County Health Department who have not transferred to the Retirement Systems of Alabama. The plan is funded by contributions from employees, the Department, and income from the investment of accumulated funds.

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contributions	Actual Contributions	Percentage Contributed
2006	-	35,107	100%
2007	-	32,492	100%
2008	-	25,416	100%
2009	-	21,592	100%
2010	-	20,397	100%
2011	-	20,618	100%

Supplementary Information for Retirement & Relief System Health Department Employees

Actuarial Valuation:

Frequency	Annual
Latest Date	7/1/2011
Basis for Contributions	7/1/2011
Actuarial Cost Method	Aggregate Cost Method

Amortization:

Method	Level Dollar
Open/Closed	Open/Rolling 30 years
Equivalent Single Period Remaining	30
Asset Valuation Method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period, further adjusted, if necessary, to be within 20% of the market value.

Assumptions:

Investment Earnings	7.00
Salary Increase:	
Inflation	3.0%
Merit, Longevity, etc.	Varies from .00% to 1.84%

City of Birmingham, Alabama
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Plan Membership:

Retired participants and beneficiaries receiving benefits	34
Active participants	<u>16</u>
Total membership	<u>50</u>

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)- Entry Age	Unfunded (Overfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2007	\$14,650,709	\$9,952,490	\$(4,698,219)	147.21%	\$ 1,086,800	0.00%
7/1/2008	14,785,353	10,426,208	(4,359,145)	141.81%	975,021	0.00%
7/1/2009	14,016,807	10,874,279	(3,142,528)	128.90%	848,765	0.00%
7/1/2010	13,930,505	11,398,718	(2,531,787)	122.21%	855,816	0.00%
7/1/2011	13,796,682	11,314,924	(2,481,758)	121.93%	858,395	0.00%

Post-Retirement Benefits

In addition to the pension benefits described above, the City provides post-retirement health care benefits to retired employees who are eligible for pension benefits. The plan requires retirees to *reduce their life insurance coverage, which retirees are required to pay in its entirety, and in exchange, the City will subsidize a portion of the retiree's health insurance premiums.* The amount of the subsidy is based on the type of health insurance coverage chosen by retirees and the percentage of the retiree's life insurance reduction. The City's subsidy for each covered retired employee ranges from \$42 to \$121 per month, and total insurance premiums range from \$164 to \$829 per month for health insurance. Dental insurance ranges from \$13 to \$79. Expenditures for post-retirement health care insurance costs are made and recognized monthly in the City's financial statements.

The City's annual other postemployment benefit (OPEB) expense is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The actuarial cost method used in this valuation to determine the actuarial accrued liability and the ARC in the entry age normal, level dollar method. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities over a period not to exceed 30 years. The City has elected to amortize the unfunded actuarial accrued liability over 30 years using a level dollar, closed amortization period. The remaining amortization period at June 30, 2011 was 26 years. The discount rate used for the determination of the expense for fiscal year 2012 is 4.00%. Total employer contributions for fiscal year 2012 were approximately \$3.9 million net of participants' and pension plans' contributions. The following table shows the components of the City's annual OPEB cost for fiscal year 2012 and 2011, the amount actually contributed to the plan, and changes in the City's net OPEB obligation (in thousands):

	<u>2012</u>	<u>2011</u>
Annual required contribution	\$ 6,796	\$ 8,705

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Interest on net OPEB obligation	939	536
ARC adjustment	(1,412)	(350)
Annual OPEB Cost	6,323	9,802
Contributions Made	(3,900)	(3,800)
Increase in Net OPEB	2,423	5,282
Net OPEB Obligation, beginning of year	23,470	18,188
Net OPEB Obligation, end of year	\$ 25,893	\$ 23,470

The City's annual OPEB cost, the percentage of annual OPEB cost contribution to the plan, and the net OPEB obligation for fiscal year 2010, 2011 and 2012 are as follows (in thousands):

Fiscal Year Ended	Net OPEB Obligation Beginning of Year	Annual OPEB Cost	Employer Contributions	Net OPEB Obligation End of Year	Percentage Annual OPEB Cost Contributed
2010	13,421	8,467	3,700	18,188	43.70%
2011	18,188	9,082	3,800	23,470	41.84%
2012	23,470	6,322	3,900	25,893	61.70%

The funded status of the plan as of June 30, 2011 is as follows:

Actuarial Valuation Date	Actuarial Valuation of Assets (a)	Actuarial Accrued Liability (AAL)- (b)	Unfunded (Overfunded) AAL (UAAL) (b)- (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)]/(c)
6/30/2007	\$ -	\$ 97,801	\$ 97,801	0.00%	\$ 168,940	57.89%
6/30/2009	-	77,707	77,707	0.00%	187,456	41.45%
6/30/2011	-	64,475	64,475	0.00%	178,835	36.05%

The actuarial accrued liability of \$64,475 includes \$31,572 for active members and \$32,903 for retirees, beneficiaries, dependents, and terminated vested members. This table presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Valuations

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Estimates include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continue revision as actual results are compared with past expectations and new estimates are made about the future.

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the City and plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the efforts of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

At June 30, 2011 plan valuation date, membership was as follows:

Current retirees, beneficiaries and dependents receiving medical and prescription drug benefits or life insurance coverage	\$ 2,177
Current active members	3,826
Total plan members	\$ 6,003

Health care trend measures the anticipated overall rate at which health plan costs are expected to increase in future years. The rates shown below are “net” and are applied to the net per capita costs shown above. The trend shown for a particular plan year is the rate that must be applied to that year’s cost to yield the next year’s projected cost.

Year Ending June 30,	Rate (%)	
	Medical	Prescription Drug
2012	8.5%	10.0%
2013	8.0%	9.5%
2014	7.5%	9.0%
2015	7.0%	8.5%
2016	6.5%	8.0%
2017	6.0%	7.5%
2018	5.5%	7.0%
2019 & Later	5.0%	5.0%

I. Subsequent Events

Issuance of General Obligation Warrants

On July 26, 2012, the City issued \$5,400,000 of its General Obligation Warrants, Series 2012-RB and \$900,000 of its General Obligation Warrants, Series 2012-CTB. The proceeds were used to currently refund its \$5,400,000 Series 2010-RB Warrants and \$900,000 Series 2010-CT Warrants. The taxable 2012 Warrants are fixed rate warrants, with rates ranging from 3.99% to 4.375%, replacing variable rate warrants. The final maturity of the Warrants is August 1, 2025.

On October 9, 2012 City voters approved a bond referendum. The approval authorizes the issuance of up to \$150 million of general obligation bonds for the following purposes: \$6.3 million for landfill expansion, \$20 million for public park and recreational facilities, \$48.7 million for street and sidewalk improvements, \$19 million for economic development initiatives, \$45 million for public buildings and equipment and \$11 million for storm and sanitary sewer improvements. The City

City of Birmingham, Alabama
Notes to the Financial Statements
June 30, 2012

anticipates that the City's Bond Reserve Fund, which receives 12 mills of ad-valorem tax annually, will be sufficient to pay debt service on the bonds, when issued. The City currently plans to issue approximately \$75 million of the bonds during the spring of 2013. The remainder of the bonds would most likely be issued in three to five years, thereafter.

OTHER SUPPLEMENTARY INFORMATION

City of Birmingham
Combining Statement of Fiduciary Net Assets
Pension Trust Funds
June 30, 2012
(in thousands)

	Retirement & Relief	Firemen & Policemen Supplemental	Firemen's Pension Relief	Unclassified Pension	Total Pension Trust Funds
Assets					
Cash and cash equivalents	\$ 18,806	\$ 2,327	\$ 102	\$ 1,013	\$ 22,248
Receivables:					
Member loans	11,268	-	-	-	11,268
Interest and dividends	10,761	718	-	-	11,479
Total Receivables:	22,029	718	-	-	22,747
Investments, at fair value:					
U.S. government obligations	176,436	11,490	-	-	187,926
Domestic corporate bonds	172,280	15,239	-	-	187,519
Domestic stocks	511,867	18,784	-	-	530,651
Total Investments, at fair value:	860,583	45,513	-	-	906,096
Total Assets:	901,418	48,558	102	1,013	951,091
Liabilities					
Accounts payable and other	919	79	-	-	998
Accrued payroll and payroll taxes payable	(85)	(6)	-	-	(91)
Total Liabilities:	834	73	-	-	907
Net Assets					
Held in trust for future pension benefits	900,584	48,485	102	1,013	950,184
Total Net Assets	\$ 900,584	\$ 48,485	\$ 102	\$ 1,013	\$ 950,184

City of Birmingham
Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the Year Ended June 30, 2012
(in thousands)

	Retirement & Relief	Firemen & Policemen Supplemental	Firemen's Pension Relief	Policemen's Pension Relief	Limited Firemen's Pension Relief	Limited Policemen's Pension	Unclassified Pension	Total Pension Trust Funds
Additions								
Additions:								
Contributions:								
Employer Contributions	\$ 13,694	\$ 4,561	\$ -	\$ 27	\$ 10	\$ 12	\$ -	\$ 18,304
Plan member contributions	12,072	4,543	-	-	-	-	17	16,632
Investment income:								
Investment earnings	32,084	1,147	-	-	-	-	56	33,287
Securities lending	605	388	-	-	-	-	-	993
Other income	12	1	79	-	-	-	1	93
Total Additions:	58,467	10,640	79	27	10	12	74	69,309
Total Additions:	58,467	10,640	79	27	10	12	74	69,309
Deductions								
Deductions:								
Benefits	66,418	7,375	-	25	8	10	107	73,943
Refunds of contributions	1,415	616	-	-	-	-	-	2,031
Administrative expenses	170	929	1	1	1	1	34	1,137
Investment Expenses	3,247	256	-	-	-	-	-	3,503
Total Deductions:	71,250	9,176	1	26	9	11	141	80,614
Total Deductions:	71,250	9,176	1	26	9	11	141	80,614
Change in Net Assets:	(12,783)	1,464	78	1	1	1	(67)	(11,305)
Net Assets - Beginning	913,367	47,022	24	-	(1)	(1)	1,079	961,490
Net Assets - Ending:	\$ 900,584	\$ 48,486	\$ 102	\$ 1	\$ -	\$ -	\$ 1,012	\$ 950,184

City of Birmingham
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012
(in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 243,830	\$ 243,930	\$ 244,316	\$ 386
Licenses and permits	79,427	79,427	87,671	8,244
Intergovernmental	12,905	12,905	20,042	7,137
Charges for services	13,902	13,902	12,746	(1,156)
Fines and forfeitures	4,615	4,615	3,122	(1,493)
Investment income	1,130	1,130	738	(392)
Other operating revenues	6,517	6,599	6,752	153
Total Revenues:	362,326	362,508	375,387	12,879
Expenditures				
Current Expenditures:				
Public safety:				
Police	87,142	86,754	84,190	2,564
Fire	55,701	55,767	53,328	2,439
Planning, Engineering & Permits	11,872	21,095	19,960	1,135
Traffic Engineering	10,031	10,063	10,114	(51)
Municipal Court	4,314	4,340	4,101	239
Street and sanitation:				
Public Works	48,126	49,177	47,167	2,010
Cultural & recreational:				
Park & Recreation	10,821	11,314	10,322	992
Library	14,581	14,617	14,131	486
Arlington Historical Home	603	607	511	96
Boutwell Auditorium	1,291	1,291	1,118	173
Museum of Art	3,464	3,545	3,270	275
Sloss Furnace	544	544	474	70
Southern Museum of Flight	614	614	605	9
State Fairgrounds	2,279	2,524	2,432	92
General government:				
Finance	10,791	10,900	9,305	1,595
Equipment Management	14,494	16,252	16,301	(49)
Information Management Services	8,691	9,297	9,428	(131)
City Clerk	1,878	1,878	1,328	550
Community Development	580	580	575	5
Council Office	2,909	2,604	2,453	151
Legal	6,619	7,669	6,888	781
Mayor's Office	6,376	6,427	6,482	(55)
Personnel	6,835	6,955	6,349	606
Nondepartmental	32,759	41,968	44,322	(2,354)
Debt Service:				
Principal	11,780	11,832	13,819	(1,987)
Interest and fees	7,542	7,542	7,527	15
Capital Outlay:				
Capital outlays	6,169	1,209	320	889
Total Expenditures:	368,806	387,365	376,820	10,545
Excess (Deficiency) of Revenues Over (Under)				
Expenditures:	(6,480)	(24,857)	(1,433)	23,424
Other financing sources (uses)::				
Proceeds from issuance of debt	1,000	-	-	-
Transfers in	-	1	1	-
Transfers out	(2,198)	(5,669)	(5,669)	-
Total Other financing sources (uses)::	(1,198)	(5,668)	(5,668)	-
Net Change in Fund Balances:	(7,678)	(30,525)	(7,101)	23,424
Fund Balances - Beginning	99,215	99,215	99,215	-
Fund Balances - Ending:	\$ 91,537	\$ 68,690	\$ 92,114	\$ 23,424

Nonmajor Governmental Funds

Special Revenue Funds

Neighborhood Allocation Fund accounts for funds allocated for the 99 neighborhoods within the City of Birmingham as well as other miscellaneous special revenue allocations.

Miscellaneous Grant Fund accounts for funds arising from miscellaneous grants. Although the funds are consolidated, each grant is accounted for individually.

Technology Fund accounts for a portion of the fees collected by Municipal Court that have been specifically earmarked for technological needs of the Court.

Correction Fund accounts for a portion of the fees collected by Municipal Court that have been specifically earmarked for the Court and the Police Department's Corrections Division.

Birmingham Water Works Proceeds accounts for funds received by the City from the transfer of the assets of the Water Works and Sewer Board of the City of Birmingham.

HUD Block Grant accounts for those funds received and used for Community Urban Development Block Grants.

Home Investment Trust Fund accounts for funds received from Housing and Urban Development to provide loans for low to moderate income housing.

Special Lodging Tax Revenue accounts for the proceeds of the City's lodging levied at the rate of 3.5%, which became effective January 15, 2011.

Highway Improvement Fund accounts for the proceeds of a \$.07 State gasoline tax.

Fuel Tax Fund accounts for the proceeds of a \$.04 State gasoline tax, the use of which, is restricted.

Storm Water Fund accounts for the storm water fees collected by the Birmingham Water Works Board.

Fair Trial Fund accounts for the fees collected for indigent defense.

Debt Service Funds

Tax Increment Financing accounts for ad valorem taxes received from Jefferson County specifically for the repayment of the debt for the Tax Increment Financing Warrants. The fund also accounts for the uses of the warrant proceeds.

Capital Projects Funds

Capital Projects Fund accounts for the proceeds and uses of specific general obligation bonds and warrants.

City of Birmingham
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012
(in thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
Assets					
Cash and investments	\$ 15,715	\$ 1,363	\$ 35,517	\$ -	\$ 52,596
Cash with fiscal agent	-	2,913	-	-	2,913
Receivables:					
Accrued interest	8	-	62	-	70
Accrued taxes	359	-	-	-	359
Accounts (net of uncollectibles)	99	8	-	-	107
Notes (net of uncollectibles)	32	-	-	-	32
Loans	132	-	-	-	132
Due from other governments	(67)	-	-	-	(67)
Total Assets:	\$ 16,278	\$ 4,284	\$ 35,579	\$ -	\$ 56,142
Liabilities and Fund Balances					
Liabilities:					
Accounts and vouchers payable	2,551	-	187	-	2,738
Contracts payable-retainage	36	151	807	-	994
Accrued payroll and payroll taxes payable	26	-	-	-	26
Deferred revenue	(399)	-	-	-	(399)
Other liabilities	1	-	-	-	1
Total Liabilities:	2,215	151	994	-	3,360
Fund Balances:					
Spendable:					
Restricted:					
Debt Service	-	4,133	-	-	4,133
Capital Projects	709	-	34,585	-	35,294
Other	(129)	-	-	-	(129)
Assigned:					
Committed to:					
Neighborhood Improvements	9,158	-	-	-	9,158
Other Purposes	3,537	-	-	-	3,537
Unassigned	788	-	-	-	788
Total Fund Balances:	14,063	4,133	34,585	-	52,784
Total Liabilities and Fund Balances:	\$ 16,278	\$ 4,284	\$ 35,579	\$ -	\$ 56,144

City of Birmingham
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012
(in thousands)

	Special Revenue Funds							
	Neighborhood Allocation	Grants Fund	Highway Improvement Fund	Fuel Tax Fund	Storm Water Fees	Technology	Correction Fund	Fair Trial Tax Fund
Assets								
Cash and investments	\$ 9,331	\$ -	\$ -	\$ 468	\$ 784	\$ 27	\$ 2,806	\$ -
Cash with fiscal agent	-	-	-	-	-	-	-	-
Receivables:								
Accrued interest	8	-	-	-	-	-	-	-
Accrued taxes	-	-	235	106	18	-	-	-
Accounts (net of uncollectibles)	10	89	-	-	-	-	-	-
Notes (net of uncollectibles)	-	-	-	-	-	-	-	-
Loans	132	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	-
Total Assets:	\$ 9,481	\$ 89	\$ 235	\$ 574	\$ 802	\$ 27	\$ 2,806	\$ -
Liabilities and Fund Balances								
Liabilities:								
Accounts and vouchers payable	90	1,489	91	-	13	-	15	130
Contracts payable-retainage	-	7	10	-	-	-	-	-
Accrued payroll and payroll taxes payable	-	2	-	-	1	-	6	-
Due To Other Funds	-	-	-	-	-	-	-	-
Deferred revenue	268	-	-	-	-	-	-	-
Other liabilities	(35)	37	-	-	-	-	-	-
Total Liabilities:	323	1,535	101	-	14	-	21	130
Fund Balances:								
Spendable:								
Restricted:								
Debt Service	-	-	-	-	-	-	-	-
Capital Projects	-	-	135	575	-	-	-	-
Other	-	-	-	-	-	-	-	(130)
Assigned:								
Committed to:								
Neighborhood Improvements	9,158	-	-	-	-	-	-	-
Other Purposes	-	(1,446)	-	-	-	27	2,785	-
Unassigned	-	-	-	-	788	-	-	-
Total Fund Balances:	9,158	(1,446)	135	575	788	27	2,785	(130)
Total Liabilities and Fund Balances:	\$ 9,481	\$ 89	\$ 236	\$ 575	\$ 802	\$ 27	\$ 2,806	\$ -

City of Birmingham
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012
(in thousands)

							Debt Service Funds	
	Municipal Court Judicial Admin	BWWB Proceeds	HUD Block Grant Fund	Home Fund	Special Lodging Tax Revenue	Total	Tax Increment Financing	Total
Assets								
Cash and investments	\$ 1	\$ 1		\$ 126	\$ 2,171	\$ 15,715	\$ 1,363	\$ 1,363
Cash with fiscal agent	-	-	-	-	-	-	2,913	2,913
Receivables:								
Accrued interest	-	-	-	-	-	8	-	-
Accrued taxes	-	-	-	-	-	359	-	-
Accounts (net of uncollectibles)	-	-	-	-	-	99	8	8
Notes (net of uncollectibles)	-	-	32	-	-	32	-	-
Loans	-	-	-	-	-	132	-	-
Due from other governments	-	-	-	(67)	-	(67)	-	-
Total Assets:	\$ 1	\$ 1	\$ 32	\$ 59	\$ 2,171	\$ 16,278	\$ 4,284	\$ 4,284
Liabilities and Fund Balances								
Liabilities:								
Accounts and vouchers payable	-	-	665	58	-	2,551	-	-
Contracts payable-retainage	-	-	19	-	-	36	151	151
Accrued payroll and payroll taxes payable	-	-	16	1	-	26	-	-
Due To Other Funds	-	-	-	-	-	-	-	-
Deferred revenue	-	-	(668)	-	-	(400)	-	-
Other liabilities	-	-	-	-	-	2	-	-
Total Liabilities:	-	-	32	59	-	2,215	151	151
Fund Balances:								
Spendable:								
Restricted:								
Debt Service	-	-	-	-	-	-	4,133	4,133
Capital Projects	-	-	-	-	-	710	-	-
Other	1	-	-	-	-	(129)	-	-
Assigned:								
Committed to:								
Neighborhood Improvements	-	-	-	-	-	9,158	-	-
Other Purposes	-	1	-	-	2,171	3,538	-	-
Unassigned	-	-	-	-	-	788	-	-
Total Fund Balances:	1	1	-	-	2,171	14,065	4,133	4,133
Total Liabilities and Fund Balances:	\$ 1	\$ 1	\$ 32	\$ 59	\$ 2,171	\$ 16,280	\$ 4,284	\$ 4,284

City of Birmingham
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012
(in thousands)

	Capital Projects Funds							
	1992 Bonds	1993 Bonds	1995 Bonds	1997 Bonds	1998-A Warrants	1998-B Warrants	1999-B Bonds	2000-A Warrants
Assets								
Cash and investments	\$ 52	\$ 156	\$ 562	\$ 550	\$ 604	\$ 394	\$ 86	\$ 575
Cash with fiscal agent	-	-	-	-	-	-	-	-
Receivables:								
Accrued interest	-	-	-	2	1	1	-	-
Accrued taxes	-	-	-	-	-	-	-	-
Accounts (net of uncollectibles)	-	-	-	-	-	-	-	-
Notes (net of uncollectibles)	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	-
Total Assets:	<u>\$ 52</u>	<u>\$ 156</u>	<u>\$ 562</u>	<u>\$ 552</u>	<u>\$ 605</u>	<u>\$ 395</u>	<u>\$ 86</u>	<u>\$ 575</u>
Liabilities and Fund Balances								
Liabilities:								
Accounts and vouchers payable	-	-	21	-	-	-	-	-
Contracts payable-retainage	-	-	8	-	412	-	-	-
Accrued payroll and payroll taxes payable	-	-	-	-	-	-	-	-
Due To Other Funds	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-
Total Liabilities:	<u>-</u>	<u>-</u>	<u>29</u>	<u>-</u>	<u>412</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:								
Spendable:								
Restricted:								
Debt Service	-	-	-	-	-	-	-	-
Capital Projects	52	156	533	552	193	395	86	575
Other	-	-	-	-	-	-	-	-
Assigned:								
Committed to:								
Neighborhood Improvements	-	-	-	-	-	-	-	-
Other Purposes	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
Total Fund Balances:	<u>52</u>	<u>156</u>	<u>533</u>	<u>552</u>	<u>193</u>	<u>395</u>	<u>86</u>	<u>575</u>
Total Liabilities and Fund Balances:	<u>\$ 52</u>	<u>\$ 156</u>	<u>\$ 562</u>	<u>\$ 552</u>	<u>\$ 605</u>	<u>\$ 395</u>	<u>\$ 86</u>	<u>\$ 575</u>

City of Birmingham
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012
(in thousands)

	2001-A School Warrants	2002 Bonds	2006-C G.O. Warrants	2007-B G.O. Warrants	2007-A G. O. Bonds	2009-A Warrants	Total	Total Nonmajor Governmental Funds
Assets								
Cash and investments	\$ 93	\$ 2,549	\$ 2,035	\$ 2,623	\$ 25,092	\$ 147	\$ 35,518	\$ 52,596
Cash with fiscal agent	-	-	-	-	-	-	-	2,913
Receivables:								
Accrued interest	-	2	-	1	55	-	62	70
Accrued taxes	-	-	-	-	-	-	-	359
Accounts (net of uncollectibles)	-	-	-	-	-	-	-	107
Notes (net of uncollectibles)	-	-	-	-	-	-	-	32
Loans	-	-	-	-	-	-	-	132
Due from other governments	-	-	-	-	-	-	-	(67)
Total Assets:	\$ 93	\$ 2,551	\$ 2,035	\$ 2,624	\$ 25,147	\$ 147	\$ 35,580	\$ 56,142
Liabilities and Fund Balances								
Liabilities:								
Accounts and vouchers payable	-	16	-	-	150	-	187	2,738
Contracts payable-retainage	-	11	-	48	328	-	807	994
Accrued payroll and payroll taxes payable	-	-	-	-	-	-	-	26
Due To Other Funds	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	(400)
Other liabilities	-	-	-	-	-	-	-	2
Total Liabilities:	-	27	-	48	478	-	994	3,360
Fund Balances:								
Spendable:								
Restricted:								
Debt Service	-	-	-	-	-	-	-	4,133
Capital Projects	93	2,524	2,035	2,577	24,668	147	34,586	35,296
Other	-	-	-	-	-	-	-	(129)
Assigned:								
Committed to:								
Neighborhood Improvements	-	-	-	-	-	-	-	9,158
Other Purposes	-	-	-	-	-	-	-	3,538
Unassigned	-	-	-	-	-	-	-	788
Total Fund Balances:	93	2,524	2,035	2,577	24,668	147	34,586	52,784
Total Liabilities and Fund Balances:	\$ 93	\$ 2,551	\$ 2,035	\$ 2,625	\$ 25,146	\$ 147	\$ 35,580	\$ 56,144

City of Birmingham
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012
(in thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
Revenues					
Taxes	\$ 3,271	\$ 3,143	\$ -	\$ -	\$ 6,414
Intergovernmental	25,654	-	-	-	25,654
Charges for services	80	-	-	-	80
Fines and forfeitures	1,842	-	-	-	1,842
Investment income	100	1	536	-	637
Other operating revenues	996	732	-	-	1,728
Total Revenues:	31,943	3,876	536	-	36,355
Expenditures					
Current Expenditures:					
Public safety:					
Police	2,007	-	-	-	2,007
Fire	601	-	-	-	601
Planning, Engineering & Permits	743	-	893	-	1,636
Municipal Court	2,641	-	-	-	2,641
Nondepartmental	-	-	(24)	-	(24)
Street and sanitation:					
Public Works	928	-	244	-	1,172
Cultural & recreational:					
Park & Recreation	122	-	464	-	586
Nondepartmental	-	-	114	-	114
General government:					
Finance	527	-	-	-	527
Community Development	15,471	-	141	-	15,612
Mayor's Office	38	-	-	-	38
Nondepartmental	1,746	-	644	-	2,390
Debt Service:					
Principal	2,863	340	-	-	3,203
Interest and fees	1,815	916	-	-	2,731
Capital Outlay:					
Capital outlays	359	6	5,779	-	6,144
Total Expenditures:	29,861	1,262	8,255	-	39,378
Excess (Deficiency) of Revenues Over (Under) Expenditures:	2,082	2,614	(7,719)	-	(3,023)
Other financing sources (uses):					
Transfers in	213	-	-	-	213
Transfers out	(5)	-	-	-	(5)
Total Other financing sources (uses):	208	-	-	-	208
Net Change in Fund Balances:	2,290	2,614	(7,719)	-	(2,819)
Fund Balances - Beginning	11,776	1,520	42,305	-	55,601
Fund Balances - Ending:	\$ 14,066	\$ 4,134	\$ 34,586	\$ -	\$ 52,782

City of Birmingham
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012
(in thousands)

	Special Revenue Funds								
	Neighborhood Allocation	Grants Fund	Highway Improvement Fund	Fuel Tax Fund	Storm Water Fees	Technology	Correction Fund	Fair Trial Tax Fund	Municipal Court Judicial Admin
Revenues									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	12	9,467	2,861	1,315	857	-	-	-	-
Charges for services	80	-	-	-	-	-	-	-	-
Fines and forfeitures	-	65	-	-	-	54	1,290	432	1
Investment income	96	-	-	-	-	-	4	-	-
Other operating revenues	967	29	-	-	-	-	-	-	-
Total Revenues:	1,155	9,561	2,861	1,315	857	54	1,294	432	1
Expenditures									
Current Expenditures:									
Public safety:									
Police	379	1,625	-	-	-	-	3	-	-
Fire	4	597	-	-	-	-	-	-	-
Planning,Engineering & Permits	-	674	-	-	69	-	-	-	-
Municipal Court	-	592	-	-	-	73	1,414	562	-
Nondepartmental	-	-	-	-	-	-	-	-	-
Street and sanitation:									
Public Works	11	918	-	-	-	-	-	-	-
Cultural & recreational:									
Park & Recreation	64	59	-	-	-	-	-	-	-
Nondepartmental	-	-	-	-	-	-	-	-	-
General government:									
Finance	-	527	-	-	-	-	-	-	-
Community Development	777	3,037	-	-	-	-	-	-	-
Mayor's Office	38	-	-	-	-	-	-	-	-
Nondepartmental	534	3	28	24	-	-	-	-	-
Debt Service:									
Principal	-	-	2,363	500	-	-	-	-	-
Interest and fees	-	-	307	217	-	-	-	-	-
Capital Outlay:									
Capital outlays	74	768	29	-	-	-	-	-	-
Total Expenditures:	1,881	8,800	2,727	741	69	73	1,417	562	-
Excess (Deficiency) of Revenues Over (Under) Expenditures:	(726)	761	134	574	788	(19)	(123)	(130)	1
Other financing sources (uses)::									
Transfers in	213	-	-	-	-	-	-	-	-
Transfers out	(5)	-	-	-	-	-	-	-	-
Total Other financing sources (uses)::	208	-	-	-	-	-	-	-	-
Net Change in Fund Balances:	(518)	761	134	574	788	(19)	(123)	(130)	1
Fund Balances - Beginning	9,676	(2,207)	-	-	-	46	2,908	-	-
Fund Balances - Ending:	\$ 9,158	\$ (1,446)	\$ 134	\$ 574	\$ 788	\$ 27	\$ 2,785	\$ (130)	\$ 1

City of Birmingham
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012
(in thousands)

						Debt Service Funds			
	BWVB Proceeds	HUD Block Grant Fund	Home Fund	Special Lodging Tax Revenue	Total	2010A Refunding	Tax Increment Financing	Total	1992 Bonds
Revenues									
Taxes	\$ -	\$ -	\$ -	\$ 3,271	\$ 3,271	\$ -	\$ 3,143	\$ 3,143	\$ -
Intergovernmental	-	9,637	1,504	-	25,653	-	-	-	-
Charges for services	-	-	-	-	80	-	-	-	-
Fines and forfeitures	-	-	-	-	1,842	-	-	-	-
Investment income	-	-	-	-	100	-	1	1	-
Other operating revenues	-	-	-	-	996	-	732	732	-
Total Revenues:	-	9,637	1,504	3,271	31,942	-	3,876	3,876	-
Expenditures									
Current Expenditures:									
Public safety:									
Police	-	-	-	-	2,007	-	-	-	-
Fire	-	-	-	-	601	-	-	-	-
Planning, Engineering & Permits	-	-	-	-	743	-	-	-	-
Municipal Court	-	-	-	-	2,641	-	-	-	-
Nondepartmental	-	-	-	-	-	-	-	-	-
Street and sanitation:									
Public Works	-	-	-	-	929	-	-	-	-
Cultural & recreational:									
Park & Recreation	-	-	-	-	123	-	-	-	-
Nondepartmental	-	-	-	-	-	-	-	-	-
General government:									
Finance	-	-	-	-	527	-	-	-	-
Community Development	-	10,154	1,504	-	15,472	-	-	-	-
Mayor's Office	-	-	-	-	38	-	-	-	-
Nondepartmental	10	-	-	1,147	1,746	-	-	-	-
Debt Service:									
Principal	-	-	-	-	2,863	-	340	340	-
Interest and fees	-	-	-	1,292	1,816	-	916	916	-
Capital Outlay:									
Capital outlays	(512)	-	-	-	359	-	6	6	-
Total Expenditures:	(502)	10,154	1,504	2,439	29,865	-	1,262	1,262	-
Excess (Deficiency) of Revenues Over (Under) Expenditures:	502	(517)	-	832	2,077	-	2,614	2,614	-
Other financing sources (uses):									
Transfers in	-	-	-	-	213	-	-	-	-
Transfers out	-	-	-	-	(5)	-	-	-	-
Total Other financing sources (uses):	-	-	-	-	208	-	-	-	-
Net Change in Fund Balances:	502	(517)	-	832	2,285	-	2,614	2,614	-
Fund Balances - Beginning	(501)	517	-	1,338	11,777	-	1,520	1,520	52
Fund Balances - Ending:	\$ 1	\$ -	\$ -	\$ 2,170	\$ 14,062	\$ -	\$ 4,134	\$ 4,134	\$ 52

City of Birmingham
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012
(in thousands)

	Capital Projects Funds								
	1993 Bonds	1995 Bonds	1997 Bonds	1998-A Bonds	1998-A Warrants	1998-B Warrants	1999-B Bonds	2000-A Warrants	2001-A School Warrants
Revenues									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Investment income	-	2	11	-	17	8	-	3	1
Other operating revenues	-	-	-	-	-	-	-	-	-
Total Revenues:	-	2	11	-	17	8	-	3	1
Expenditures									
Current Expenditures:									
Public safety:									
Police	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-
Planning, Engineering & Permits	-	-	4	-	-	417	1	2	-
Municipal Court	-	-	-	-	-	-	-	-	-
Nondepartmental	-	-	-	-	-	-	-	-	-
Street and sanitation:									
Public Works	124	14	-	-	-	-	-	-	-
Cultural & recreational:									
Park & Recreation	-	-	237	-	-	30	-	-	-
Nondepartmental	-	-	-	-	-	-	-	-	-
General government:									
Finance	-	-	-	-	-	-	-	-	-
Community Development	-	-	20	-	-	-	-	-	-
Mayor's Office	-	-	-	-	-	-	-	-	-
Nondepartmental	-	-	-	-	108	-	-	-	-
Debt Service:									
Principal	-	-	-	-	-	-	-	-	-
Interest and fees	-	-	-	-	-	-	-	-	-
Capital Outlay:									
Capital outlays	9	55	-	-	658	15	(7)	3	30
Total Expenditures:	133	69	261	-	766	462	(6)	5	30
Excess (Deficiency) of Revenues Over (Under) Expenditures:	(133)	(67)	(250)	-	(749)	(454)	6	(2)	(29)
Other financing sources (uses)::									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total Other financing sources (uses)::	-	-	-	-	-	-	-	-	-
Net Change in Fund Balances:	(133)	(67)	(250)	-	(749)	(454)	6	(2)	(29)
Fund Balances - Beginning	288	600	803	-	943	849	79	577	123
Fund Balances - Ending:	\$ 155	\$ 533	\$ 553	\$ -	\$ 194	\$ 395	\$ 85	\$ 575	\$ 94

City of Birmingham
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012
(in thousands)

							Permanent Funds	Total Nonmajor Governmental Funds
	2002 Bonds	2004-A Warrants	2006-C G.O. Warrants	2007-B G.O. Warrants	2007-A G. O. Bonds	2009-A Warrants	Total	
Revenues								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,414
Intergovernmental	-	-	-	-	-	-	-	25,653
Charges for services	-	-	-	-	-	-	-	80
Fines and forfeitures	-	-	-	-	-	-	-	1,842
Investment income	26	-	12	5	451	-	536	637
Other operating revenues	-	-	-	-	-	-	-	1,728
Total Revenues:	26	-	12	5	451	-	536	36,354
Expenditures								
Current Expenditures:								
Public safety:								
Police	-	-	-	-	-	-	-	2,007
Fire	-	-	-	-	-	-	-	601
Planning, Engineering & Permits	-	-	-	36	432	-	892	1,635
Municipal Court	-	-	-	-	-	-	-	2,641
Nondepartmental	37	(61)	-	-	-	-	(24)	(24)
Street and sanitation:								
Public Works	106	-	-	-	-	-	244	1,173
Cultural & recreational:								
Park & Recreation	194	-	-	3	-	-	464	587
Nondepartmental	-	-	-	-	114	-	114	114
General government:								
Finance	-	-	-	-	-	-	-	527
Community Development	-	-	-	-	121	-	141	15,613
Mayor's Office	-	-	-	-	-	-	-	38
Nondepartmental	50	-	203	-	283	-	644	2,390
Debt Service:								
Principal	-	-	-	-	-	-	-	3,203
Interest and fees	-	-	-	-	-	-	-	2,732
Capital Outlay:								
Capital outlays	213	-	-	245	4,559	-	5,780	6,145
Total Expenditures:	600	(61)	203	284	5,509	-	8,255	39,382
Excess (Deficiency) of Revenues Over (Under) Expenditures:	(574)	61	(191)	(279)	(5,058)	-	(7,719)	(3,028)
Other financing sources (uses)::								
Transfers in	-	-	-	-	-	-	-	213
Transfers out	-	-	-	-	-	-	-	(5)
Total Other financing sources (uses)::	-	-	-	-	-	-	-	208
Net Change in Fund Balances:	(574)	61	(191)	(279)	(5,058)	-	(7,719)	(2,820)
Fund Balances - Beginning	3,098	(61)	2,226	2,856	29,725	147	42,305	55,602
Fund Balances - Ending:	\$ 2,524	\$ -	\$ 2,035	\$ 2,577	\$ 24,667	\$ 147	\$ 34,586	\$ 52,782

Statistical Section

This portion of the City of Birmingham's comprehensive financial annual report presents additional information to be used in conjunction with the preceding statements to gauge the City's overall financial well being.

Financial Trends

These schedules present information on how the City's financial performance has changed over the past seven fiscal years.

Revenue Capacity

These schedules present information on the collection of the City's most significant local revenue source, the sales and use tax.

Debt Capacity

These schedules present information on the City's outstanding debt and its ability to issue additional debt in the future.

Demographic and Economic Information

These schedules present indicators of the City's demographic and economic environment.

Operating Information

These schedules present data regarding the City's services and infrastructure. Many measures of operating activity are presented in the City's operating budget. Please refer to the City's website at www.birminghamal.gov for additional information.

Debt/Funding Schedules

These schedules provide details relative to the City's obligations.



City of Birmingham, Alabama
Net Assets by Component
Last Nine Fiscal Years
(in thousands)

Table A-1

Fiscal Year Ended June 30

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:									
Invested in capital assets, net of related debt	\$62,685	(\$18,295)	\$53,708	\$73,876	\$74,322	\$65,727	\$72,325	\$90,213	\$133,210
Restricted	114,982	361,917	205,388	271,686	277,817	264,602	157,454	146,478	134,295
Unrestricted	<u>168,581</u>	<u>(25,033)</u>	<u>24,187</u>	<u>(91,459)</u>	<u>(78,863)</u>	<u>(88,588)</u>	<u>(51,384)</u>	<u>(62,151)</u>	<u>(85,574)</u>
Total governmental activities net assets	346,248	318,589	283,283	254,103	\$273,276	\$241,741	\$178,395	\$174,540	\$181,931
Business-type activities:									
Invested in capital assets, net of related debt	784	764	942	922	901	1,022	855	919	919
Unrestricted	<u>540</u>	<u>290</u>	<u>(8)</u>	<u>74</u>	<u>(464)</u>	<u>(1,167)</u>	<u>(1,522)</u>	<u>61</u>	<u>2,032</u>
Total business-type activities net assets	1,324	1,054	934	996	437	(145)	(667)	980	2,951
Primary Government:									
Invested in capital assets, net of related debt	63,469	(17,531)	54,650	74,798	75,223	66,749	73,180	91,132	134,129
Restricted	114,982	361,917	205,388	271,686	277,817	264,602	157,454	146,478	134,295
Unrestricted	<u>169,121</u>	<u>(24,743)</u>	<u>24,179</u>	<u>(91,385)</u>	<u>(79,327)</u>	<u>(89,755)</u>	<u>(52,906)</u>	<u>(62,090)</u>	<u>(83,542)</u>
Total primary government net assets	<u>\$ 347,572</u>	<u>\$ 319,643</u>	<u>\$ 284,217</u>	<u>\$ 255,099</u>	<u>\$ 273,713</u>	<u>\$ 241,596</u>	<u>\$ 177,728</u>	<u>\$ 175,520</u>	<u>\$ 184,882</u>

Source: City Finance Department Data

City of Birmingham, Alabama
Changes in Net Assets
Last Nine Fiscal Years
(in thousands)

Table A-2
(1 of 2)

	Fiscal Year Ended June 30			
	2004	2005	2006	2007
Expenses:				
Governmental activities:				
	\$84,411	\$94,662	\$122,163	\$106,000
Public safety	138,260	160,097	181,014	163,704
Streets & sanitation	97,657	80,229	68,749	95,381
Culture & recreation	39,359	39,047	38,547	42,222
Interest on long-term debt	13,179	13,000	22,414	23,989
Total governmental activities expenses	372,866	387,035	432,887	431,296
Business-type activities:				
E-911 Services	3,471	3,258	3,157	3,196
Total primary government expenses	\$376,337	\$390,293	\$436,044	\$434,492
Program Revenues:				
Governmental activities:				
Charges for services				
General government:				
Business licenses & permits	48,687	50,334	54,951	60,002
Non-business licenses & permits	4,089	5,288	5,613	5,347
Public safety	18,736	18,328	17,244	17,327
Streets & sanitation	1,438	1,533	1,706	1,971
Culture & recreation	1,195	999	977	1,252
Operating grants and contributions	18,051	13,797	8,221	18,606
Total governmental activities program revenues	92,196	90,279	88,712	104,505
Business-type activities:				
E-911 Services	3,058	2,954	2,998	3,156
Total primary government program revenues	\$95,254	\$93,233	\$91,710	\$107,661
Net (Expense)/Revenue				
Governmental activities	(\$280,670)	(\$296,756)	(\$344,175)	(\$326,791)
Business-type activities	(413)	(304)	(159)	(40)
	<u>(\$281,083)</u>	<u>(\$297,060)</u>	<u>(\$344,334)</u>	<u>(\$326,831)</u>
General Revenues and Other Changes in Net Assets:				
Governmental activities:				
Taxes:				
Sales and use taxes	\$100,608	\$107,271	\$109,085	\$109,665
Occupational taxes	65,537	69,346	72,297	75,269
Property taxes	48,596	50,618	52,669	54,920
Unrestricted grants and contributions	18,434	21,618	19,585	23,853
Investment earnings	9,304	12,562	10,834	21,168
Other	6,563	7,682	10,189	12,736
Total governmental activities	249,042	269,097	274,659	297,611
Business-type activities:				
Investment earnings	22	34	39	102
Total primary government	\$249,064	\$269,131	\$274,698	\$297,713
Change (decrease) in Net Assets:				
Governmental activities	(\$31,628)	(\$27,659)	(\$69,516)	(\$29,180)
Business-type activities	(391)	(270)	(120)	62
Total primary government	(\$32,019)	(\$27,929)	(\$69,636)	(\$29,118)

Source: City Finance Department Data

City of Birmingham, Alabama
Changes in Net Assets
Last Nine Fiscal Years
(in thousands)

Table A-2
(2 of 2)

Fiscal Year Ended June 30

	2008	2009	2010	2011	2012
Expenses:					
Governmental activities:					
General government	\$ 88,799	\$ 121,554	\$ 163,581	\$ 114,375	\$ 126,871
Public safety	163,149	169,083	210,132	202,706	194,761
Streets & sanitation	93,821	121,848	59,822	54,553	56,109
Culture & recreation	43,895	36,132	41,907	40,024	42,705
Interest on long-term debt	27,643	25,381	21,473	19,861	17,381
Total governmental activities expenses	417,307	473,998	496,915	431,519	437,827
Business-type activities:					
E-911 Services	3,935	4,044	4,937	4,754	4,641
Total primary government expenses	<u>\$421,242</u>	<u>\$478,042</u>	<u>\$501,852</u>	<u>\$436,273</u>	<u>\$442,468</u>
Program Revenues:					
Governmental activities:					
Charges for services					
General government:					
Business licenses & permits	85,721	91,493	82,726	90,139	97,443
Non-business licenses & permits	5,342	4,506	3,747	0	0
Public safety	14,739	17,502	21,488	17,778	17,011
Streets & sanitation	1,450	1,577	595	966	1,196
Culture & recreation	1,275	1,341	1,327	1,171	1,506
Operating grants and contributions	19,830	15,094	18,898	24,276	25,118
Total governmental activities program revenues	128,357	131,513	128,781	134,330	142,274
Business-type activities:					
E-911 Services	3,308	3,447	4,517	6,392	6,608
Total primary government program revenues	<u>\$131,665</u>	<u>\$134,960</u>	<u>\$133,298</u>	<u>\$140,722</u>	<u>\$148,882</u>
Net (Expense)/Revenue					
Governmental activities	(\$288,950)	(\$342,485)	\$368,134	\$297,186	\$295,553
Business-type activities	(627)	(597)	420	(1,638)	1,967
	<u>(\$289,577)</u>	<u>(\$343,082)</u>	<u>\$368,554</u>	<u>\$295,548</u>	<u>\$293,583</u>
General Revenues and Other Changes in Net Assets:					
Governmental activities:					
Taxes:					
Sales and use taxes	\$129,732	\$131,904	\$127,197	\$131,162	\$134,829
Occupational taxes	76,918	76,325	73,008	74,909	77,703
Property taxes	62,698	61,663	56,699	51,369	55,656
Unrestricted grants and contributions	19,975	26,060	23,730	22,548	19,500
Investment earnings	10,684	(4,201)	8,233	13,560	5,067
Other	8,116	8,407	7,145	(217)	10,188
Total governmental activities	308,123	300,158	296,012	293,331	302,943
Business-type activities:					
Investment earnings	68	15	1	11	4
Total primary government	<u>\$308,191</u>	<u>\$300,173</u>	<u>\$296,013</u>	<u>\$293,342</u>	<u>\$302,947</u>
Change (decrease) in Net Assets:					
Governmental activities	\$19,173	(\$42,327)	(\$72,122)	(\$3,855)	\$7,393
Business-type activities	(559)	(582)	(419)	1,649	1,971
Total primary government	<u>\$18,614</u>	<u>(\$42,909)</u>	<u>(\$72,541)</u>	<u>(\$2,206)</u>	<u>\$9,364</u>

Source: City Finance Department Data

City of Birmingham, Alabama
Fund Balances, Governmental Funds
Last Nine Fiscal Years
(in thousands)

Table A-3
Page 1 of 2

Fiscal Year Ended June 30

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Fund							
Reserved	\$5,417	\$13,969	\$7,584	\$10,448	\$11,417	\$280	\$253
Unreserved	<u>78,316</u>	<u>60,209</u>	<u>70,389</u>	<u>85,368</u>	<u>106,065</u>	<u>94,501</u>	<u>92,027</u>
Total general fund	<u><u>\$83,733</u></u>	<u><u>\$74,178</u></u>	<u><u>\$77,973</u></u>	<u><u>\$95,816</u></u>	<u><u>\$117,482</u></u>	<u><u>\$94,781</u></u>	<u><u>\$92,280</u></u>
Other Governmental Funds:							
Reserved, reported in:							
Special revenue funds	\$250,697	\$216,063	\$160,123	\$134,246	\$113,754	\$96,755	\$77,026
Debt service funds	61,310	53,097	46,674	45,394	44,216	40,175	50,947
Capital projects funds	<u>106,470</u>	<u>99,964</u>	<u>76,151</u>	<u>155,487</u>	<u>160,696</u>	<u>138,479</u>	<u>94,500</u>
	<u>418,477</u>	<u>369,124</u>	<u>282,948</u>	<u>335,127</u>	<u>318,666</u>	<u>275,409</u>	<u>222,473</u>
Unreserved, reported in:							
Special revenue funds	(3,618)	(2,663)	(1,744)	(2,278)	(2,484)	(1,847)	(1,866)
Debt service funds	(274)					(3,666)	(5,805)
Capital projects funds	<u>(502)</u>	<u>(731)</u>	<u>(102)</u>				
	<u>(4,394)</u>	<u>(3,394)</u>	<u>(1,846)</u>	<u>(2,278)</u>	<u>(2,484)</u>	<u>(5,513)</u>	<u>(7,671)</u>
Total other governmental funds	<u><u>\$414,083</u></u>	<u><u>\$365,730</u></u>	<u><u>\$281,102</u></u>	<u><u>\$332,849</u></u>	<u><u>\$433,664</u></u>	<u><u>\$364,677</u></u>	<u><u>\$307,082</u></u>

Source: City Finance Department Data

City of Birmingham, Alabama
Fund Balances, Governmental Funds
Last Nine Fiscal Years
(in thousands)

Fiscal Year Ended June 30

Table A-3
Page 2 of 2

	<u>2011</u>	<u>2012</u>
General Fund		
Nonspendable:		
Prepaid	280	
Inventory	0	1573
Spendable:		
Restricted	-	-
Committed	-	-
Assigned	-	-
Unassigned	98,935	90,197
Total General Fund	<u>\$99,215</u>	<u>\$91,770</u>
 Other Governmental Funds:		
Restricted	117,183	109,846
Committed	\$1,338	\$95,668
Assigned	104,963	(14)
Unassigned	(4,627)	788
Total other governmental funds	<u>218,857</u>	<u>206,288</u>
 Total Fund Balance	<u><u>\$318,072</u></u>	<u><u>\$298,058</u></u>

Change in fund balance Designation due to GASB Statement 54
Source: City Finance Department

City of Birmingham, Alabama
Changes in Fund Balances, Governmental Funds
Last Nine Fiscal Years
(in thousands)

Table A-4

	Fiscal Year Ended June 30								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
REVENUES:									
Taxes	\$214,741	\$227,235	\$234,051	\$239,854	\$269,348	\$276,738	\$265,398	\$267,324	\$280,062
Licenses and permits	52,776	55,622	60,564	65,349	91,063	87,525	78,556	79,984	87,671
Intergovernmental	30,428	33,699	39,273	41,669	39,805	41,327	44,298	45,954	45,729
Charges for services	16,776	16,119	15,746	16,432	12,927	14,069	13,943	13,856	12,826
Fines and forfeitures	4,593	4,741	4,181	4,118	4,537	7,944	6,770	5,483	4,964
Investment income	9,304	12,562	10,834	21,168	10,684	(4,199)	8,235	13,560	5,066
Other operating revenues	7,213	6,862	5,471	9,934	8,157	7,622	9,168	20,959	10,888
TOTAL REVENUES	335,831	356,840	370,120	398,524	436,521	431,026	426,368	447,120	447,206
EXPENDITURES:									
Current:									
Public safety	137,803	140,215	145,688	148,485	155,120	177,188	194,348	181,158	178,555
Street and sanitation	71,401	77,573	68,483	64,359	66,788	52,414	57,871	49,886	48,340
Cultural and recreational	38,138	37,854	38,547	40,752	42,480	34,990	37,699	34,797	33,856
General government	81,859	91,708	126,133	102,804	82,681	118,030	141,660	123,338	125,548
Other			416	242	139				
Total current operations	329,201	347,350	379,267	356,642	347,208	382,622	431,578	389,179	386,299
Debt service:									
Principal	9,345	19,457	23,669	24,918	27,424	25,935	42,050	33,193	38,306
Interest	16,350	18,180	15,975	20,508	25,418	24,204	24,302	22,701	23,130
Total debt service	25,695	37,637	39,644	45,426	52,842	50,139	66,352	55,894	61,436
Capital outlays	53,474	31,079	38,075	34,641	31,749	93,751	10,983	37,854	19,172
Warrant/Bond issue costs	545	217	541	11,772					
TOTAL EXPENDITURES	408,915	416,283	457,527	448,481	431,799	526,513	508,913	482,927	466,907
Excess (deficiency) of revenues over (under) expenditures	(73,084)	(59,443)	(87,407)	(49,957)	4,722	(95,487)	(82,545)	(35,807)	(19,701)
Other financing sources (uses):									
Proceeds from sale of property	568	887	4,812	4,634	278	0	0	0	0
Proceeds of issuance of debt							21,000	110,476	
Issuance of refunding bonds	23,490	8,985	28,230	316,880			19,960	0	8,400
Refunded bonds redeemed							(19,967)	0	
Capital lease		431	1,845			26,500			
Premiums/(discounts) on warrants/bonds		(35)	1,767	12,300			316	3,834	(164)
Payment to escrow agent		(8,733)	(30,080)	(214,267)				(67,511)	(8,205)
Transfers in	32,809	63,764	49,221	40,559	69,971	63,250	59,742	40,169	43,988
Transfers out	(32,809)	(63,764)	(49,221)	(40,559)	(69,971)	(63,250)	(59,742)	(40,169)	(43,988)
Net other financing sources	24,058	1,535	6,574	119,547	278	26,500	21,309	46,799	31
Net change in fund balances	(49,026)	(57,908)	(80,833)	69,590	5,000	(68,987)	(61,236)	10,992	(19,670)
Debt service as a percentage of noncapital expenditures	7.10%	10.50%	10.00%	11.60%	14.20%	13.10%	15.37%	14.36%	15.90%

Source: City Finance Department Data

City of Birmingham, Alabama
Sales and Use Tax Revenues
Last Ten Fiscal Years
(in thousands)

Table B-1

	Fiscal Year Ended June 30									
	2003	2004	2005	2006	2007	2008 *	2009	2010	2011	2012
Sales and Use Tax Revenue	\$101,834	\$100,608	\$107,271	\$109,085	\$109,665	\$129,732	\$131,904	\$127,197	\$131,162	\$134,869
Percentage Change from Prior Year	-19.94%	-1.20%	6.62%	1.69%	0.53%	18.30%	1.67%	-3.57%	3.12%	2.83%
Breakdown of Sales/Use Tax By Industry Type:										
Apparel	6,150	5,594	5,950	5,001	6,298	6,402	6,190	6,685	7,432	7,724
Automotive, RV's, Motor Homes	10,150	9,419	9,154	8,581	9,951	10,787	9,845	10,312	12,328	12,297
Building & Construction Related	8,976	10,013	11,103	10,241	11,836	11,423	14,551	12,667	13,821	14,730
Communications	1,506	1,794	1,481	1,520	1,886	2,182	2,677	2,155	1,946	2,047
Equipment & Machinery	8,228	9,422	9,633	8,636	10,680	10,758	10,884	9,855	10,404	11,148
Food and Restaurants	19,680	18,809	18,436	16,239	18,661	15,853	23,804	22,041	24,974	24,333
Furniture and Furnishings	2,409	2,261	2,457	2,154	2,804	2,852	3,447	3,329	4,241	4,351
Insurance, Finance, Real Estate	673	1,022	811	459	528	2,071	2,751	2,516	2,302	1,760
Medical	2,262	2,874	2,418	1,332	1,647	1,958	3,556	3,448	4,995	5,179
Personal Services, Entertainment	7,869	7,891	7,508	6,483	7,615	7,588	6,623	6,495	6,750	6,519
All Other Industries	33,531	31,509	38,320	48,439	37,759	57,858	47,576	47,694	41,969	44,781
	101,434	100,608	107,271	109,085	109,665	129,732	131,904	127,197	131,162	134,869

* The City of Birmingham increased its sales tax on retail sales of automotive vehicles, house trailers, and mobile home set-up materials and supplies; retail sales of machines, machinery, or equipment used in mining, quarrying, compounding, processing, and manufacturing tangible personal property from 1% to 2% in FY 2008. The City also increased its sales tax on the retail sales of other tangible personal property from 3% to 4% in FY2008.

Source: City of Birmingham Revenue Division

City of Birmingham
Sales and Use Tax Revenues to Total Taxes
Last Nine Years
(in thousands)

Table B-2

Fiscal Year Ended June 30

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Breakdown of Tax Revenues:										
Sales and Use Tax	\$ 101,434	\$ 100,608	\$ 107,271	\$ 109,085	\$ 109,665	\$ 129,732	\$ 131,904	\$ 127,197	\$ 131,162	\$ 134,829
Occupational Tax	64,522	65,537	69,346	72,297	75,269	76,918	76,325	73,008	74,909	77,703
Property Tax	42,858	48,596	50,618	52,669	54,920	62,698	61,663	56,699	51,369	55,656
	<u>\$ 208,814</u>	<u>\$ 214,741</u>	<u>\$ 227,235</u>	<u>\$ 234,051</u>	<u>\$ 239,854</u>	<u>\$ 269,348</u>	<u>\$ 269,892</u>	<u>\$ 256,904</u>	<u>\$ 257,440</u>	<u>\$ 268,188</u>
 % of Sales & Use to Total Taxes	 48.58%	 46.85%	 47.21%	 46.61%	 45.72%	 48.17%	 48.87%	 49.51%	 50.95%	 50.27%

Note: In 2010 the City changed its accounting procedures for ad-valorem taxes appropriated to the Birmingham-Jefferson County Transit Authority. Approximately \$3.9 million was included in revenue in 2008 and 2009, but was excluded in 2010, as the County Tax Collector paid the taxes directly to the BJCTA. The corresponding expense was also excluded.

Source: Finance Department Data

City of Birmingham, Alabama
Ratios of Outstanding Debt by Type
Last Nine Fiscal Years

Table C-1

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>General Obligation Warrants</u>	<u>Revenue Warrants</u>	<u>Capital Leases</u>	<u>Total</u>	<u>Aggregate Income</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
2004	344,655,000	212,695,000	13,000,000	0	570,350,000	3,803,289,660	15.00%	\$2,349
2005	325,340,000	205,935,000	12,430,000	417,000	544,122,000	3,803,289,660	14.31%	\$2,241
2006	309,920,000	197,435,000	11,835,000	2,094,000	521,284,000	3,803,289,660	13.71%	\$2,147
2007	353,750,000	237,885,000	11,210,000	1,690,000	604,535,000	3,803,289,660	15.90%	\$2,490
2008	337,120,000	229,445,000	7,365,000	1,266,000	575,196,000	3,803,289,660	15.12%	\$2,369
2009	318,045,000	219,805,000	7,365,000	27,331,000	572,546,000	3,803,289,660	15.05%	\$2,358
2010	298,070,000	138,615,000	21,000,000	20,950,000	478,635,000	3,803,289,660	12.58%	\$1,971
2011	277,260,000	192,185,000	20,810,000	51,779	490,306,779	3,927,870,159	12.48%	\$2,310
2012	256,170,000	175,555,000	20,410,000	0	452,135,000	3,927,870,159	11.51%	\$2,130

Note: During 2011, capitalized leases, in the amount of \$17,505,538, were refinanced by G.O. Warrants

Source: City Finance Department data

Personal income computed from 2000 and 2010 census population and per capita income data (see table D-1).

City of Birmingham, Alabama
Ratio of Net General Obligation Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Table C-2

Fiscal year	Census Year	Population Number	Assessed Value*	Gross Bonded Debt**	Less Debt Service Funds	Net Bonded Debt	Ratio of Net Bonded Debt To Assessed Value (%)	Net Bonded Debt Per Capita
2003	2000	242,820	2,271,867,532	563,060,000	59,400,000	503,660,000	22.17%	\$ 2,074
2004	2000	242,820	2,422,011,707	570,350,000	58,850,000	511,500,000	21.12%	\$ 2,106
2005	2000	242,820	2,515,810,000	543,705,000	51,208,000	492,497,000	19.58%	\$ 2,028
2006	2000	242,820	2,567,735,000	519,190,000	45,161,000	474,029,000	18.46%	\$ 1,952
2007	2000	242,820	2,631,971,182	602,845,000	44,153,000	558,692,000	21.23%	\$ 2,301
2008	2000	242,820	2,810,565,632	566,565,000	43,205,000	523,360,000	18.62%	\$ 2,155
2009	2000	242,820	2,937,624,552	537,850,000	40,175,000	497,675,000	16.94%	\$ 2,050
2010	2000	242,820	2,880,265,253	436,685,000	36,317,088	400,367,912	13.90%	\$ 1,649
2011	2010	212,237	2,826,110,356	469,445,000	32,191,620	437,253,380	15.47%	\$ 2,060
2012	2010	212,237	2,755,748,375	431,725,000	29,668,690	402,056,310	14.59%	\$ 1,894

*Source: Jefferson County Tax Assessor and Department of Revenue; Shelby County Property Tax Commissioner and Judge of Probate

**Does not include revenue warrants and capitalized leases.

City of Birmingham, Alabama
Assessed Value and Estimated True Value of All Taxable Property
Last Six Tax Years

Table C-3

Tax Year Ending 30-Sep	Class 1 Property of Utilities		Class 2 All Unclassified Real and Personal Property		Class 3 Agriculture, Forest, Residential, Historic Property		Class 4 Motor Vehicles		Total	Total	Ratio of Assessed Value to Estimated True Value
	Assessed Value	Estimated True Value	Assessed Value	Estimated True Value	Assessed Value	Estimated True Value	Assessed Value	Estimated Value	Assessed Value	Estimated True Value	
2006	221,316,191	737,720,637	1,715,444,558	8,577,222,790	409,710,653	4,097,106,530	285,499,780.00	1,903,331,867	2,631,971,182	15,315,381,824	17.19%
2007	218,646,340	728,821,134	1,866,230,738	9,331,153,690	440,451,774	4,404,517,740	285,236,780.00	1,901,578,534	2,810,565,632	16,366,071,098	17.17%
2008	209,898,240	699,660,800	1,984,448,984	9,922,244,920	462,407,628	4,624,076,280	280,869,700.00	1,872,464,667	2,937,624,552	17,118,446,667	17.16%
2009	215,101,040	717,003,467	1,972,102,351	9,860,511,755	448,535,382	4,485,353,820	244,526,480.00	1,630,176,534	2,880,265,253	16,693,045,576	17.25%
2010	212,316,380	707,721,267	1,944,617,951	9,723,089,755	433,674,085	4,336,740,850	235,501,940.00	1,570,012,934	2,826,110,356	16,337,564,806	17.30%
2011	212,799,421	709,331,403	1,870,926,188	9,354,630,940	439,146,266	4,391,462,660	232,876,500.00	1,552,510,000	2,755,748,375	16,007,935,003	17.22%

⁽¹⁾ The classifications of property for ad valorem taxation, as set forth above, are established by Amendment No. 373 to the Constitution of Alabama of 1901, as amended.

The assessed values are provided by:

For Class I, II and III Property in Birmingham in Jefferson County, Alabama: Tax Assessor of Jefferson County

For Class I, II and III Property in Birmingham in Shelby County, Alabama: Property Tax Commissioner of Shelby County

For Class IV Property in Birmingham in Jefferson County, Alabama: Jefferson County Department of Revenue

For Class IV Property in Birmingham in Shelby County, Alabama: Judge of Probate of Shelby County

The estimated market values of property are the quotient of the assessed values of property in a classification divided by the assessment ratio applicable to that classification, as set forth below.

⁽²⁾ Class I Property consists of all property of utilities used in the business of such utilities and is assessed at the rates of thirty percent (30%) of the fair and reasonable market value thereof.

⁽³⁾ Class II Property consists of all real and personal property not otherwise classified in another class (generally commercial property) and is assessed at the ratio of twenty percent of the fair and reasonable market value thereof. Class II amounts do not include the amounts or values of any abatements, industrial exemptions, other exemptions or penalties with respect to such property.

⁽⁴⁾ Class III Property consists of all agricultural, forest, single-family owner-occupied residential property, and historic buildings and sites, and is assessed, upon application by the owner, at the ratio of ten percent of the current use value (not fair and reasonable market values of such property). The amounts shown above as assessed values of Class III property are net of, and do not include, the amount of any homestead exemptions with respect to such property.

⁽⁵⁾ Class IV Property consists of motor vehicles owned and operated by individuals for personal or private use, and not for hire, rent or compensation, and is assessed at the ratio of fifteen percent percent of the fair and reasonable market value thereof.

City of Birmingham, Alabama
Schedule of Direct and Overlapping Debt
Last Six Fiscal Years
(in thousands)

Table C-4

<u>Direct Debt</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
City of Birmingham:						
Gross bonded debt and warrants outstanding*	\$ 602,845	\$ 566,565	\$ 537,850	\$ 436,685	\$ 469,445	\$ 431,725
Less debt service funds net assets	<u>(44,153)</u>	<u>(43,205)</u>	<u>(40,175)</u>	<u>(36,317)</u>	<u>(32,192)</u>	<u>(29,668)</u>
Direct Debt	<u>558,692</u>	<u>523,360</u>	<u>497,675</u>	<u>400,368</u>	<u>437,253</u>	<u>402,057</u>
 <u>Overlapping Debt</u>						
Jefferson County, Alabama overlapping debt ¹	1,407,225	1,328,870	1,266,885	1,141,290	1,190,200	1,014,595
Jefferson County Board of Education ²	<u>90,910</u>	<u>86,150</u>	<u>81,160</u>	<u>75,930</u>	<u>81,680</u>	<u>85,930</u>
Total bonds and warrants outstanding	1,498,135	1,415,020	1,348,045	1,217,220	1,271,880	1,100,525
% of debt applicable to City of Birmingham	<u>31.7%</u>	<u>31.8%</u>	<u>31.4%</u>	<u>31.5%</u>	<u>31.3%</u>	<u>31.3%</u>
City of Birmingham Debt Burden	474,909	449,976	423,286	383,424	398,098	344,464
 Shelby County, Alabama ³	-	-	-	-	-	-
Shelby County, Alabama Board of Education ⁴	<u>161,420</u>	<u>154,930</u>	<u>155,390</u>	<u>161,610</u>	<u>155,120</u>	<u>144,080</u>
	161,420	154,930	155,390	161,610	155,120	144,080
% of debt applicable to City of Birmingham	<u>1.6%</u>	<u>1.7%</u>	<u>1.7%</u>	<u>1.7%</u>	<u>1.8%</u>	<u>1.8%</u>
City of Birmingham Debt Burden	<u>2,583</u>	<u>2,634</u>	<u>2,642</u>	<u>2,747</u>	<u>2,792</u>	<u>2,593</u>
 Total Overlapping Debt	477,492 #	452,610 #	425,928 #	386,172 #	400,891	347,058
 Total Direct and Overlapping Debt	<u>\$ 1,036,184</u>	<u>\$ 975,970</u>	<u>\$ 923,603</u>	<u>\$ 786,540</u>	<u>\$ 838,144</u>	<u>\$ 749,115</u>

The debt for schools of the Board of Education of the City of Birmingham, Alabama, is included in the City's general obligation debt shown above.

The figures for Jefferson County, the Jefferson County Board of Education, and the Shelby County Board of Education are for their fiscal years ended 9/30.

¹ Source: Jefferson County Director of Finance

² The entire debt of the Jefferson County Board of Education is paid by appropriations from specifically pledged taxes. No portion of this debt is paid from the school funds of the City of Birmingham.
Source: Jefferson County Board of Education

³ Shelby County reports no debt. Source: Shelby County Finance Manager

⁴ All of the gross debt of Shelby County Board of Education is payable from one of several specially pledged revenues, each of which produces a substantial margin of revenue above the necessary debt service requirements.
Source: Shelby County Board of Education

*Does not include capitalized leases and revenue warrants

City of Birmingham, Alabama
Property Taxes - Direct and Overlapping Governments
Birmingham, Jefferson and Shelby Counties
Last Ten Fiscal Years

Table C-5

(Per \$100 of Assessed Value)

Fiscal Year	City of Birmingham					Jefferson County				
	General Fund	Debt Service Fund	Board of Education Fund	Library	Total	County	County Schools	Total	State of Alabama	Total Tax
2003	\$0.90	\$1.20	\$1.98	\$0.05	\$4.13	\$1.35	\$0.82	\$2.17	\$0.65	\$6.95
2004	\$0.90	\$1.20	\$1.98	\$0.05	\$4.13	\$1.35	\$0.82	\$2.17	\$0.65	\$6.95
2005	\$0.90	\$1.20	\$1.98	\$0.05	\$4.13	\$1.35	\$0.82	\$2.17	\$0.65	\$6.95
2006	\$0.90	\$1.20	\$1.98	\$0.05	\$4.13	\$1.35	\$0.82	\$2.17	\$0.65	\$6.95
2007	\$0.90	\$1.20	\$1.98	\$0.05	\$4.13	\$1.35	\$0.82	\$2.17	\$0.65	\$6.95
2008	\$0.90	\$1.20	\$1.98	\$0.05	\$4.13	\$1.35	\$0.82	\$2.17	\$0.65	\$6.95
2009	\$0.90	\$1.20	\$1.98	\$0.05	\$4.13	\$1.35	\$0.82	\$2.17	\$0.65	\$6.95
2010	\$0.90	\$1.20	\$1.98	\$0.05	\$4.13	\$1.35	\$0.82	\$2.17	\$0.65	\$6.95
2011	\$0.90	\$1.20	\$1.98	\$0.05	\$4.13	\$1.35	\$0.82	\$2.17	\$0.65	\$6.95
2012	\$0.90	\$1.20	\$1.98	\$0.05	\$4.13	\$1.35	\$0.82	\$2.17	\$0.65	\$6.95

Source: Jefferson County Tax Assessor

Fiscal Year	City of Birmingham					Shelby County				
	General Fund	Debt Service Fund	Board of Education Fund	Library	Total	County	County Schools	Total	State of Alabama	Total Tax
2003	\$0.90	\$1.20	\$2.07	\$0.05	\$4.22	\$0.75	\$1.60	\$2.35	\$0.65	\$7.22
2004	\$0.90	\$1.20	\$2.07	\$0.05	\$4.22	\$0.75	\$1.60	\$2.35	\$0.65	\$7.22
2005	\$0.90	\$1.20	\$2.07	\$0.05	\$4.22	\$0.75	\$1.60	\$2.35	\$0.65	\$7.22
2006	\$0.90	\$1.20	\$2.07	\$0.05	\$4.22	\$0.75	\$1.60	\$2.35	\$0.65	\$7.22
2007	\$0.90	\$1.20	\$2.07	\$0.05	\$4.22	\$0.75	\$1.60	\$2.35	\$0.65	\$7.22
2008	\$0.90	\$1.20	\$2.07	\$0.05	\$4.22	\$0.75	\$1.60	\$2.35	\$0.65	\$7.22
2009	\$0.90	\$1.20	\$2.07	\$0.05	\$4.22	\$0.75	\$1.60	\$2.35	\$0.65	\$7.22
2010	\$0.90	\$1.20	\$2.07	\$0.05	\$4.22	\$0.75	\$1.60	\$2.35	\$0.65	\$7.22
2011	\$0.90	\$1.20	\$2.07	\$0.05	\$4.22	\$0.75	\$1.60	\$2.35	\$0.65	\$7.22
2012	\$0.90	\$1.20	\$2.07	\$0.05	\$4.22	\$0.75	\$1.60	\$2.35	\$0.65	\$7.22

Source: Shelby County Tax Assessor

**City of Birmingham
Estimated Legal Debt Margin
As of June 30, 2012**

Table C-6

Net Assessed Value of Real and Personal Property(1)	\$2,755,748,375
Debt Limit (20% of Assessed Value, see note below)	551,149,675
Outstanding General Obligation Bonds, Warrants and Leases(2)	\$ 452,480,628
Less Exemption for School and Sewer Debt(3)	(89,832,040)
Less Debt Service Fund Balance(4)	<u>(29,668,690)</u>
	<u>332,979,898</u>
Legal Debt Margin	\$ 218,169,777

(1) As reported by the Jefferson County Tax Assessor, Jefferson County Department of Revenue (motor vehicles) Shelby County Property Tax Commissioner and Shelby County License Officer (motor vehicles).

(2) Includes the aggregate principal amount of general obligation bonds, general obligation warrants, Economic Development Incentive Obligations (\$2,170,628), Birmingham Zoo Obligations (\$18,000,000) and the Funding Agreement for the Honda Project (\$585,000), all as of June 30, 2012. Does not include any other obligation of the City and does not reflect principal payments made on any obligations after June 30, 2012. Does not included the obligations of the city incurred pursuant to Amendment No. 772 to the Constitution of Alabama, as amended.

(3) Not less than the stated amount was issued for schools, water works or sewers and is not chargeable against the City's constitutional debt limit.

(4) Book Value as of June 30, 2012

Note: Section 225, as amended, of the Constitution of the State of Alabama limits debt of the City of Birmingham to 20% of the assessed value of taxable property. Excluded from this limitation is debt issued for schools and sewers (General Constitutional Debt Limitation).

Special Constitutional Debt Limitation for Economic Development Obligations

Amendment No. 772 to the constitution of Alabama authorizes the counties and municipalities within the State to use public funds for certain purposes intended to further the economic development of such political subdivisions. Amendment 772 authorizes any county or municipality to (i) acquire real property, buildings, plants, factories, facilities, machinery and equipment of any kind and to improve and develop such properties for use as sites for industry of any kind or as industrial parks, (ii) lease, sell, grant, exchange or otherwise convey all or any part of any real property, buildings, plants, factories, machinery and equipment or any industrial park project to any individual, firm, corporation or other entity, public or private, for the purpose of constructing, developing, equipping and operating industrial, commercial, research or service facilities of any kind or (iii) lend its credit to, or grant public funds and things of

value for the benefit of any individual, firm, corporation or other entity, public or private, for the purpose of promoting the economic and industrial development of such political subdivision.

Amendment 772 also authorizes counties and municipalities to issue bonds, warrants, notes and other evidences of indebtedness and to use the proceeds thereof in furtherance of the powers discussed in the paragraph immediately above, subject to the limitation that the aggregate principal amount of obligations issued for such purposes may not exceed fifty percent (50%) of the assessed value of taxable property in such county or municipality. Amendment No. 772 provides that the bonds, warrants, notes or other evidences of indebtedness may be secured by the full faith and credit of the issuer or may be limited as to the source of payment.

The issuance of bonds, warrants, notes and other evidences of indebtedness pursuant to Amendment No. 772 is not subject to the City's twenty percent constitutional debt limit. Pursuant to, and in accordance with, Amendment No. 772, in recent years the City has delivered agreements with various entities for economic development purposes as provided in Amendment No. 772, whereby the City agrees to rebate, over a stated period of years, to the other parties to such agreements, certain percentages of the proceeds of various City taxes received by the City from the construction and operation by such other parties of the facilities described in such agreements. The obligations of the City under such agreements (the "Amendment No. 772 Obligations") (i) are not general obligations of the City and (ii) are limited obligations of the City payable solely from the tax proceeds specified in such agreements, and produced solely from the facilities and projects described in such agreements, when and if such tax proceeds are actually received by the City, except a Funding Agreement with the Commercial Development Authority of the City of Birmingham, which is a general obligation and a Funding Agreement with the Public Athletic, Cultural and Entertainment Board of the City of Birmingham, which is a general obligation. The economic development office of the City, based on certain assumptions which it believes to be reasonable, has projected the total tax revenues to be received by the City from each of the facilities for which such a tax rebate agreement is in effect, will exceed the amount of the City tax proceeds to be rebated pursuant to such agreement.

The City has obligations outstanding under Amendment No. 772 in the aggregate amount of approximately \$162,520,048. These obligations are limited obligations of the City payable generally as rebates of taxes received by the City from the private entity, except for funding agreements to cover bonds issued by the Commercial Development Authority of the City of Birmingham (currently outstanding in the principal amount of \$71,400,000) and the Public Athletic and Entertainment Board of the City of Birmingham (currently outstanding in the principal amount of \$64,000,000), both, of which, are general obligations of the City. The City treats the obligations thereof under Amendment No. 772 (i) as exempt from the general constitutional debt limitation and (ii) as subject to the special constitutional debt limit under Amendment No. 772.

City of Birmingham, Alabama
Property Taxes Levied and Collected for
The City of Birmingham
Last Ten Fiscal Years

Table C-7

City of Birmingham			
Beginning October 1	Total Taxes Levied	Total Taxes	
		Collected	Percentage
2002	52,780,331	52,101,007	98.71%
2003	59,048,850	58,356,048	98.83%
2004	61,440,447	61,078,411	99.41%
2005	62,890,413	62,386,134	99.20%
2006	66,224,605	64,416,414	97.27%
2007	71,268,264	69,999,820	98.22%
2008	74,939,011	71,593,360	95.54%
2009	74,462,772	71,390,609	95.87%
2010	72,971,185	68,536,652	93.92%
2011	71,571,040	67,909,751	94.88%

*Jefferson County only

Sources: Jefferson County Tax Assessor and Tax Collector

City of Birmingham, Alabama
Principal Property Taxpayers
Current Fiscal Year and Nine Years Prior

Table C-8

Assessed Entity	Fiscal Year Ended June 30, 2012			Fiscal Year Ended June 30, 2003		
	Total Assessed Value of Property Within City Limits	Rank	% of Total Assessed Valuation	Total Assessed Value of Property Within City Limits	Rank	% of Total Assessed Valuation
Alabama Power Company	\$121,989,780	1	4.42%	\$85,098,180	1	3.01%
American Cast Iron & Pipe Company	\$50,549,619	2	1.83%	\$20,113,280	4	0.71%
AT & T Property Tax Group	39,184,960	3	1.42%	18,468,220	5	0.65%
GSA Birmingham Realty	29,020,540	4	1.05%	29,020,540	3	1.03%
BBVA Compass Bank	22,477,980	5	0.81%	14,936,700	6	0.53%
SL Regions LLC	20,345,980	6	0.74%			
AT&T Mobility	18,258,540	7	0.66%			
Alabama Gas Corp	16,107,320	8	0.58%	13,816,640	8	0.49%
Chase Bank of Texas NA	13,336,000	9	0.48%	13,336,000	9	0.47%
Tish Robert Preston	11,716,000	10	0.42%	14,933,500	7	0.53%
Bellsouth Telecommunications				59,960,080	2	2.12%
Murray-Ash Communications				15,684,300	10	
	<u>\$342,986,719</u>		<u>12.43%</u>	<u>\$285,367,440</u>		<u>10.10%</u>

Source: Jefferson and Shelby Counties Tax Collectors

City of Birmingham, Alabama
Demographic and Economic Statistics
Last Ten Fiscal Years

Table D-1

Year	Population	Median	Per Capita	Birmingham Hoover	
		Household	Personal	Unemployment	MA Annual Average
		Income	Income	Rate	Unemployment
					Rate
2003	242,820	31,851	15,663	8.5%	4.7%
2004	242,820	31,851	15,663	8.2%	4.4%
2005	242,820	31,851	15,663	5.0%	3.5%
2006	242,820	31,851	15,663	4.7%	3.2%
2007	242,820	31,851	15,663	3.7%	3.1%
2008	242,820	31,851	15,663	4.9%	4.5%
2009	242,820	31,851	15,663	12.4%	9.2%
2010	242,820	31,851	15,663	9.7%	8.9%
2011	212,237	30,212	18,507	11.2%	8.3%
2012	212,237	30,212	18,507	8.9%	7.0%

Population figures based on 2000 and 2010 census

Unemployment rates source: Alabama Department of Labor in cooperation with the Bureau of Labor Statistics. 2012 MA rate is preliminary October 2012 rate.

Personal income and per capital personal income source: U. S. Bureau of the Census 2010

**City of Birmingham
Principal Private Sector Employers
Current and Nine Years Prior**

Table D-2

Employer	-----August 2012-----		-----May 2003-----	
	# of Employees	Rank	# of Employees	Rank
University of Alabama in Birmingham	21,550	1	16,271	1
Regions Financial Corporation/AmSouth	6,000	2	6,624	2
Bellsouth/ATT	7,500	3	5,750	3
St. Vincent's Health System	4,703	4		not ranked
Honda Manufacturing of Alabama, LLC**	4,500	5		-
Baptist Health System	4,000	6	6,000	4
Children's Health System	3,652	7	2,800	8
Mercedes-Benz U. S International, Inc.**	3,500	8		-
Southern Nuclear Operating Company	3,200	9	*	
Alabama Power Company	3,000	10	3,000	7
Blue Cross-Blue Shield of Alabama	3,000	11	2,750	9
BBVA Compass Bank	2,804	12		not ranked
Brookwood Medical Center	2,600	13		not ranked
Southern Company Generation	2,500	14	*	
American Cast Iron Pipe	2,400	15	2400	10
U. S. Stee-Fairfield Works (tie)	2,400	15	2400	10
Southern Company Services			3207	6
Bruno's Incorporated			5374	5

*Part of Southern Company

Does not include aggregated multiple location employers

Source: Birmingham Business Alliance/Birmingham Chamber of Commerce

City of Birmingham, Alabama
Number of City Employees by Function/Program
Last Ten Fiscal Years

Table E-1

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government:										
City Clerk	9	8	8	8	12	12	12	12	8	10
City Council	43	43	43	44	44	44	44	43	39	40
Community Development	11	11	11	11	11	11	11	9	7	7
Finance	119	116	119	118	117	111	115	112	104	106
Law	35	34	38	36	35	34	34	34	36	38
Mayor's Office	48	53	53	53	67	65	82	78	79	89
Equipment Management	89	86	86	86	86	83	83	99	89	85
Information Management Services	61	58	65	61	61	55	45	53	42	43
Personnel	18	17	18	19	38	35	35	32	29	32
Public Safety:										
Planning, Engineering, & Permits	235	226	225	213	204	194	194	172	141	149
Communications	0	0	0	0	0	0	0	9	0	0
Parole & Probation	11	10	10	10	10	10	10	0	0	0
Municipal Court	71	67	66	64	66	63	61	66	66	66
Traffic Engineering	89	86	86	84	86	84	84	78	63	65
Police:										
Officers	892	862	864	859	859	859	909	822	839	854
Civilians	325	327	323	620	320	322	373	373	283	289
Fire:										
Officers	628	628	628	648	648	648	648	626	634	617
Civilians	60	58	58	75	61	61	61	61	63	73
Streets & Sanitation:										
Public Works	1,204	1,177	1,174	1,166	1,164	1,088	1,071	982	906	878
Horticulture & Urban Forestry	0	0	0	0	0	0	0	153	0	0
Culture & Recreation:										
State Fairgrounds	2	1	1	1	5	5	5	4	3	14
Auditorium	39	34	34	23	23	21	21	21	31	28
Arlington	8	8	8	7	12	12	12	10	9	10
Library	308	305	305	305	300	300	326	320	290	292
Museum of Art	32	30	30	28	42	42	42	40	39	39
Parks & Recreation	278	264	265	263	269	305	303	172	257	245
Southern Museum of Flight	6	6	6	6	9	9	9	9	8	9
Sloss Furnaces	18	17	17	14	14	14	14	12	8	5
Totals	<u>4,639</u>	<u>4,532</u>	<u>4,541</u>	<u>4,822</u>	<u>4,563</u>	<u>4,487</u>	<u>4,604</u>	<u>4,402</u>	<u>4,073</u>	<u>4,083</u>

Source: City Budget Office

Note: The Public Works Department was formed in FY 2001 eliminating the Street & Sanitation Department; the Horticulture Department was merged with the Public Works Department in FY 2001.

City of Birmingham, Alabama
Capital Asset Statistics by Function/Program
Last Nine Fiscal Years

Table E-2

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police precincts	4	4	4	4	4	4	4	5	4
Police substations	6	6	6	6	6	6	4	3	6
Fire stations	30	30	31	31	31	31	31	31	31
Street lights	28,000	28,000	28,000	28,000	39,000	39,000	39,000	39,000	32,000
Traffic signals	700	700	700	700	710	710	710	710	702
Street miles	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Parks & recreation:									
# of Parks	106	106	106	106	111	111	112	114	114
Acreage of Parks	2,137	2,137	2,137	2,137	2,635	2,635	2,635	2,683	2,683
Recreation/community centers	18	18	18	18	18	18	19	20	22
Playgrounds	73	73	73	73	79	79	79	81	78
Baseball/softball fields	45	45	45	45	40	40	40	42	35
Soccer/football fields	18	18	18	18	15	15	15	16	15
Libraries:									
Central	1	1	1	1	1	1	1	1	1
Branches	19	19	19	19	19	19	19	18	18

Source: Various City departments

Table E3

BIRMINGHAM E911 CALL CENTER STATISTICS 2008-2012

Calls Answered	2008	2009	2010	2011	2012	Total
911 Calls			398,862	421,071	245,198	1,065,131
328-9311 Calls			220,728	188,382	44,248	453,358
254-0800 Calls			150,113	161,572	93,984	405,669
Total			769,703	771,025	383,430	1,924,158

Calls Dispatched	2008	2009	2010	2011	2012	Total
Day	261,598	252,292	256,855	261,347	236,061	1,268,153
Evening	330,979	320,503	313,418	321,500	276,779	1,563,179
Morning	155,872	142,710	154,531	137,162	124,639	714,914
Total	784,449	715,505	724,804	720,009	637,479	3,546,246

Arrest/ Traffic Calls	2007	2008	2009	2010	2011	2012
Arrest Calls	21,171	26,784	25,591	24,863	17,170	14,808
Traffic Citations Calls	26,132	37,861	32,846	37,375	28,815	25,999
Total	47,303	64,645	58,437	62,238	45,985	40,807

City of Birmingham
Police Department Statistics

Table E-4

2012 / JANUARY - JUNE								
CRIME	HOMICIDE	RAPE	ROBBERY	ASSAULT	BURGLARY	THEFT	AUTO THEFT	TOTAL PART ONES
TOTAL	33	74	461	811	2280	4559	518	8736
CLEARED	STATS INCOMPLETE AND NOT AVAILABLE AT THIS TIME							
RATE								
2011								
CRIME	HOMICIDE	RAPE	ROBBERY	ASSAULT	BURGLARY	THEFT	AUTO THEFT	TOTAL PART ONES
TOTAL	54	182	1,011	1,916	5,806	10,522	1,325	20816
CLEARED	30	52	309	536	627	891	217	2662
RATE	56%	29%	31%	28%	11%	8%	16%	13%
2010								
CRIME	HOMICIDE	RAPE	ROBBERY	ASSAULT	BURGLARY	THEFT	AUTO THEFT	TOTAL PART ONES
TOTAL	58	155	881	1,702	5,464	11,042	1,299	20601
CLEARED	NA	NA	NA	NA	NA	NA	NA	NA
RATE	NA	NA	NA	NA	NA	NA	NA	NA
2009								
CRIME	HOMICIDE	RAPE	ROBBERY	ASSAULT	BURGLARY	THEFT	AUTO THEFT	TOTAL PART ONES
TOTAL	65	198	1,150	1,399	5,019	11,546	1,594	20971
CLEARED	37	89	341	245	411	1012	138	2273
RATE	57%	45%	30%	18%	8%	9%	9%	11%
2008								
CRIME	HOMICIDE	RAPE	ROBBERY	ASSAULT	BURGLARY	THEFT	AUTO THEFT	TOTAL PART ONES
TOTAL	82	212	1,499	1,456	5,153	12,761	2,140	23303
CLEARED	51	76	650	256	411	1,312	251	3007
RATE	62%	36%	43%	18%	8%	10%	12%	13%
2007								
CRIME	HOMICIDE	RAPE	ROBBERY	ASSAULT	BURGLARY	THEFT	AUTO THEFT	TOTAL PART ONES
TOTAL	86	229	1609	1396	4,864	12,528	2,246	22958
CLEARED	32	91	665	236	487	1374	302	3187
RATE	37%	40%	41%	17%	10%	11%	13%	14%
2006								
CRIME	HOMICIDE	RAPE	ROBBERY	ASSAULT	BURGLARY	THEFT	AUTO THEFT	TOTAL PART ONES
TOTAL	104	220	1,429	1,422	4,813	12,113	2,081	22182
CLEARED	67	93	646	230	511	1,305	374	3226
RATE	64%	42%	45%	16%	11%	11%	18%	15%
2005								
CRIME	HOMICIDE	RAPE	ROBBERY	ASSAULT	BURGLARY	THEFT	AUTO THEFT	TOTAL PART ONES
TOTAL	104	241	1,429	1,675	4,933	11,962	2,028	22372
CLEARED	65	101	661	832	481	1,316	292	3748
RATE	63%	42%	46%	50%	10%	11%	14%	17%
2004								
CRIME	HOMICIDE	RAPE	ROBBERY	ASSAULT	BURGLARY	THEFT	AUTO THEFT	TOTAL PART ONES
TOTAL	59	240	1,369	1,593	5,156	11,970	2,351	22738
CLEARED	36	110	740	870	440	1,406	437	4039
RATE	61%	46%	54%	55%	9%	12%	19%	18%
2003								
CRIME	HOMICIDE	RAPE	ROBBERY	ASSAULT	BURGLARY	THEFT	AUTO THEFT	TOTAL PART ONES
TOTAL	85	204	1,352	1,706	4,831	11,934	2,809	22921
CLEARED	42	90	720	921	454	1452	531	4210
RATE	49%	44%	53%	54%	9%	12%	19%	18%

2008 - 2012 Permit Valuations and Counts

Table E-5

2008 Permits		
Permit Type	Valuation	Count
BLD	\$590,076,464.00	2,646
ELE	\$85,320,203.00	4,169
GAS	\$3,634,460.00	954
MEC	\$61,915,171.00	1,028
MFD	\$558,207.00	26
PLB	\$23,736,864.00	1,166
Totals	\$765,241,369.00	9,989

2009 Permits		
Permit Type	Valuation	Count
BLD	\$479,714,373.00	2,245
ELE	\$99,314,427.00	3,287
GAS	\$2,448,995.00	889
MEC	\$46,375,977.00	741
MFD	\$158,788.00	9
PLB	\$15,451,502.00	939
Totals	\$643,464,062.00	8,110

2010 Permits		
Permit Type	Valuation	Count
BLD	\$431,983,703.00	2,117
ELE	\$56,307,331.00	2,989
GAS	\$230,061.00	1,035
MEC	\$79,027,620.00	813
MFD	\$228,272.00	15
PLB	\$46,690,811.00	868
Totals	\$614,467,798.00	7,837

2011 Permits		
Permit Type	Valuation	Count
BLD	\$304,101,510.00	2,441
ELE	\$107,042,361.00	3,506
GAS	\$1,179,574.00	991
MEC	\$37,734,485.00	926
MFD	\$490,545.00	14
PLB	\$19,360,273.00	1,001
Totals	\$469,908,748.00	8,879

2012 Permits		
Permit Type	Valuation	Count
BLD	\$866,620,673.00	2,446
ELE	\$49,121,362.00	3,780
GAS	\$1,125,387.00	829
MEC	\$32,280,820.00	823
MFD	\$355,427.00	13
PLB	\$15,993,395.00	878
Totals	\$965,497,064.00	8,769

City of Birmingham, Alabama
Debt Service Schedules
General Obligation Warrants and Bonds

Table F-1

Fiscal Year Ending June 30	General Obligation Warrants			General Obligation Bonds			Total General Obligation Debt		
	Principal	Interest (Net)	Total Debt Service	Principal	Interest (Net)	Total Debt Service	Principal	Interest (Net)	Total Debt Service
2013	14,385,000	7,152,523	21,537,523	22,225,000	11,870,373	34,095,373	36,610,000	19,022,896	55,632,896
2014	15,315,000	6,670,505	21,985,505	20,225,000	10,862,924	31,087,924	35,540,000	17,533,429	53,073,429
2015	11,735,000	6,033,519	17,768,519	21,230,000	9,822,643	31,052,643	32,965,000	15,856,161	48,821,161
2016	12,230,000	5,518,788	17,748,788	20,065,000	8,843,499	28,908,499	32,295,000	14,362,286	46,657,286
2017	13,730,000	4,987,454	18,717,454	13,275,000	8,004,518	21,279,518	27,005,000	12,991,971	39,996,971
2018	14,360,000	4,364,222	18,724,222	15,835,000	7,308,268	23,143,268	30,195,000	11,672,490	41,867,490
2019	5,880,000	3,835,983	9,715,983	15,700,000	6,512,643	22,212,643	21,580,000	10,348,626	31,928,626
2020	6,060,000	3,606,436	9,666,436	8,735,000	5,723,643	14,458,643	14,795,000	9,330,079	24,125,079
2021	5,460,000	3,365,099	8,825,099	6,985,000	5,376,833	12,361,833	12,445,000	8,741,932	21,186,932
2022	5,620,000	3,158,053	8,778,053	5,855,000	5,038,055	10,893,055	11,475,000	8,196,108	19,671,108
2023	5,815,000	2,927,602	8,742,602	7,835,000	4,701,033	12,536,033	13,650,000	7,628,635	21,278,635
2024	5,680,000	2,696,441	8,376,441	5,810,000	4,329,630	10,139,630	11,490,000	7,026,071	18,516,071
2025	5,840,000	2,469,414	8,309,414	6,115,000	4,035,475	10,150,475	11,955,000	6,504,889	18,459,889
2026	6,030,000	2,220,012	8,250,012	9,035,000	3,679,313	12,714,313	15,065,000	5,899,324	20,964,324
2027	4,710,000	1,969,739	6,679,739	9,485,000	3,262,613	12,747,613	14,195,000	5,232,352	19,427,352
2028	4,915,000	1,763,257	6,678,257	9,960,000	2,825,100	12,785,100	14,875,000	4,588,357	19,463,357
2029	5,135,000	1,542,527	6,677,527	10,455,000	2,365,763	12,820,763	15,590,000	3,908,290	19,498,290
2030	5,370,000	1,311,178	6,681,178	10,985,000	1,883,363	12,868,363	16,355,000	3,194,541	19,549,541
2031	3,680,000	1,068,984	4,748,984	11,530,000	1,376,775	12,906,775	15,210,000	2,445,759	17,655,759
2032	3,845,000	909,713	4,754,713	12,110,000	844,875	12,954,875	15,955,000	1,754,588	17,709,588
2033	3,995,000	757,925	4,752,925	12,720,000	286,200	13,006,200	16,715,000	1,044,125	17,759,125
2034	2,010,000	597,597	2,607,597				2,010,000	597,597	2,607,597
2035	2,085,000	522,423	2,607,423				2,085,000	522,423	2,607,423
2036	2,165,000	444,444	2,609,444				2,165,000	444,444	2,609,444
2037	2,245,000	363,473	2,608,473				2,245,000	363,473	2,608,473
2038	2,330,000	279,510	2,609,510				2,330,000	279,510	2,609,510
2039	2,420,000	189,805	2,609,805				2,420,000	189,805	2,609,805
2040	2,510,000	96,635	2,606,635				2,510,000	96,635	2,606,635
2041	0	0	0				0	0	0
Total	175,555,000	70,823,261	246,378,261	256,170,000	108,953,534	365,123,534	431,725,000	179,776,795	611,501,795

General obligation warrants are paid from the City's General Fund and general obligation bonds are paid from the City's Bond Reserve Fund, which receives 12 mills of ad-valorem tax.

City of Birmingham

Debt Service Schedules

Debt of Conduit Issuers that is a General Obligation of the City

The Commercial Development Authority of the City of Birmingham, Revenue Bonds

Table F-2

Fiscal Year Ending June 30	Series 2011-A (Tax-Exempt)			Series 2011-B (Federally Taxable)			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
			Debt Service			Debt Service			Debt Service
2013		\$3,118,988	\$3,118,988	\$845,000	\$790,200	\$1,635,200	\$845,000	\$3,909,188	\$4,754,188
2014		3,118,988	3,118,988	940,000	739,500	1,679,500	940,000	3,858,488	4,798,488
2015		3,118,988	3,118,988	1,045,000	683,100	1,728,100	1,045,000	3,802,088	4,847,088
2016		3,118,988	3,118,988	1,160,000	620,400	1,780,400	1,160,000	3,739,388	4,899,388
2017		3,118,988	3,118,988	1,280,000	550,800	1,830,800	1,280,000	3,669,788	4,949,788
2018		3,118,988	3,118,988	1,400,000	474,000	1,874,000	1,400,000	3,592,988	4,992,988
2019		3,118,988	3,118,988	1,485,000	390,000	1,875,000	1,485,000	3,508,988	4,993,988
2020		3,118,988	3,118,988	1,575,000	300,900	1,875,900	1,575,000	3,419,888	4,994,888
2021		3,118,988	3,118,988	1,670,000	206,400	1,876,400	1,670,000	3,325,388	4,995,388
2022		3,118,988	3,118,988	1,770,000	106,200	1,876,200	1,770,000	3,225,188	4,995,188
2023	1,875,000	3,118,988	4,993,988				1,875,000	3,118,988	4,993,988
2024	1,970,000	3,025,238	4,995,238				1,970,000	3,025,238	4,995,238
2025	2,070,000	2,926,738	4,996,738				2,070,000	2,926,738	4,996,738
2026	2,170,000	2,823,238	4,993,238				2,170,000	2,823,238	4,993,238
2027	2,280,000	2,714,738	4,994,738				2,280,000	2,714,738	4,994,738
2028	2,395,000	2,600,738	4,995,738				2,395,000	2,600,738	4,995,738
2029	2,515,000	2,480,988	4,995,988				2,515,000	2,480,988	4,995,988
2030	2,645,000	2,348,950	4,993,950				2,645,000	2,348,950	4,993,950
2031	2,785,000	2,210,088	4,995,088				2,785,000	2,210,088	4,995,088
2032	2,805,000	2,063,875	4,868,875				2,805,000	2,063,875	4,868,875
2033	3,085,000	1,909,600	4,994,600				3,085,000	1,909,600	4,994,600
2034	3,255,000	1,739,925	4,994,925				3,255,000	1,739,925	4,994,925
2035	3,435,000	1,560,900	4,995,900				3,435,000	1,560,900	4,995,900
2036	3,620,000	1,371,975	4,991,975				3,620,000	1,371,975	4,991,975
2037	3,820,000	1,172,875	4,992,875				3,820,000	1,172,875	4,992,875
2038	4,030,000	962,775	4,992,775				4,030,000	962,775	4,992,775
2039	4,255,000	741,125	4,996,125				4,255,000	741,125	4,996,125
2040	4,485,000	507,100	4,992,100				4,485,000	507,100	4,992,100
2041	4,735,000	260,425	4,995,425				4,735,000	260,425	4,995,425
Total	\$58,230,000	\$67,730,150	\$125,960,150	\$13,170,000	\$4,861,500	\$18,031,500	\$71,400,000	\$72,591,650	\$143,991,650

The above amounts are a line item in the City's General Fund Budget for each fiscal year pursuant to the associated Funding Agreement.

The Bonds financed the construction of a hotel and entertainment district adjacent to the Birmingham-Jefferson Convention Center, located in downtown Birmingham. The appropriation continues a long-standing amount appropriated for the BJCC.

City of Birmingham
Debt Service Schedules

Table F-3

Debt of Conduit Issuers that is a General Obligation of the City
The Public Athletic Cultural and Entertainment Board of the City of Birmingham, Revenue Bonds

Fiscal Year Ending	Series 2011-A (Tax-Exempt)			Series 2011-B (Federally Taxable) No. R-2			Series 2011-B (Federally Taxable) No. R-1			Series B	
	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service	Total Debt Service	Total Debt Service
June 30											
2013	\$1,080,000	\$1,713,714	\$2,793,714	\$0	\$223,600	\$223,600	\$0	\$194,800	\$194,800	\$418,400	\$418,400
2014	1,390,000	1,675,553	3,065,553	0	223,600	223,600	0	194,800	194,800	418,400	418,400
2015	1,435,000	1,631,906	3,066,906	70,000	221,644	291,644	85,000	192,730	277,730	569,374	569,374
2016	1,480,000	1,586,870	3,066,870	75,000	217,591	292,591	90,000	188,469	278,469	571,060	571,060
2017	1,525,000	1,540,442	3,065,442	80,000	213,259	293,259	90,000	184,086	274,086	567,345	567,345
2018	1,570,000	1,492,625	3,062,625	85,000	208,647	293,647	95,000	179,581	274,581	568,228	568,228
2019	1,620,000	1,443,339	3,063,339	90,000	203,756	293,756	100,000	174,833	274,833	568,589	568,589
2020	1,670,000	1,392,509	3,062,509	95,000	198,585	293,585	105,000	169,841	274,841	568,426	568,426
2021	1,720,000	1,340,133	3,060,133	100,000	193,135	293,135	110,000	164,606	274,606	567,741	567,741
2022	1,775,000	1,286,135	3,061,135	105,000	187,405	292,405	115,000	159,127	274,127	566,532	566,532
2023	1,830,000	1,230,438	3,060,438	110,000	181,396	291,396	125,000	153,405	278,405	569,801	569,801
2024	1,885,000	1,173,041	3,058,041	115,000	175,107	290,107	130,000	147,318	277,318	567,424	567,424
2025	1,945,000	1,113,868	3,058,868	125,000	168,399	293,399	135,000	140,865	275,865	569,264	569,264
2026	2,005,000	1,052,840	3,057,840	130,000	161,272	291,272	140,000	134,169	274,169	565,440	565,440
2027	2,065,000	1,363,569	3,428,569	120,000	172,794	292,794	120,000	154,105	274,105	566,899	566,899
2028	1,385,000	1,667,188	3,052,188	105,000	184,275	289,275	100,000	173,950	273,950	563,225	563,225
2029	1,460,000	1,588,950	3,048,950	115,000	176,575	291,575	105,000	166,600	271,600	563,175	563,175
2030	1,540,000	1,506,450	3,046,450	120,000	168,175	288,175	115,000	158,725	273,725	561,900	561,900
2031	1,625,000	1,419,413	3,044,413	130,000	159,250	289,250	125,000	150,325	275,325	564,575	564,575
2032	1,715,000	1,327,563	3,042,563	140,000	149,800	289,800	135,000	141,225	276,225	566,025	566,025
2033	1,810,000	1,230,625	3,040,625	150,000	139,650	289,650	140,000	131,600	271,600	561,250	561,250
2034	1,905,000	1,128,463	3,033,463	160,000	128,800	288,800	150,000	121,450	271,450	560,250	560,250
2035	2,010,000	1,020,800	3,030,800	170,000	117,250	287,250	165,000	110,600	275,600	562,850	562,850
2036	2,125,000	907,088	3,032,088	185,000	104,825	289,825	175,000	98,875	273,875	563,700	563,700
2037	2,240,000	787,050	3,027,050	200,000	91,525	291,525	190,000	86,275	276,275	567,800	567,800
2038	2,365,000	660,413	3,025,413	210,000	77,350	287,350	200,000	72,800	272,800	560,150	560,150
2039	2,495,000	526,763	3,021,763	230,000	62,125	292,125	215,000	58,450	273,450	565,575	565,575
2040	2,630,000	385,825	3,015,825	245,000	45,850	290,850	230,000	43,225	273,225	564,075	564,075
2041	2,775,000	237,188	3,012,188	260,000	28,350	288,350	250,000	26,775	276,775	565,125	565,125
2042	<u>2,925,000</u>	<u>80,438</u>	<u>3,005,438</u>	<u>280,000</u>	<u>9,625</u>	<u>289,625</u>	<u>265,000</u>	<u>9,100</u>	<u>274,100</u>	<u>563,725</u>	<u>563,725</u>
Total	\$56,000,000	\$35,511,194	\$91,511,194	\$4,000,000	\$4,593,611	\$8,593,611	\$4,000,000	\$4,082,710	\$8,082,710	\$16,676,320	\$16,676,320

These bonds financed the acquisition of property for, and the construction of, a minor league baseball park in the City center. The Series A bonds are payable from the a lodgings tax in the City, levied at a rate of 3.5%. The Series B bonds are payable from project revenues. The Bonds are subject to Mandatory Tender on December 14, 2026. The Series A bonds carry an interest rate of 3.09%. The above schedule assumes an interest rate of 5.50% after the tender date. The Series B R-1 bonds carry an interest rate of 4.87%. The Series B R-2 bonds carry an interest rate of 5.59%. The above schedule assumes an interest rate of 7.00% after the tender date. Interest on the Series B bonds coming due through October 1, 2013 is on deposit with the Trustee. The Bonds are prepayable with a yield maintenance premium.

City of Birmingham
Special Lodgings Tax Fund
Revenue from 3.5% Lodgings Tax

Table F-4

Fiscal Year	Revenue
2011	\$1,338,321 *
2012	\$3,271,345

*Reflects five months' collections. Tax became effective January 15, 2011.
The tax is pledged to the payment of a Funding Agreement with
the Public Athletic, Cultural and Entertainment Board of the
City of Birmingham

**City of Birmingham
Debt Service Schedules**

Privately Placed Debt

General Obligation Warrants Series 2012-RB and 2012-CTB

Table F-5

Fiscal Year Ending June 30	Series 2012-RB (Federally Taxable)			Series 2012-CTB (Federally Taxable)			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
			Debt Service			Debt Service			Debt Service
2013	\$0	\$110,723	\$110,723	\$0	\$20,234	\$20,234	\$0	\$130,957	\$130,957
2014	325,000	208,976	533,976	75,000	37,734	112,734	400,000	246,711	646,711
2015	335,000	195,809	530,809	75,000	34,453	109,453	410,000	230,262	640,262
2016	350,000	182,144	532,144	80,000	31,063	111,063	430,000	213,206	643,206
2017	365,000	167,879	532,879	85,000	27,453	112,453	450,000	195,332	645,332
2018	380,000	153,017	533,017	85,000	23,734	108,734	465,000	176,751	641,751
2019	395,000	137,555	532,555	90,000	19,906	109,906	485,000	157,462	642,462
2020	410,000	121,496	531,496	95,000	15,859	110,859	505,000	137,355	642,355
2021	430,000	104,738	534,738	100,000	11,594	111,594	530,000	116,331	646,331
2022	445,000	87,281	532,281	105,000	7,109	112,109	550,000	94,391	644,391
2023	465,000	69,127	534,127	110,000	2,406	112,406	575,000	71,533	646,533
2024	480,000	50,274	530,274				480,000	50,274	530,274
2025	500,000	30,723	530,723				500,000	30,723	530,723
2026	520,000	10,374	530,374				520,000	10,374	530,374
Total	\$5,400,000	\$1,630,115	\$7,030,115	\$900,000	\$231,547	\$1,131,547	\$6,300,000	\$1,861,661	\$8,161,661

The Warrants pay principal annually on August 1 and interest on February 1 and August 1. The Series 2012-RB warrants carry an interest rate of 3.99% and the Series 2012-CTB warrants carry an interest rate of 4.375%. Both Series are prepayable until August 1, 2013 with a 3% premium, August 1, 2013 through July 31, 2014 with a 2% premium, August 1, 2014 through July 31, 2015 with a 1% premium and thereafter with no premium.

City of Birmingham
Debt Service Schedules
Privately Placed Debt
General Obligation Refunding Bonds Series 2011

Table F-6

Fiscal		Series 2011		
Year				
Ending				Total
June 30		Principal	Interest	Debt Service
	2013	<u>\$4,235,000</u>	<u>\$76,230</u>	<u>\$4,311,230</u>
Total		\$4,235,000	\$76,230	\$4,311,230

The Bonds pay principal on April 1 and interest on April 1 and October 1.
 The Bonds carry an interest rate of 1.80% and are not prepayable.

City of Birmingham
Debt Service Schedules
Privately Placed Debt

Table F-7

Tax Increment Financing District I, Revenue Warrants

Fiscal Year Ending June 30	Warrant No. 1			Warrant No. 2			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
			Debt Service			Debt Service			Debt Service
2013	\$365,000	\$592,017	\$957,017	\$490,000	\$277,077	\$767,077	\$855,000	\$869,094	\$1,724,094
2014	365,000	575,774	940,774	775,000	248,729	1,023,729	1,140,000	824,504	1,964,504
2015	380,000	559,254	939,254	790,000	217,184	1,007,184	1,170,000	776,437	1,946,437
2016	415,000	541,639	956,639	840,000	184,224	1,024,224	1,255,000	725,863	1,980,863
2017	425,000	522,931	947,931	860,000	150,187	1,010,187	1,285,000	673,118	1,958,118
2018	435,000	503,888	938,888	900,000	114,433	1,014,433	1,335,000	618,321	1,953,321
2019	475,000	483,678	958,678	945,000	77,467	1,022,467	1,420,000	561,145	1,981,145
2020	485,000	462,299	947,299	975,000	38,734	1,013,734	1,460,000	501,033	1,961,033
2021	10,125,000	186,233	10,311,233	425,000	4,293	429,293	10,550,000	190,525	10,740,525
2022									
2023									
2024									
2025									
2026									
Total	\$13,470,000	\$4,427,713	\$17,897,713	\$7,000,000	\$1,312,327	\$8,312,327	\$20,470,000	\$5,740,040	\$26,210,040

The Warrant No. 1 carries an interest rate of 4.45% and Warrant No. 2 carries an interest rate of 4.04%. Principal and interest on both warrants is payable monthly. Both Warrants are prepayable beginning November 5, 2019 with a yield maintenance premium.

The Warrants are payable from Ad-valorem taxes collected in the TIF District in excess of a base year amount. The District includes a large portion of the city center of the City. The Warrants are also secured by an appropriation agreement whereby the City agreed to appropriate funds from any legally available source to pay principal and interest on the Warrants as it comes due, subject to an annual appropriation for such amounts.

APPENDIX B

PROPOSED OPINIONS OF CO-BOND COUNSEL

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[Date of Delivery]

The Honorable Mayor and
City Council
City of Birmingham
Birmingham, Alabama

***Re: \$68,060,534.95 City of Birmingham, Alabama
General Obligation Convertible Capital Appreciation Bonds,
Series 2013-A***

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance of the above-referenced bonds (the "Bonds") and as such have examined certified copies of proceedings of the governing body of the City of Birmingham, Alabama (the "City") and other documents submitted to us pertaining to the authorization, sale and issuance of the Bonds. As to questions of fact material to our opinion, we have relied upon certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that:

(1) The Bonds have been duly authorized and issued pursuant to the applicable provisions of the constitution and laws of the State of Alabama, and the indebtedness ordered paid by the Bonds is a valid general obligation of the City for the payment of the principal of and interest on which the full faith and credit of the City have been validly and irrevocably pledged.

(2) The interest income on the Bonds is excludable from gross income of the recipients thereof for federal income tax purposes and will not constitute an

item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, that it should be noted that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest will be taken into account in determining the liability of such corporation for the alternative minimum tax. The opinion set forth in the preceding sentence is subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with each such requirement, but the failure to comply with certain of such requirements may cause the inclusion of the interest income on the Bonds in gross income for federal income tax purposes retroactively to the date of the issuance of the Bonds. We express no opinion regarding any other federal tax consequences arising out of the ownership of the Bonds.

(3) Under existing law the interest on the Bonds is exempt from State of Alabama income taxation.

We express no opinion with respect to the accuracy, adequacy or completeness of the Official Statement of the City relating to the Bonds.

Yours very truly,

APPENDIX C

TABLE OF COMPOUNDED AMOUNTS OF THE BONDS

Date	CAB 03/01/2017 1.36%	Convertible CAB due 2022 2.88%	Convertible CAB due 2027 3.54%	Convertible CAB due 2032 3.9%	Convertible CAB due 2037 4.16%	Convertible CAB due 2043 4.31%
04/03/2013	4,741.80	4,702.55	4,700.05	4,549.75	4,444.40	4,384.85
09/01/2013	4,768.30	4,523.80	4,422.10	4,367.75	4,328.95	4,306.75
03/01/2014	4,800.75	4,588.95	4,500.40	4,452.90	4,419.00	4,399.55
09/01/2014	4,833.40	4,655.00	4,580.05	4,539.75	4,510.90	4,494.40
03/01/2015	4,866.25	4,722.05	4,661.10	4,628.25	4,604.75	4,591.25
09/01/2015	4,899.35	4,790.05	4,743.60	4,718.50	4,700.50	4,690.15
03/01/2016	4,932.65	4,859.05	4,827.55	4,810.55	4,798.30	4,791.25
09/01/2016	4,966.20	4,929.00	4,913.00	4,904.35	4,898.10	4,894.50
03/01/2017	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00

Note: Above calculations are calculated per \$5,000 increment of the Maturity Amount of the Bonds.

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