

OFFICIAL OPERATING BUDGET FISCAL YEAR 2008

INTRODUCTION

HOW TO USE THIS DOCUMENT

This document is designed to provide concise and readable information about the approved budget for general government operations in the municipality of Birmingham, Alabama for the fiscal year which begins July 1, 2007. It presents the major programs and plans for the fiscal year and summarizes anticipated revenues and expenditures.

The *Official Operating Budget* is divided into the following sections:

--The **Budget Message** includes the Mayor's transmittal of proposed spending priorities for the City of Birmingham for the 2007 – 2008 fiscal year.

--The **Organization of the City of Birmingham** includes an organization chart and description of all the departments.

--The **Introduction and Budget Summary – All Funds** section details the City of Birmingham's long term goals and financial policies, and discusses how these goals and policies are addressed in the fiscal year 2008 budget. This section also explains the City of Birmingham's responsibility for providing services versus that of Jefferson County and the State of Alabama. Finally, this section includes a summary of total resources and expenditures for all funds included in the *Official Operating Budget*.

--The **Summary of Revenues and Appropriations** features a tabulation of actual revenue and expenditures in the City's General Fund for the fiscal years ended June 30, 2006, and June 30, 2007 and budgeted amounts for the fiscal year beginning July 1, 2007. Information is summarized by both category and function.

--The **General Fund Revenues** section lists the detail for actual revenues received in fiscal years 2006 and 2007 and budgeted amounts for FY 2008.

--The **General Fund Appropriations** further examines actual expenditures and budgeted amounts, by major category, for the three fiscal years 2006, 2007 - actual; and 2008 - budgeted.

--The **Detail of Budgeted Positions by Function** section presents information on operations according to functional area. There are three functional areas listed: general government, public safety, and culture and recreation. Each department is assigned to one of these areas.

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--The **Detail of Budget by Department** shows both fiscal and performance management information for each City department. The departments are grouped in 3 categories: general government, public safety and culture and recreation. Each department's budget includes the following information:

Mission Statement- The department's role in fulfilling the City's mission.

Departmental Insights- Program-oriented section providing pertinent information about departmental operations.

Performance Goals- Goals relevant to the day-to-day operations of the department but not directly related to the Annual Strategic Plan.

Selected Objectives- Departmental targets, many times in support of a goal, that are relatively short-term.

Performance Measurements- Guidelines, often from outside the department, against which department performance can be measured.

Expenditure Summary- A three-year report of expenses/appropriations for the department. The data is summarized by groups of line-item expenses (e.g. Personnel Services, Supplies, etc.)

Personnel Summary- a three year record of permanent positions.

--The section of **Detail of Capital Outlays** shows the amount appropriated in the operating funds for purchases of capital assets. Capital asset categories are Land, Buildings and Facilities, Machinery and Equipment, and Other Miscellaneous Outlays.

--The **Budgets Which Contain Additional Operating Appropriations** include the General Bond Debt Reserve Fund, the Capital Improvement General Obligation Warrant Fund, the Capital Improvement Fund, the Highway Improvement Fund, the Fuel Tax Fund, the UDAG Fund, the Economic Development Fund, the Corrections Fund, the Birmingham Water Works Proceeds - City Fund, the Birmingham Water Works Proceeds – Escrow Fund, and the Community Development Block Grant Fund. Estimated revenues and appropriations for the fiscal year 2008 are given for each of these funds.

--The **Debt Service** caption includes a discussion of the City's debt management policies and provides a schedule listing the amounts required for payment of principal and interest during fiscal year 2008.

--The **Appendices** furnish additional information about the City of Birmingham and the Budget Process. Also included is a Classification and Pay Plan which shows the current job classes and the salary range for each class. Finally a Glossary of Key Terms gives definitions for words and phrases used frequently in this document.

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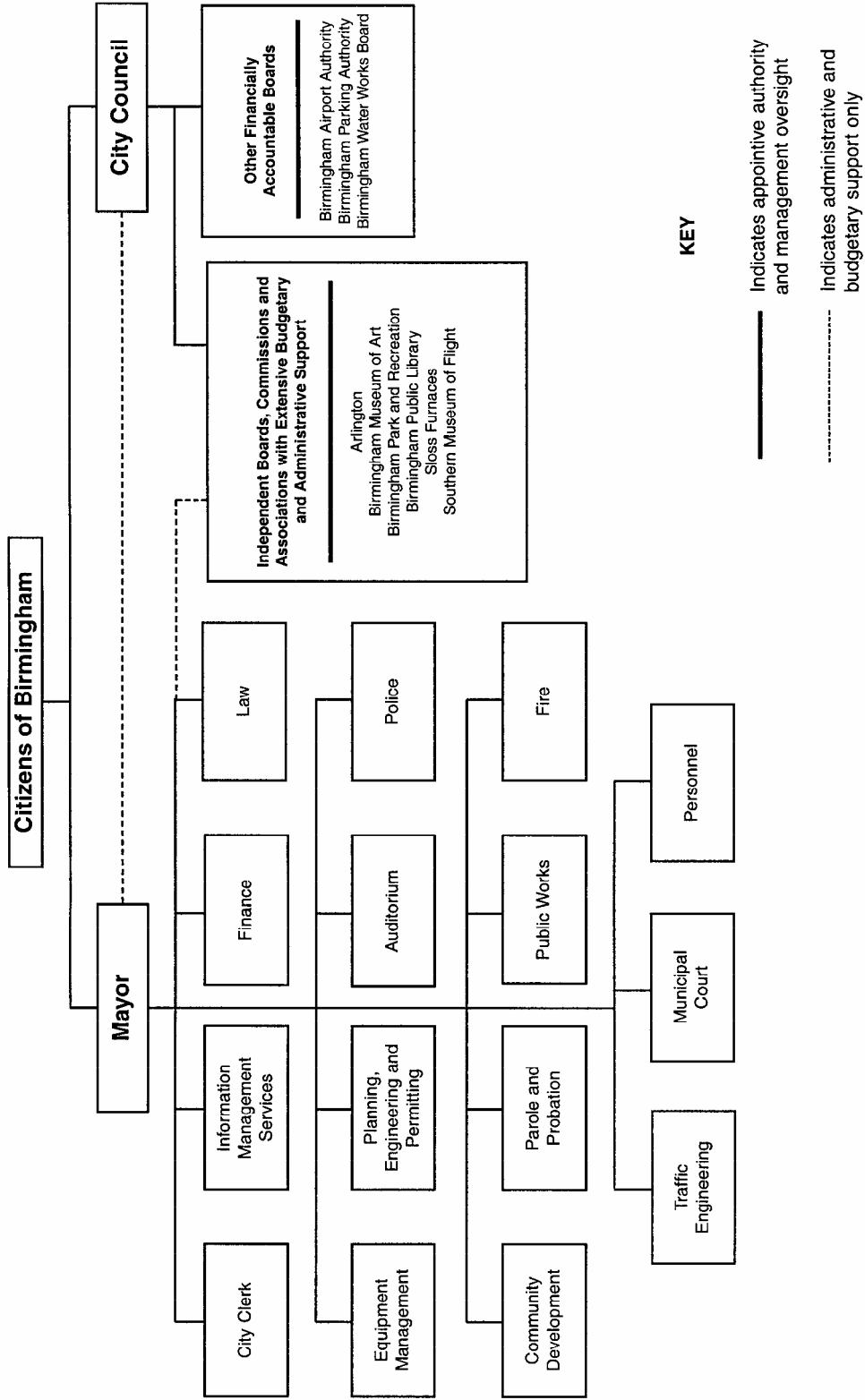
ORGANIZATION OF THE CITY OF BIRMINGHAM

The City of Birmingham operates under a mayor-council form of government. The Mayor is elected at large and serves as the City's chief administrative officer. The Mayor makes all personnel appointments and terminations subject to the laws governing the civil service system. The City Council is comprised of nine councilors elected by districts. The City Council exercises legislative power and makes appointments to any independent or quasi-independent boards and agencies over which the City has appointive power.

City services are provided by approximately twenty-four departments and quasi-independent boards. Each department has a department head, appointed by the Mayor. The quasi-independent boards appoint a director who serves a chief operating officer. The organization of the City of Birmingham's government is illustrated in the chart on page 19.

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City of Birmingham, Alabama Organization Chart



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ORGANIZATION OF THE CITY OF BIRMINGHAM City Departments

The budget document illustrates how each department is set up (i.e. divisions, sections and units). These illustrations are included in each department's budgetary information (i.e. the Police Department's description is shown on pages 179-193)

In order to aid the reader of this document, a brief description of each department's responsibilities has been consolidated in the following summary:

Boutwell Auditorium and Alabama State Fair

To stage cultural and entertainment events for people in the Birmingham area.

Equipment Management

Provides repair and maintenance for the City's rolling stock.

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 Election Commission, the Library Board, the Employees Pension Board, the Industrial Development Board and the Commercial Development Board of the City of Birmingham.

Finance Department

The Finance Department 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 and administration; investments; capital financing; insurance and risk management; disbursements; accounting; audit; collection of sales and occupational license taxes, business licenses and other revenues; and the purchasing of all materials, supplies, equipment and services.

Fire Department

The City maintains a modern fire fighting department housed in 31 stations located throughout the City. Thirty-six fire companies are staffed by approximately 710 personnel. The department has its own training school for new employees and for retraining of personnel. The Fire Department operates 16 advanced life support units, a fire prevention bureau, and a hazardous materials response team.

Police Department

The Birmingham Police Department utilizes the most current law enforcement techniques and equipment. It is staffed by approximately 859 uniformed officers and 322

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civilian personnel. The Police Department has four precinct offices and several sub-stations located throughout the city. Day-to-day operations of the department are divided among five units: Administrative Operations Bureau, Support Operations Services Bureau, Patrol and Special Forces Operations Bureau and Investigative Operations Bureau.

Public Works Department and Traffic Engineering Department

The employees of the Public Works Department collect trash and garbage for the households and businesses within the jurisdiction of the City of Birmingham. The department also operates two sanitary landfills and maintains all City streets, storm and sanitary sewers. It is also responsible for the maintenance of City Hall and other City-owned buildings. The Traffic Engineering Department installs and maintains traffic control devices including signs, parking meters and street lights.

Community Development Department

Community Development personnel work with neighborhood citizens advisory councils to establish priorities for public works activities and other government programs. They also help to develop federal assistance and grant projects and aid in the upgrading and expansion of the city's housing stock.

Department of Planning, Engineering and Permits

The Department of Planning, Engineering and Permits conducts planning and zoning activities; constructs streets, sidewalks, viaducts, storm and sanitary sewers and other public works; administers the City's building, electrical and plumbing codes; and inspects weighing and measuring devices within the city. They also oversee all condemnation and demolition activities for the City.

Law Department and Municipal Court

Attorneys in the Law Department advise the Mayor, City Council and other City departments and agencies on legal matters. The department's attorneys also represent the City in litigation and prosecute misdemeanor cases in the City's Municipal Court.

Information Management Services

To provide electronic and communication services for City departments who then respond to the needs of the citizens of Birmingham.

Office of Personnel

Provides programs, services and explanation of benefits for City employees.

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Parole and Probation

Serves as the parole office for the City's municipal courts.

Museum of Art, Arlington Museum, Southern Museum of Flight and Sloss Furnace Museum

The departments provide cultural and educational experiences to the community by presenting works of art.

Park and Recreation Board

Most park and recreation facilities in the City are operated by the Park and Recreation Board. The board is made up of five members appointed by the City Council. The budget of the Park Board is subject to approval by the City Council. The Park Board is responsible for the operation of Legion Field, the City's athletic stadium; the Botanical and Japanese Gardens; 2 golf courses; 18 recreation centers; 17 swimming pools and numerous athletic fields and tennis courts.

Birmingham Library Board

The Birmingham Library Board oversees the operation of a central library located in downtown Birmingham and twenty branch libraries throughout the city. Library personnel catalogue and maintain a book collection of over one million volumes. Staff members also provide a variety of research services and educational programs to Birmingham citizens. The Library Board consists of nine members appointed by the City Council.

Birmingham Parking Authority

Off-street parking facilities within the City of Birmingham are operated by the Birmingham Parking Authority. The Authority is governed by a three member board of directors who are appointed by the City Council. The Authority currently employs 96 full and part-time personnel to service and maintain nine parking decks and three surface lots.

Birmingham Airport Authority

The Birmingham International Airport, which is located five miles northeast of the center of downtown Birmingham, is operated by the Birmingham Airport Authority under the provisions of a long term lease with the City of Birmingham. The City Council makes appointments to the seven member board of the Authority. The City Council also must approve the Authority's annual budget. The Authority reimburses the City for the cost of fire and police personnel stationed at the airport. The Authority also reimburses the City for debt service on the airport parking deck and cargo building.

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**RELATIONSHIP BETWEEN ORGANIZATION STRUCTURE
AND ACCOUNTING STRUCTURE**

It is important to understand the relationship between the City's departments and the funding sources the City has available. The following matrix shows the City's departments and their funding sources:

USE OF FUNDS BY DEPARTMENTS					
DEPARTMENT	FUND				
	G	E	BWWB	CDBG	CP
Auditorium	✓				
Alabama State Fair	✓				
City Clerk	✓				
City Council	✓				
Community Development	✓			✓	
Planning, Engineering & Permits	✓				✓
Finance	✓				
Fire	✓	✓			
Law	✓				
Mayor's Office	✓				
Equipment Management	✓				
Information Management Services	✓		✓		
Parole Office	✓				
Office of Personnel	✓				
Police	✓	✓			
Municipal Court	✓				
Public Works	✓				
Traffic Engineering	✓				
Arlington	✓				
Library	✓				
Museum of Art	✓				
Parks and Recreation	✓				
Southern Museum of Flight	✓				
Sloss Furnaces	✓				

← Codes

- G= General Fund
- E = Emergency Management Communications District
- BWWB = Birmingham Water Works Proceeds
- CDBG = Community Development Block Grant
- CP = Capital Projects, General Obligation Bond & Warrant Funds

} Codes

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RESPONSIBILITIES OF THE CITY OF BIRMINGHAM, JEFFERSON COUNTY AND THE STATE OF ALABAMA

The City, County and State have a number of major responsibilities. Although more cooperation is needed, their relationship and their ability to work together are discussed as follows:

Law Enforcement:

The City of Birmingham, Jefferson County, and the State of Alabama have coextensive law enforcement jurisdiction. The City is developing a data system that other law enforcement agencies are joining so that information can be exchanged rapidly.

Streets and Highways:

The State of Alabama is responsible for maintaining state roads and federal highways within the City of Birmingham. The City works with the State Department of Transportation to secure matching funding for new street construction as well as street repairs.

Sewers:

Jefferson County constructs and maintains sewer plants and trunk line sewers. The City of Birmingham constructs and maintains sanitary and storm sewers within its boundaries.

Health:

Jefferson County and all the municipalities located within the county (including the City of Birmingham) contribute to the County Health Department on a formula basis. Jefferson County operates a public, tax supported hospital.

Transportation:

A regional bus system, operated by the Birmingham-Jefferson County Transit Authority, is funded by federal monies which are matched by county and municipal funds on a formula basis. The Birmingham International Airport is operated by the Birmingham Airport Authority under a lease agreement with the City of Birmingham.

Education:

The citizens of Birmingham elect members to the Birmingham Board of Education which operates all City schools. School funding comes from local Ad Valorem taxes and from state and federal funds. The City assists the Board of Education in borrowing for capital purposes.

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Recreation:

The City of Birmingham funds a recreation program which includes swimming pools, museums and sports facilities. The City and County provide matching funds for the development of parks within the City limits. The Mayor represents the City on the board of the Birmingham-Jefferson Civic Center Authority. The Civic Center Authority operates a coliseum, theater and an exhibition hall for the City and County.

The citizens can influence these responsibilities through the city's 99 neighborhood associations. The neighborhoods are represented by the Citizens Advisory Board to bring suggestions on improving the services that these governmental entities provide.

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BUDGETARY GOALS AND FINANCIAL POLICIES

The budget goals and financial policies were developed by the Finance Department in compliance with the guidelines stated in the City of Birmingham's Mayor-Council Act. Also, used for consideration were recommended practices by the Government Finance Officers Association. The goals and policies were reviewed and ultimately recommended by the City's budget committee (consisting of the Finance Director, Mayor's Staff and the Budget Office) to the Mayor for approval.

Operating Budget Goals:

1. To continue delivering all basic services to the citizens of Birmingham by maintaining the proper level of police, fire and sanitation service.
2. To remain a financially stable city with good fiscal management and a sound tax base in the face of population decline and loss of jobs through corporate abandonment of the downtown area for suburban locations.
3. To continue efforts to reduce crime and devise ways of dealing with the roots of crime, such as through drug awareness and youth programs.
4. To encourage increased citizen participation in city government by providing financial support to the Citizen Advisory Board.
5. To maintain the role of the City of Birmingham as the major provider of regional amenities and cultural activities.
6. To proceed in our commitment to office automation, electronic data processing, and productivity improving tools and techniques.
7. To provide for competitive wage rates and fringe benefits for all City employees.
8. To adopt a balanced General Fund Budget. A balance budget is defined as follows: In no event shall the expenditures recommended by the Mayor in the General fund Budget exceed the receipts estimated.

Cash Management and Investment Policies:

1. The City will deposit all cash receipts on the day they are received.
2. The City will collect all revenues in a timely manner and aggressively pursue collection of all past due receivables of any type.

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Debt policies:

1. The City will maintain a debt structure that will allow it to retain its AA rating with Standard & Poor's and Moody's investment services.
2. The City will issue voter approved bonds in such amounts and at such times as allows the City to maintain an orderly capital expenditure program.
3. Over the life of all debt, the City will maintain a balanced debt service structure, letting neither near term or future debt service requirements to unduly burden its financial condition.
4. The City's General Debt Reserve Fund (the Sinking Fund) will be monitored closely and used in the most appropriate way to provide short term liquidity and long term reserves for general obligation bonds of the City.
5. New bonds, warrants and capital leases will only be issued after an assessment has been made of the impact such new debt will have upon the City's general financial condition and upon the total debt and annual debt service of the City.
6. Total variable rate debt issues of the City will be limited to approximately twenty percent of the outstanding amount of total City debt.
7. When conditions are favorable, existing debt issues will be currently or advanced refunded with new debt in order to provide the lowest possible interest cost to the City.
8. New debt will be issued at interest rates that are consistent with the City's bond rating.

Financial Reserve Policy:

The City will maintain a reserve (fund balance) in the General Operating Fund equal to fifteen percent of the General Fund expenditures or three months of operating expenditures – whichever is higher.

Accounting, Auditing and Financial Reporting Policies:

1. An independent audit of the City's financial records and internal control procedures will be performed on an annual basis.
2. The city will produce a comprehensive annual financial report in accordance with generally accepted accounting principles (GAAP) as promulgated by the Government Accounting Standards Board (GASB).

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3. The City will maintain a staff of internal auditors to conduct periodic reviews and special investigations as needed or requested by the Mayor.

Capital Budget Policies

1. The City will develop a multi-year plan for capital improvements which will be updated annually. All capital improvements will be made in accordance with this plan.
2. The City will maintain physical assets at a level appropriate to protect the City's investment and minimize future maintenance and replacement costs.
3. The City will acquire and develop land for industrial park sites in order to attract new businesses and thus promote economic development.

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BUDGET GOALS AND POLICIES ADDRESSED IN THE FY 2008 BUDGET

This section of the *Official Operating Budget* explains how the City's goals and financial policies are advanced by the FY 2008 Budgets.

1. ***To continue delivering quality services to the citizens of Birmingham and also to improve services for its citizens.***

The fiscal year 2008 budget continues the new incentive program. City departments were challenged to reduce line item allocations but at the same time improve services. For example, the City's Public Works Department added additional shifts without adding personnel. This was accomplished by adjusting work responsibilities. The additional shifts will benefit citizens by giving more service and the City's budget will benefit by reducing overtime costs.

The incentive to City departments to increase efficiencies but achieve a budget reduction is to share in a portion of the savings in an unrestricted account designated for department use. These funds will be spent at the discretion of the department heads, with the provision that the funds must be used for operations and capital needs.

2. ***To establish long term planning for City development.***

Currently, the City of Birmingham has a five year plan that includes a project listing by plan year. However, the City has not yet established a three year operating budget forecast. The Finance Department plans to work with the Mayor's Office and City Council to establish an operating budget forecast as well as a long range strategic plan.

The fiscal year 2008 budget does continue funding for updating the City Center Master Plan, the City's Comprehensive Plan and City Development.

To help alleviate the flooding problems in the City, the budget includes funding for a city-wide flood mitigation study and additional funding to assess the effects of flooding on areas bordering streams on which flood studies have not been conducted.

3. ***To continue efforts to reduce crime.***

The City is continuing to give financial support to programs which address the antecedents of crime such as illiteracy and gang membership. The Police Departments Youth Services Division continues to be instrumental in reducing youth violence, gang activities, and drug use by children and teenagers. Some

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of the divisions programs include School Resource Officers, Police Athletic Teams, and Drug Awareness Resistance Education.

The budget for fiscal year 2008 includes \$600,000.00 to match multi-million dollar federal grants for equipment, technology, and training. These grants include Local Law Enforcement Block, High Intensity Drug Trafficking, Secure Our Schools, Bullet Proof Vest Program, and Volunteers in Police Service.

4. ***To increase citizen participation in City Government.***

The fiscal year 2008 budget provides \$990,000.00 in financial support to the Citizens Advisory Board. This board distributes money to the ninety-nine neighborhood organizations which utilize these funds for approved projects in their neighborhoods. This funding, as well as the system of neighborhood government, gives citizens an important tool in participating in City government.

5. ***To maintain the City's role as the major provider in regional amenities.***

The City of Birmingham continues to provide the majority of the financial support for the Museum of Art, the Botanical Gardens, and the Southern Museum of Flight. The City is also providing operating funds for the Civil Rights Institute and the City's science museum called the McWane Center.

In addition, the City has approved \$500,000.00 for both operating and capital expenditures for the Birmingham Zoo, \$100,000 for the Alabama Ballet, \$117,250 to the Alabama Symphony, \$395,000 for the Ruffner Mountain Nature Trail, \$431,468 to the Vulcan Park Foundation and \$200,000 to the City Stages Music Festival.

6. ***To proceed in our commitment to office automation.***

The fiscal year 2008 budget provides \$803,537 for lease/purchase of computer hardware and software in the Information Management Services Department. Also, the City has purchased a new computerized Human Resources, Payroll and Financial System. The fiscal year 2008 budget includes \$413,000 which represents the third year of a five year lease/purchase agreement.

7. ***To provide a competitive wage rate for City employees.***

In fiscal year 2008, the City has included a 4% salary increase for its employees. The City will continue its contract with Blue Cross Blue Shield of Alabama to be the administrator of its health and dental insurance. Health insurance premiums have increased by \$2.1 million (approximately 8.6%) and dental premiums have increased by \$300,000 (approximately 40.1%). The additional cost in premiums will be entirely absorbed by the City and there will be no cost to the employees.

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Additional benefits include longevity pay based on length of employment; life insurance coverage; a retirement plan; free annual health screening and wellness program; a tuition reimbursement plan for job related training; and the deferred retirement option program.

8. ***Maintain a General Fund reserve equal to fifteen percent of fund expenditures.***

The budget for Fiscal Year 2008 was developed in such a way as to retain fund balance in the General Fund which represents fifteen percent of proposed expenditures or three months of operating expenditures – whichever is higher. In conjunction with the City's debt structure, the reserve will allow the City to retain its excellent bond rating. The current General Fund reserve is approximately 28%.

9. ***The City will develop a multi-year plan for capital improvements.***

The City Council approved a five year Capital Improvement Program. This includes a one year Capital Budget for fiscal year 2008 and a four year plan for fiscal years 2009 through 2012. For fiscal year 2008, the City has appropriated \$5.9 million.

The City's planned capital expenditures for fiscal years 2009 through 2012 are approximately \$6.6 million. Also in 2007, the City issued \$54.5 million in bonds, which represents the balance of the \$125 million bond referendum voted on by the citizens of Birmingham in 2002. The bond proceeds are a major part of the City's multi-year capital improvements plan. Categories of projects include parks, libraries, sewers, streets, housing, schools, economic development, solid waste, museums, and public buildings.

10. ***To promote economic development.***

The City's capital improvement program includes a number of appropriations geared toward creating economic growth. For example, \$800,000 has been appropriated for commercial district revitalization, \$400,000 for industrial parks, and \$225,000 for the Ensley Business District. Also, the fiscal year 2008 budget establishes the new Birmingham Economic Development Fund. The Fund will generate approximately \$2.4 million annually from a new retail development. This fund will be used to fund debt service for infrastructure improvement for economic development. Surplus tax revenue will be used to encourage business development.

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SUMMARY OF BUDGET PLANNING PROCESS

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 or 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 each year, the Mayor submits to the City Council the proposed budgets for the ensuing fiscal year.

Formal budgetary integration is employed as a management control device during the year for the General Fund. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation indenture provisions.

Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles except that budgets and schedules included in these financial statements are prepared using encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded. At the end of the fiscal year, unencumbered appropriations of the General Fund automatically lapse.

Legally adopted annual budgets are not prepared on Special Revenue and Capital Projects Funds; consequently, there are no statements of revenue and expenditures, budget and actual, for Special Revenue and Capital Projects Funds. However, budgets for Special Revenue and Capital Projects funds are adopted on an individual project basis.

The adopted General Fund operating budget is allotted to each department or agency of the City. Total appropriations may not be exceeded by expenditures unless the City council amends the budget due to increased revenues or through a reduction in fund balance. A more detailed description of the budget process is located on page 336.

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OTHER PLANNING PROCESSES

The City also has other planning processes. They are important because of their long term impact on future City budgets. The following chart illustrates the other planning processes that the City has:

<u>Type of Planning Process</u>	<u>Description of Process</u>	<u>Budget Impact</u>
City-Wide Comprehensive Plan	A Long Range Plan that looks at land use, zoning, housing, economic development, transportation and community facilities.	The results of this plan will impact how city resources will be allocated in future budgets.
Capital Project Plan	Five year plan includes project listing by plan year	Provides for a predictable funding level from year to year to allow adequate planning for debt service requirements and operating costs of new facilities and infrastructure improvements.
Building Review Committee	To address on-going facility and maintenance activity or project.	Insures proper planning, design, and construction of City owned buildings in an effort to use City resources properly.
Vehicle Equipment Replacement	Five year plan to replace certain vehicles and heavy duty equipment	Due to a lack of funding, the City has not been able to fund this program. This has led the City to incur higher parts repair costs. The City tries to fund a limited equipment replacement program on an annual basis.
Management Information Systems	To address computer hardware/software needs of City departments.	Allows for funding of replacement, maintenance and network infrastructure replacements. Annual replacement decisions are determined considering changing software technology.
Public Improvement Committee	To provide a plan for maintaining City streets and sewers.	Insures that funding for maintaining streets and other infrastructure improvements are allocated to the ones most critically needed.

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BUDGET AMENDMENTS

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 expenditures 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 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.

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DESCRIPTION OF FUND STRUCTURE

Accounting Structure

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units.

The financial transactions of the City are recorded in individual funds and account groups. A fund is a separate accounting entity with a self-balance set of accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures. The various funds and account groups are reported within the financial statements of the Comprehensive Annual Financial Report (CAFR).

Fund Summary

The following listing is a summary of all funds by category:

GOVERNMENT FUNDS	
General Fund	This fund is used to account for all sources and uses of financial resources applicable to the general operations of the City of Birmingham. All general operating revenues which are not restricted as to use are recorded in the General Fund
Special Revenue	<p>Special Revenue funds are operating funds for which the use of revenues is restricted or designated by outside sources. These funds account for activities carried out by the City under certain intergovernmental grants and contracts. Special Revenue funds include:</p> <ul style="list-style-type: none"> • <u>Federal Revenue Sharing</u> fund accounts for funds received and disbursed under Federal Revenue sharing. • <u>Community Development Fund</u> accounts for those funds used for community urban development block grants. • <u>HUD Rental Rehabilitation Loan</u> accounts for funds used for rehabilitation of rental property. • <u>Manpower Administrative Fund</u> accounts for funds used to administer the JTPA program. • <u>Miscellaneous Grant Fund</u> accounts for funds arising from miscellaneous grants. Although the funds are consolidated, each grant is accounted for individually.

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	<ul style="list-style-type: none"> • <u>Law Enforcement Block Grant</u> accounts for funds received for reducing crime and improving public safety. • <u>Birmingham Fund</u> accounts for funds used for economic development. • <u>UDAG Repayment Fund</u> accounts for funds received in repayment of UDAG loans. • <u>Home Investment Trust Fund</u> accounts for funds received from Housing and Urban Development. • <u>HUD 108 Loan Fund</u> accounts for funds used to subsidize residential mortgages. • <u>Birmingham Water Works Proceeds Fund</u> accounts for the proceeds received from the transfer of the assets of the Water Works and Sewer Board of the City of Birmingham. • <u>Other Funds</u> accounts for proceeds received as donations and other funds designated for special purposes.
Debt Service	<p>Debt Service Funds are used to account for the accumulation of resources for, and payment of interest and principal on general long term debt not accounted for in the Enterprise Funds. Debt service revenues are derived from property taxes and other operating revenues. Debt service Funds include the following:</p> <ul style="list-style-type: none"> • <u>General Bond Debt Reserve Fund</u> and the <u>General Bond Debt Service Fund</u> accounts for receipt of taxes earmarked for debt service and payment of principal and interest on general obligation debt. • <u>Tax Increment Financing</u> and the <u>Tax Increment Reserve Funds</u> account for receipt of taxes earmarked for debt service and payment of principal and interest on the tax increment warrants.

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Capital Projects	<p>Capital Projects funds are used to account for and demonstrate compliance with legal and contractual provisions and to compile data related to financial resources designated to construct or acquire general fixed assets and major improvements other than those financed by special assessments. Capital Project funds include the following:</p> <ul style="list-style-type: none">• <u>Special Assessment Fund</u> 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.• <u>Capital Improvement Fund</u> accounts for funds derived from specific grant and from current funds used for capital improvements.• <u>Fuel Tax Fund</u> accounts for proceeds of a \$.04 State gasoline tax. The use of these funds is restricted.• <u>General Obligation Bond</u> issues accounts for the expenditure of the proceeds for each bond issue when the borrowing is for capital projects. The requirement of one fund for each bond issue is necessitated by the fact that the accounting for a particular bond issue must show that the proceeds of the issue were spent only on the projects and for the purposes authorized, that the expenditures were in the amounts authorized, and that any unused bond proceeds are properly handled and accounted for in accordance with applicable legal, budgetary, and policy provisions.• <u>Street Improvement Debt Service Fund</u> account for payment of principal and interest on bonds and warrants which are payable from the City's allocation of state gasoline taxes.• <u>Highway Improvement Fund</u> accounts for proceeds of a \$.07 State gasoline tax. These funds cannot be co-mingled with the proceeds of the \$.04 gasoline tax shown above.• <u>Industrial Park Improvement Fund</u> accounts for proceeds from sale of Industrial Park property.
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**OFFICIAL OPERATING BUDGET
FISCAL YEAR 2008**

	<ul style="list-style-type: none"> • <u>Capital Improvement General Obligation Warrant Funds</u> account for proceeds of the General Obligation Warrants designated for construction of specific projects, including the 2000-A General Obligation Capital Improvement Warrants and the 2001-A General Obligation Warrants which were issued to make improvements to public school and various capital improvements.
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PROPRIETARY FUNDS

Enterprise Fund	<p><u>The Enterprise Fund</u> is used to account for operations where it is the intent of the governing body that the cost of providing services be finance primarily through user charges or where the governing body has decided that the periodic determination of net income is appropriate for accountability or other purposes.</p> <p><u>Emergency Management Communication District Fund</u> accounts for the operation of the Enhanced Universal Emergency Number (or E911) Service.</p>
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FIDUCIARY FUNDS

Trust and Agency	<p>Trust and Agency Funds of the City are set up for the purpose of administering and accounting for assets held under the Trust agreements. From an accounting standpoint, the difference between a Trust Fund and an Agency Fund is principally one of degree. Trust Funds frequently exist over a longer period of time and represent vested interest to a greater extent. Agency Funds are primarily clearing mechanisms for cash resources, which are collected by the City and disbursed to authorized recipients.</p> <p>Trust and Agency funds are listed below:</p> <ul style="list-style-type: none"> • <u>Birmingham Area Manpower Consortium – State Fund</u> accounts for grant funds paid to various sub-grantees. • <u>City of Birmingham Retirement and Relief System</u> covers all civil service employees who are required to become members when they become employees. • <u>City of Birmingham Fireman’s and Policemen’s Supplemental Pension System</u> enables firemen and policemen to retire after twenty or twenty-five years of service and provides certain benefits to widows and surviving dependents.
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**OFFICIAL OPERATING BUDGET
FISCAL YEAR 2008**

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- Firemen's Pension and Relief Fund and Policemen's Pension and Relief Fund provides certain benefits to firemen and policemen who were in the employ of the City prior to 1939.
 - City of Birmingham Unclassified Employees Pension and Relief System covers employees in the City's unclassified service.
 - City of Birmingham Limited Fireman's Retirement and Relief System and Limited Policemen's Retirement and Relief System were established to cover specific employees.
-

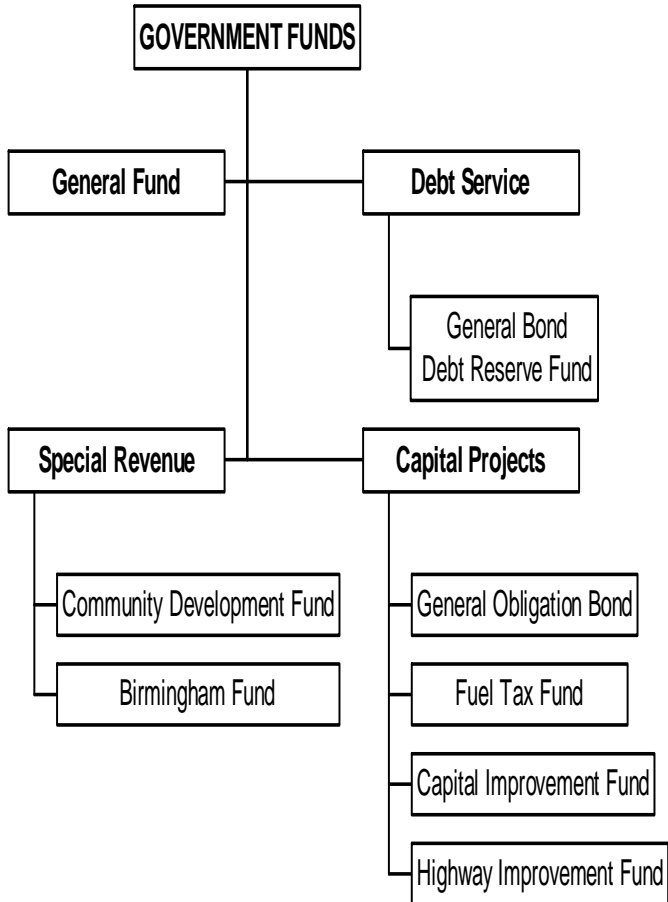
OFFICIAL OPERATING BUDGET FISCAL YEAR 2008

METHOD OF BUDGETING

The term **Basis of Budgeting** refers to the basis of accounting used to estimate financing sources and uses in the budget. There are 3 types of budgetary basis – the cash basis, the accrual basis and the modified accrual basis. The City of Birmingham uses the modified accrual basis of budgeting. Under this method revenues are recognized in the accounting period in which they become available and measurable. Thus revenues received shortly after year-end, but related to the current year, are budgeted in the current year. The following chart on page 41 defines 3 types of budgetary basis and identifies the funds that are budgeted under the modified accrual basis of budgeting. Expenditures are budgeted in the accounting period in which the fund liability is incurred, if measurable. Under this basis of budgeting, interest on long-term debt and certain similar accrued obligation, are budgeted when due. Depreciation and also compensated absences are also used by these funds; and also an explanation as to the accounting basis for those funds that are not budgeted (non-appropriated).

OFFICIAL OPERATING BUDGET FISCAL YEAR 2008

FUND STRUCTURE BY BUDGETARY BASIS *Modified Accrual Basis of Budgeting*



What Is “Budgetary Basis”

Budgetary Basis refers to the basis of accounting used to estimate financing sources and uses in the budget.

Cash Basis indicates transactions are recognized when cash is increased or decreased,

Accrual Basis indicates revenues are recorded when they are earned (whether or not cash is received at the time). Expenditures are recorded when goods and services are received (whether cash disbursements are made at the time or not).

Modified Accrual is the method by which revenues and other financial resource increments are recognized when they become susceptible to accrual; that is, when they become both “measurable” and “available” to finance expenditures of the current period. “Available” means collectible in the current period or soon enough thereafter to be used to pay the liabilities of the current period.

Please note the **Proprietary** and **Fiduciary funds** are not budgeted. Financial statements for these two types of funds are accounted for on the Accrual basis of accounting. The only proprietary fund the City has is the Emergency Management Fund. Fiduciary funds include all pension trust funds.

OFFICIAL OPERATING BUDGET FISCAL YEAR 2008

Budgeting and Accounting Relationship

Both budgeting and accounting are fiscal systems or processes which involve the planning, allocating and disbursing of monetary resources. This results in an interrelationship and a need for coordination between these two disciplines. Generally, budgeting is regarded more in terms of planning and enacting a fiscal plan. However, these planning and enactment processes are dependent upon the accounting of past-year and current-year expenditures/revenues.

Accounting focuses on the recording, classifying and interpreting of financial transactions. These accounting processes are dependent on the budgeting of expenditure authorization (appropriations) being enacted by the legislative branch.

As the chart on page 41 shows, that the City uses the modified accrual basis of budgeting for the following types of funds: General, special Revenue, Capital and Debt Service. The City **does not** budget for proprietary funds such as Enterprise Funds. The City has only one Enterprise Fund – the Emergency Management Communication District Fund. Also, the City **does not** budget for fiduciary funds such as Pension Trust Funds

The accrual basis of accounting is utilized by both proprietary and fiduciary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred.

OFFICIAL OPERATING BUDGET FISCAL YEAR 2008

KEY REVENUE ASSUMPTIONS & TRENDS FOR FISCAL YEAR 2007 – 2008

Annually, the Budget Office reviews all revenues at a detailed level regarding need, quantity, and probability of receipt. Early in the budget process, a complete set of revenue assumptions is prepared. These assumptions provide the basis for revenue projections throughout the budget process and include expectations for local economic and population growth and service levels.

The City of Birmingham receives its revenue from a variety of sources. The largest of which are taxes and licenses which represent 84.0% of all city revenue. As a result, the trends in these revenue categories dictate the level of funding available for city services. This section highlights significant revenue issues included in this year's budget.

PROPERTY TAXES (AD VALOREM TAXES):

Ad Valorem taxes in Alabama are levied and collected subject to the provisions of the Constitution of Alabama of 1901, which limits the ratios at which property may be assessed, specifies the maximum millage rates that may be levied on property, and limits total ad Valorem taxes on any property in any year. The following summary discusses the constitutional limitations on ad Valorem taxes in Alabama:

Amendment no. 373 to the constitution of Alabama of 1901 (the "1978 Property Tax Amendment") requires that, for purposes of ad Valorem taxation, all taxable property in the State be divided into the following four classes:

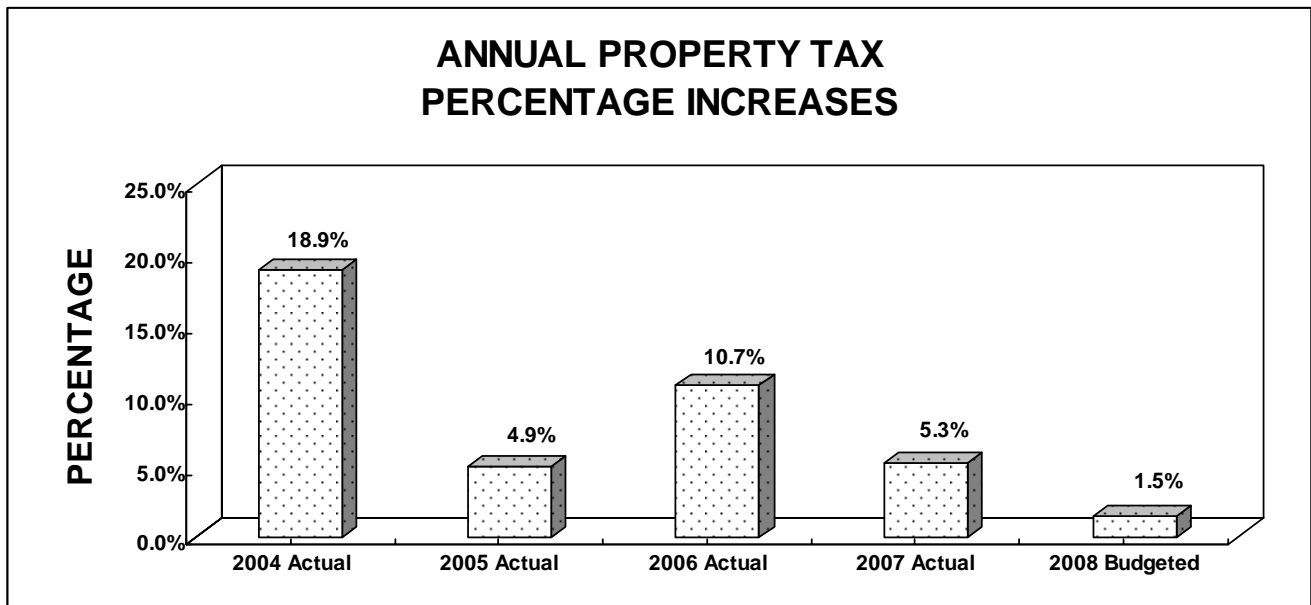
<u>Class</u>	<u>Description</u>	<u>Ratio</u>
Class I	Property of utilities used in their business.	30%
Class II	Property not otherwise classified (generally, business or commercial property, including railroad property)	20%
Class III	Agricultural, forest and single family, owner-occupied residential property and historic buildings and sites.	10%
Class IV	Private passenger Automobiles and pickups owned and operated by individuals for personal or private use.	15%

The 1978 Property Tax Amendment provides that taxable property designated as "Class III" may, upon the request of the owner of such property, be appraised for taxation at its "current use value" rather than its "fair and reasonable value." "Current use value" has been defined in a legislative act implementing the 1978 Property Tax Amendment as the

OFFICIAL OPERATING BUDGET FISCAL YEAR 2008

value of such property based in the use being made of it on October 1 of the preceding year, without taking into consideration “the prospective value of such property might have if it were put to some other use”. Legislation enacted in 1982 significantly revised to statutory methods for determining the current use of agricultural and timber property for ad valorem tax purposes.

Prior to fiscal year 2004, Ad Valorem taxes were re-evaluated once every five years. The last five year re-evaluation done in fiscal year 2003 generated an increase of 2.9% over the previous fiscal year. Effective fiscal year 2004, the re-evaluations are done every year. The City realized an increase of 18.9% in fiscal year 2004, the first year of the re-evaluation. The projected property tax revenue for fiscal year 2008 shows an increase of 1.5% over the fiscal year 2007 budget. The city is beginning to see modest increases each fiscal year by virtue of the yearly re-evaluation. This can be illustrated by the chart below:



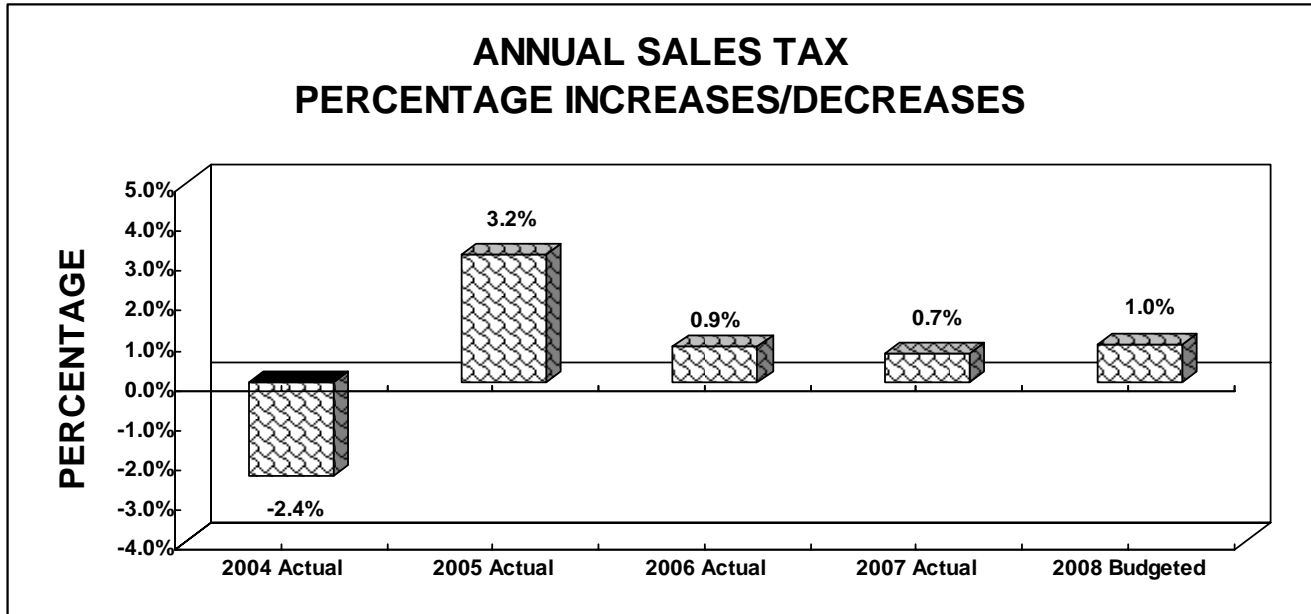
Sales Taxes

The City of Birmingham receives a 3% sales tax for the sale of taxable good and services within the city limits. Sales tax has continually exceeded expectations due to a strong economy and the continued development in Birmingham.

Sales revenue represents the largest source of revenue for the General Fund, accounting for \$87,800,000 or 26.9% of the total projected revenue in fiscal year 2008. Although sales tax revenue decreased in fiscal year 2002 through fiscal year 2004, due to a slow economy, the City began to see an increase in Fiscal Year 2005 of 3.2% in part due to increased collection efforts. Therefore, being cautiously optimistic, the Budget Office has projected a modest

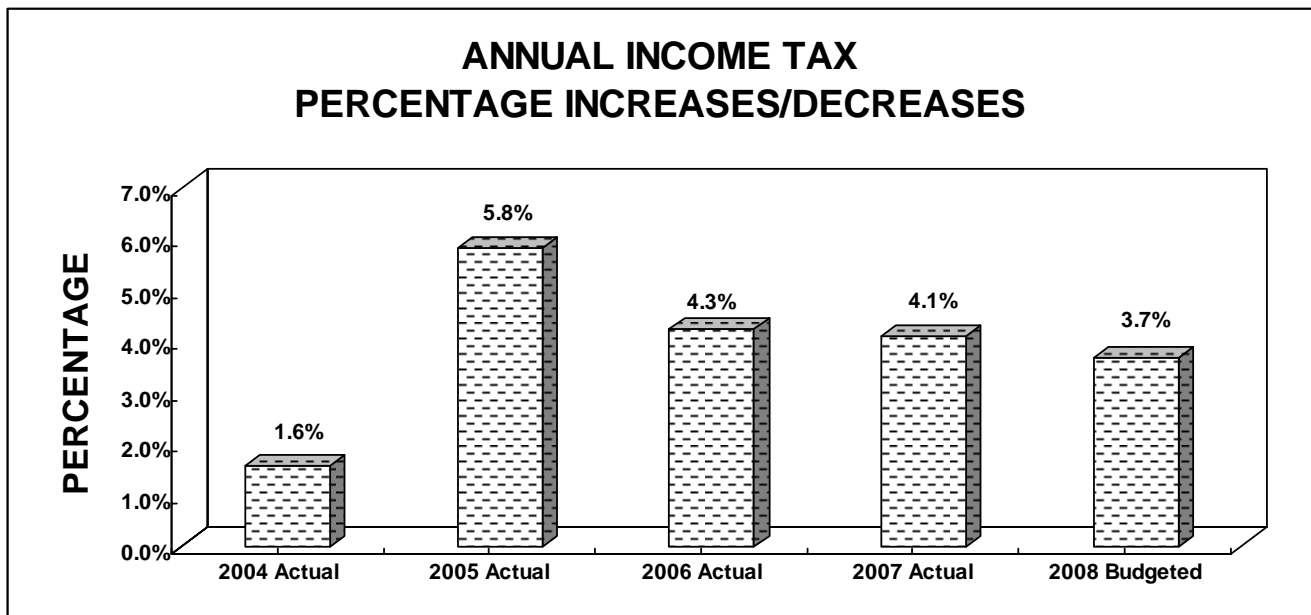
OFFICIAL OPERATING BUDGET FISCAL YEAR 2008

increase of 1.0% over the fiscal year 2007 actual amount as shown in the chart below:



INCOME TAX:

The City receives a 1% tax on citizens that are employed within the corporate limits of the City of Birmingham. Income tax has continued to see a steady growth pattern due in part to continued development in the city. The fiscal year 2008 projected revenue for income tax is 3.7% above the fiscal year 2007 actual amount as shown in the graph below:



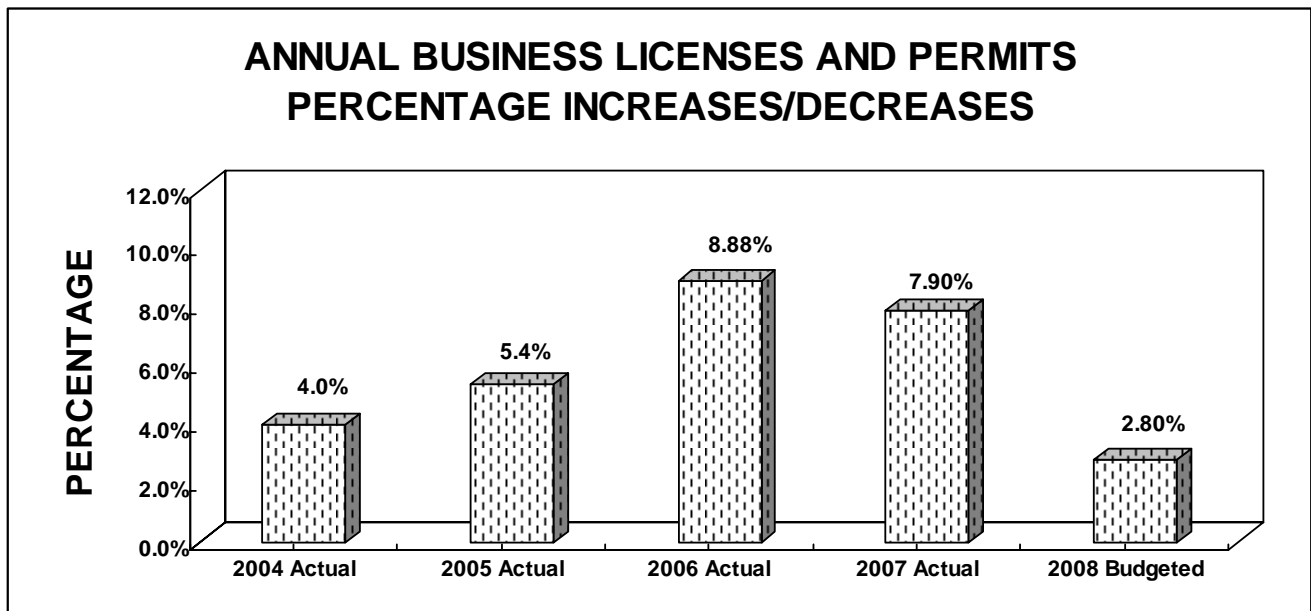
OFFICIAL OPERATING BUDGET FISCAL YEAR 2008

As the comparison of the sales tax and income tax graphs indicate, income tax revenue is growing at a much faster rate than sales tax. It is estimated that income tax will surpass sales tax in approximately five years.

BUSINESS LICENSES AND PERMITS:

The fee charged for a business to operate within the city limits of Birmingham is called Business License and Permits. This fee is based on gross sales that a business has during the last calendar year. The higher the gross sales of a business, then the higher the fee paid to the City. As with sales and income taxes, this revenue source is closely tied to Birmingham's economy.

Business license and permits represent \$67,181,350 or about 20% of the projected revenue in the General Fund. The chart on the following page depicts the percentage fluctuation in this revenue category over the past several years. The fiscal year 2008 projected revenue for business license and permits represents a 2.80% increase over the 2007 actual amount. This percentage has been verified by the City's License Division.



OFFICIAL OPERATING BUDGET FISCAL YEAR 2008

CONSOLIDATED FINANCIAL OVERVIEW

The combined statements on the following pages show the revenue, expenses and net change of all city funds by category. The statements will include both budgeted and non-budgeted categories. Budgeted categories include General Government, Special Revenue, Debt Service and Capital Projects. The individual budgeted funds that comprise these categories will be listed at the bottom of the statement.

For the reader's benefit, the combine statements will be illustrated in two separate versions:

1. **Combined Statement of Revenues and Expenditures by Service** - Expenses are listed by the governmental unit that has incurred the expense (i.e. Police and Fire are listed as Public Safety; Park and Recreation and the Art Museum are listed as Culture and Recreation; Finance and Law are listed as General Government).
2. **Combined Statement of revenues and Expenditures by Line Item** – Expenses are listed by the type of line item it is (i.e. Salaries, Personnel Benefits, Supplies and Maintenance)

The categories that are not budgeted are proprietary and fiduciary. The proprietary category includes the Emergency Management Communication District Fund. The fund's main purpose is to maintain the 911 Emergency Call System and the receipts from the levy on telephone subscribers can only be used to maintain the emergency service and do not have to be appropriated by the City. The fund has a board of managers separate from the City responsible for its operation.

The other category not budgeted is the fiduciary category. This category includes all of the City's pension funds. These funds are not budgeted because they are only used to invest contributions to the City employee's retirement plan and to pay retired employees benefits.

**OFFICIAL OPERATING BUDGET
FISCAL YEAR 2008**

**COMBINED STATEMENT OF REVENUES AND EXPENDITURES BY SERVICE
FOR FUNDS THAT ARE BUDGETED
THREE YEAR COMPARISON**

(In Thousands)

	GENERAL GOVERNMENT			SPECIAL REVENUE FUNDS		
	ACTUAL 2005/06	ACTUAL 2006/07	BUDGET 2007/08	ACTUAL 2005/06	ACTUAL 2006/07	BUDGET 2007/08
REVENUES						
Property Taxes	\$ 26,168	\$ 27,561	\$ 27,960	\$ -	\$ -	\$ -
Sales & Use Taxes	109,085	109,665	111,135			
Income Taxes	72,297	75,269	78,040			
Licenses and Permits	60,564	65,349	67,181			
Federal Grants				19,688	17,816	14,097
Shared State & Local Employer Contributions	14,671	16,336	14,921			
Employee Contributions						
Charges for Service	15,746	16,432	15,456			
Fines & Forfeitures	4,181	4,118	4,042			
Interest Earnings	2,647	4,381	3,225	6,773	11,826	
Bond/Warrant Proceeds						
Miscellaneous	2,947	4,572	6,640	2,209	5,154	
Total Revenue	\$ 308,306	\$ 323,683	\$ 328,600	\$ 28,670	\$ 34,796	\$ 14,097
EXPENDITURES						
Public Safety	\$ 145,688	\$ 148,042	\$ 164,037	\$ -	\$ -	\$ 485
Environmental & Streets	61,386	62,355	65,548	416	652	3,846
Culture & Recreation	35,259	39,243	40,272	3,288	1,375	1,131
General Government	45,802	47,633	52,679	80,331	54,773	17,464
Debt Service	5,044	7,789	6,064		3,950	4,659
Bond/Warrant Issue Cost						
Transfers	11,332	3,417		(614)	319	
Capital Outlays				270	138	
Other						
Total Expenditures	\$ 304,511	\$ 308,479	\$ 328,600	\$ 83,691	\$ 61,207	\$ 27,585
Revenues Over/(Under) Expenditures	\$ 3,795	\$ 15,204	\$ -	\$ (55,021)	\$ (26,411)	\$ (13,488)

EXPLANATION OF CATEGORIES

Category	Funds
General Government =	General Fund
Special Revenue Funds =	Birmingham Fund, Birmingham Water Works Proceeds, Community Development Block Grant

**OFFICIAL OPERATING BUDGET
FISCAL YEAR 2008**

**COMBINED STATEMENT OF REVENUES AND EXPENDITURES BY SERVICE
FOR FUNDS THAT ARE BUDGETED
THREE YEAR COMPARISON**

(In Thousands)

	DEBT SERVICE			CAPITAL PROJECTS		
	ACTUAL 2005/06	ACTUAL 2006/07	BUDGET 2007/08	ACTUAL 2005/06	ACTUAL 2006/07	BUDGET 2007/08
REVENUES						
Property Taxes	\$ 26,501	\$ 27,359	\$ 26,500	\$ -	\$ -	\$ -
Sales & Use Taxes						
Income Taxes						
Licenses and Permits						
Federal Grant						
Shared State & Local				4,914	4,841	4,977
Employer Contributions						
Employee Contributions						
Charges for Service						
Fines & Forfeitures						
Interest Earnings	106	2,552	1,100	1,308	2,409	
Bond/Warrant Proceeds					103,708	3
Miscellaneous				315	208	60
Total Revenue	\$ 26,607	\$ 29,911	\$ 27,600	\$ 6,537	\$ 111,166	\$ 5,040
EXPENDITURES						
Public Safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Environmental & Streets				1,637	1,138	2,116
Culture & Recreation						2,475
General Government						1,087
Debt Service	31,990	30,949	36,636	7,654	3,591	4,129
Bond/Warrant Issue Cost				541	567	
Transfers	624			(17,916)	(8,062)	
Capital Outlays				37,805	34,504	
Other	416	242				
Total Expenditures	\$ 33,030	\$ 31,191	\$ 36,636	\$ 29,721	\$ 31,738	\$ 9,807
Revenues Over/(Under) Expenditures	\$ (6,423)	\$ (1,280)	\$ (9,036)	\$ (23,184)	\$ 79,428	\$ (4,767)

EXPLANATION OF CATEGORIES

Category	Funds
Debt Service =	General Bond Debt Reserve Fund and Tax Increment Financing Fund
Capital Projects =	General Obligation funds, Capital Improvement Funds, Warrant Improvement Funds and Fuel Tax Fund

**OFFICIAL OPERATING BUDGET
FISCAL YEAR 2008**

**COMBINED STATEMENT OF REVENUES AND EXPENDITURES BY SERVICE
FOR FUNDS THAT ARE NOT BUDGETED
THREE YEAR COMPARISON**

(In Thousands)

	PROPRIETARY FUNDS			FIDUCIARY FUNDS		
	ACTUAL 2005/06	ACTUAL 2005/06	ACTUAL 2005/06	ACTUAL 2005/06	ACTUAL 2005/06	ACTUAL 2005/06
REVENUES						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales & Use Taxes						
Income Taxes						
Licenses and Permits						
Federal Grant						
Shared State & Local						
Employer Contributions				14,985	15,711	16,000
Employee Contributions				14,030	14,127	14,200
Charges for Services	2,998	3,156	3,200			
Fines & Forfeitures						
Interest Earnings	39	102	80	41,631	90,917	45,000
Bond/Warrant Proceeds						
Miscellaneous				491	576	
Total Revenue	\$ 3,037	\$ 3,258	\$ 3,280	\$ 71,137	\$ 121,331	\$ 75,200
EXPENDITURES						
Public Safety	\$ 2,637	\$ 2,359	\$ 2,600	\$ -	\$ -	\$ -
Environmental & Streets						
Culture & Recreation						
General Government	48	48		53,608	60,268	65,000
Debt Service						
Bond/Warrant Issue Cost						
Transfers						
Capital Outlays	264	711				
Other	208	79	463			
Total Expenditures	\$ 3,157	\$ 3,197	\$ 3,063	\$ 53,608	\$ 60,268	\$ 65,000
Revenues Over/(Under) Expenditures	\$ (120)	\$ 61	\$ 217	\$ 17,529	\$ 61,063	\$ 10,200

EXPLANATION OF CATEGORIES

Category

Funds

Proprietary Funds = Emergency Management Communication District

Fiduciary Funds = Retirement and Relief System Fund as well as other Supplemental Retirement Funds

**OFFICIAL OPERATING BUDGET
FISCAL YEAR 2008**

**COMBINED STATEMENT OF REVENUES AND EXPENDITURES BY SERVICE
FOR ALL FUNDS
THREE YEAR COMPARISON**

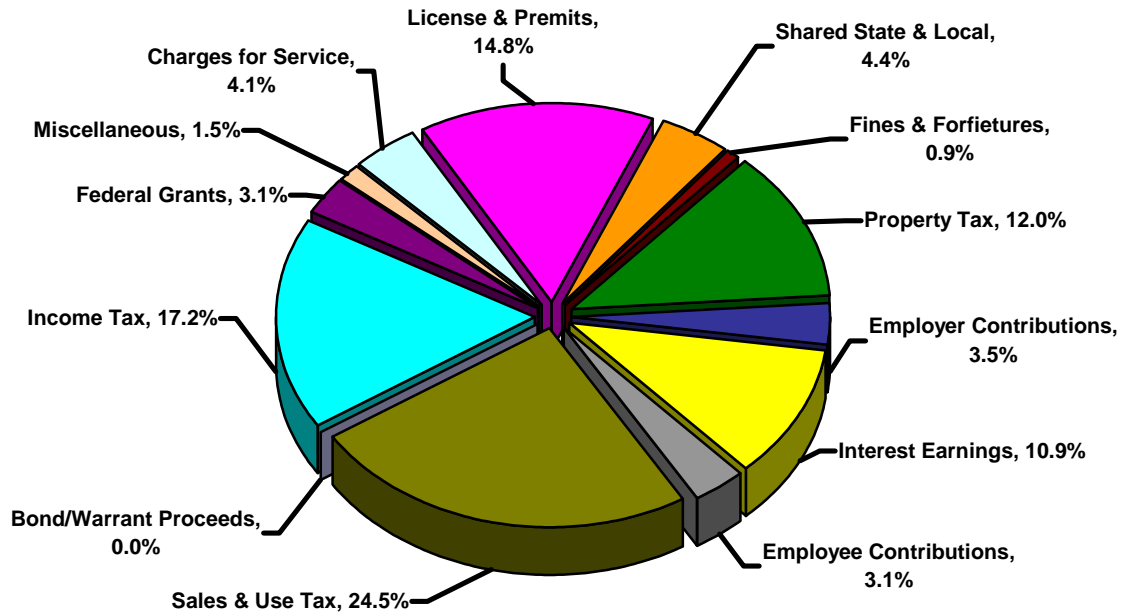
(In Thousands)

	CONSOLIDATED		
	ACTUAL 2005/06	ACTUAL 2006/07	BUDGET 2007/08
<u>REVENUES</u>			
Property Taxes	\$ 52,669	\$ 54,920	\$ 54,460
Sales & Use Taxes	109,085	109,665	111,135
Income Taxes	72,297	75,269	78,040
Licenses and Permits	60,564	65,349	67,181
Federal Grant	19,688	17,816	14,097
Shared State & Local	19,585	21,177	19,898
Employer Contributions	14,985	15,711	16,000
Employee Contributions	14,030	14,127	14,200
Charges for Service	18,744	19,588	18,656
Fines & Forfeitures	4,181	4,118	4,042
Interest Earnings	52,504	112,187	49,405
Bond/Warrant Proceeds	-	103,708	3
Miscellaneous	5,962	10,510	6,700
Total Revenue	\$ 444,294	\$ 624,145	\$ 453,817
<u>EXPENDITURES</u>			
Public Safety	\$ 148,325	\$ 150,401	\$ 167,122
Environmental & Streets	63,439	64,145	71,510
Culture & Recreation	38,547	40,618	43,878
General Government	179,789	162,722	136,230
Debt Service	44,688	46,279	51,488
Bond/Warrant Issue cost	541	567	-
Transfers	(6,574)	(4,326)	-
Capital Outlays	38,339	35,353	-
Other	624	321	463
Total Expenditures	\$ 507,718	\$ 496,080	\$ 470,691
Revenues Over/(Under) Expenditures	\$ (63,424)	\$ 128,065	\$ (16,874)

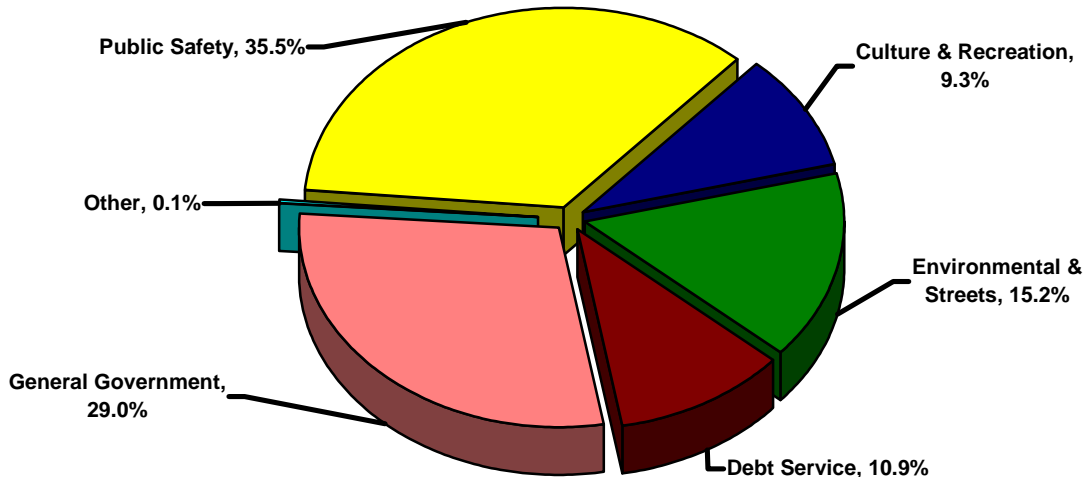
OFFICIAL OPERATING BUDGET FISCAL YEAR 2008

FY 2008 Total Budgeted Revenues & Expenditures By Service

REVENUES - \$453,817,000



EXPENDITURES - \$470,691,000



This graph shows the total budgeted revenues and expenditures by service for the fiscal year 2008 as listed on the previous page.

**OFFICIAL OPERATING BUDGET
FISCAL YEAR 2008**

**COMBINED STATEMENT OF REVENUES AND EXPENDITURES BY LINE ITEM
FOR FUNDS THAT ARE BUDGETED
THREE YEAR COMPARISON**

(In Thousands)

	GENERAL GOVERNMENT			SPECIAL REVENUE FUNDS		
	ACTUAL 2005/06	ACTUAL 2006/07	BUDGET 2007/08	ACTUAL 2005/06	ACTUAL 2006/07	BUDGET 2007/08
REVENUES						
Property Taxes	\$ 26,168	\$ 27,561	\$ 27,960	\$ -	\$ -	\$ -
Sales & Use Taxes	109,085	109,665	111,135			
Income Taxes	72,297	75,269	78,040			
Licenses and Permits	60,564	65,349	67,181			
Federal Grants				19,688	17,816	14,097
Shared State & Local	14,671	16,336	14,921			
Employer Contributions						
Employee Contributions						
Charges for Service	15,746	16,432	15,456			
Fines & Forfeitures	4,181	4,118	4,042			
Interest Earnings	2,647	4,381	3,225	6,773	11,826	
Bond/Warrant Proceeds						
Miscellaneous	2,947	4,572	6,640	2,209	5,154	
Total Revenue	\$ 308,306	\$ 323,683	\$ 328,600	\$ 28,670	\$ 34,796	\$ 14,097
EXPENDITURES						
Salaries and Wages	\$ 162,997	\$ 164,232	\$ 190,405	\$ 1,273	\$ 1,184	\$ 1,200
Personnel Benefits	60,214	65,658	66,200	366	368	375
Pension Benefits						
Intergovernmental Services						
Supplies and Maintenance	39,341	40,906	37,524	76	267	275
Other Services and Charges	25,411	25,479	28,390			
Capital Outlays	172	998	17	82,590	55,119	21,076
Debt Service	5,044	7,789	6,064		3,950	4,659
Transfers	11,332	3,417		(614)	319	
Total Expenditures	\$ 304,511	\$ 308,479	\$ 328,600	\$ 83,691	\$ 61,207	\$ 27,585
Revenues Over/(Under) Expenditures	\$ 3,795	\$ 15,204	\$ -	\$ (55,021)	\$ (26,411)	\$ (13,488)

EXPLANATION OF CATEGORIES

Category

Funds

General Government = General Fund

Special Revenue Funds = Birmingham Fund, Birmingham Water Works Proceeds,
Community Development Block Grant

**OFFICIAL OPERATING BUDGET
FISCAL YEAR 2008**

**COMBINED STATEMENT OF REVENUES AND EXPENDITURES BY SERVICE
FOR FUNDS THAT ARE BUDGETED
THREE YEAR COMPARISON**

(In Thousands)

	DEBT SERVICE			CAPITAL PROJECTS		
	ACTUAL 2005/06	ACTUAL 2006/07	BUDGET 2007/08	ACTUAL 2005/06	ACTUAL 2006/07	BUDGET 2007/08
REVENUES						
Property Taxes	\$ 26,501	\$ 27,359	\$ 26,500	\$ -	\$ -	\$ -
Sales & Use Taxes						
Income Taxes						
Licenses and Permits						
Federal Grant						
Shared State & Local Employer Contributions				4,914	4,841	4,977
Employee Contributions						
Charges for Service						
Fines & Forfeitures						
Interest Earnings	106	2,552	1,100	1,308	2,409	
Bond/Warrant Proceeds					103,708	3
Miscellaneous				315	208	60
Total Revenue	\$ 26,607	\$ 29,911	\$ 27,600	\$ 6,537	\$ 111,166	\$ 5,040
EXPENDITURES						
Public Safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Environmental & Streets				1,637	1,138	2,116
Culture & Recreation						2,475
General Government						1,087
Debt Service	31,990	30,949	36,636	7,654	3,591	4,129
Bond/Warrant Issue Cost				541	567	
Transfers	624			(17,916)	(8,062)	
Capital Outlays				37,805	34,504	
Other	416	242				
Total Expenditures	\$ 33,030	\$ 31,191	\$ 36,636	\$ 29,721	\$ 31,738	\$ 9,807
Revenues Over/(Under) Expenditures	\$ (6,423)	\$ (1,280)	\$ (9,036)	\$ (23,184)	\$ 79,428	\$ (4,767)

EXPLANATION OF CATEGORIES

<u>Category</u>	<u>Funds</u>
Debt Service =	General Bond Debt Reserve Fund and Tax Increment Financing Fund
Capital Projects =	General Obligation Funds, Capital Improvement Funds, Warrant Improvement Funds and Fuel Tax Fund

**OFFICIAL OPERATING BUDGET
FISCAL YEAR 2008**

**COMBINED STATEMENT OF REVENUES AND EXPENDITURES BY LINE ITEM
FOR FUNDS THAT ARE NOT BUDGETED
THREE YEAR COMPARISON**

(In Thousands)

	PROPRIETARY FUNDS			FIDUCIARY FUNDS		
	ACTUAL 2005/06	ACTUAL 2005/06	ACTUAL 2005/06	ACTUAL 2005/06	ACTUAL 2005/06	ACTUAL 2005/06
REVENUES						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales & Use Taxes						
Income Taxes						
Licenses and Permits						
Federal Grant						
Shared State & Local Employer Contributions				14,985.00	15,711.00	16,000.00
Employee Contributions				14,030	14,127	14,200
Charges for Services	2,998	3,156	3,200			
Fines & Forfeitures						
Interest Earnings	39	102	80	41,631	90,917	45,000
Bond/Warrant Proceeds						
Miscellaneous				491	576	
Total Revenue	\$ 3,037	\$ 3,258	\$ 3,280	\$ 71,137	\$ 121,331	\$ 75,200
EXPENDITURES						
Salaries and Wages	\$ 41	\$ 41	\$ 43	\$ 69	\$ 90	\$ 100
Personnel Benefits	7	7	7	18	28	30
Pension Benefits				48,580	54,853	57,870
Intergovernmental Services	2,637	2,358	2,300			
Supplies and Maintenance	208	791	602	4,941	5,297	7,000
Other Services and Charges						
Capital Outlays	264		111			
Debt Service						
Transfers						
Total Expenditures	\$ 3,157	\$ 3,197	\$ 3,063	\$ 53,608	\$ 60,268	\$ 65,000
Revenues Over/(Under) Expenditures	\$ (120)	\$ 61	\$ 217	\$ 17,529	\$ 61,063	\$ 10,200

EXPLANATION OF CATEGORIES

Category	Funds
Proprietary Funds =	Emergency Management Communication District
Fiduciary Funds =	Retirement and Relief System Fund as well as other Supplemental Retirement Funds

**OFFICIAL OPERATING BUDGET
FISCAL YEAR 2008**

**COMBINED STATEMENT OF REVENUES AND EXPENDITURES BY LINE ITEM
FOR ALL FUNDS
THREE YEAR COMPARISON**

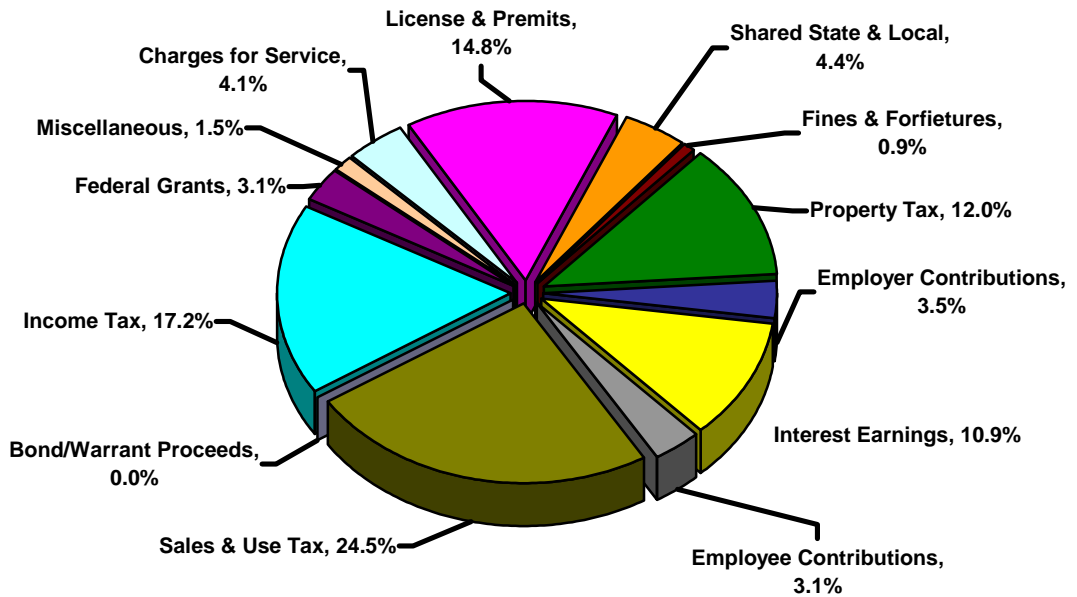
(In Thousands)

	CONSOLIDATED		
	ACTUAL 2005/06	ACTUAL 2006/07	BUDGET 2007/08
<u>REVENUES</u>			
Property Taxes	\$ 52,669	\$ 54,920	\$ 54,460
Sales & Use Taxes	109,085	109,665	111,135
Income Taxes	72,297	75,269	78,040
Licenses and Permits	60,564	65,349	67,181
Federal Grant	19,688	17,816	14,097
Shared State & Local	19,585	21,177	19,898
Employer Contributions	14,985	15,711	16,000
Employee Contributions	14,030	14,127	14,200
Charges for Service	18,744	19,588	18,656
Fines & Forfeitures	4,181	4,118	4,042
Interest Earnings	52,504	112,187	49,405
Bond/Warrant Proceeds	-	103,708	3
Miscellaneous	5,962	10,510	6,700
Total Revenue	\$ 444,294	\$ 624,145	\$ 453,817
<u>EXPENDITURES</u>			
Salaries and Wages	\$ 164,380	\$ 165,547	\$ 191,748
Personnel Benefits	60,605	66,061	66,612
Pension Benefits	48,580	54,853	57,870
Intergovernmental Services	2,637	2,358	2,300
Supplies and Maintenance	44,566	47,261	45,401
Other Services and Charges	26,368	26,288	28,515
Capital Outlays	122,468	91,759	26,757
Debt Service	44,688	46,279	51,488
Transfers	(6,574)	(4,326)	-
Total Expenditures	\$ 507,718	\$ 496,080	\$ 470,691
Revenues Over/(Under) Expenditures	\$ (63,424)	\$ 128,065	\$ (16,874)

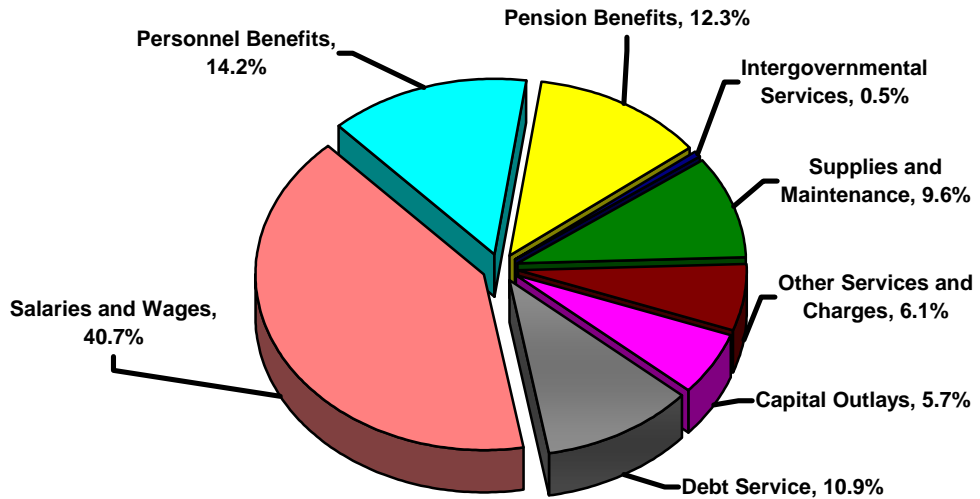
OFFICIAL OPERATING BUDGET FISCAL YEAR 2008

FY 2008 Total Budgeted Revenues & Expenditures By Line Item

REVENUES - \$453,817,000



EXPENDITURES - \$470,691,000



This graph shows the total budgeted revenues and expenditures by line item for the fiscal year 2008 as listed on the previous page.

OFFICIAL OPERATING BUDGET FISCAL YEAR 2008

CHANGES IN FUND BALANCE

The previous statements show the combined revenues and expenditures for all city funds and the net change, the excess of revenues over (under) expenditures. The net change impacts the fund balance for City funds. (The difference between assets and liabilities in governmental accounting is known as fund balance.)

The following statement shows the actual change in fund balance for the year ending June 30, 2007:

COMBINED STATEMENT OF CHANGES IN FUND BALANCE FOR ALL CITY FUNDS FOR THE YEAR ENDING JUNE 30, 2007 (In Thousands)							
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects	Proprietary Funds	Fiduciary Funds	Consolidated
	ACTUAL 2006/07	ACTUAL 2006/07	ACTUAL 2006/07	ACTUAL 2006/07	ACTUAL 2006/07	ACTUAL 2006/07	ACTUAL 2006/07
REVENUES							
Total Revenue and Other Sources	\$ 323,683	\$ 34,796	\$ 29,911	\$ 111,166	3,258	121,331	\$ 624,145
Total Expenditures and Other Uses	308,479	61,207	31,191	31,738	3,197	60,268	496,080
Revenues Over/(Under) Expenditures	15,204	(26,411)	(1,280)	79,428	61	61,063	128,065
Beginning Fund Balance - July 1, 2006	77,973	158,379	46,674	76,049	934	959,851	1,319,860
Ending Fund Balance - June 30, 2007	<u>\$ 93,177</u>	<u>\$ 131,968</u>	<u>\$ 45,394</u>	<u>\$ 155,477</u>	<u>\$ 995</u>	<u>\$ 1,020,914</u>	<u>\$ 1,447,925</u>

The consolidated fund balance change shows an overall gain of \$128 million in fiscal year 2007. Most of the gain was due to the revenue received (in capital projects) from bond and warrant proceeds. Also, pension funds (Fiduciary funds) interest earnings revenue showed a substantial increase.

OFFICIAL OPERATING BUDGET FISCAL YEAR 2008

The following statement shows the projected change in fund balance for the fiscal year ending June 30, 2008:

COMBINED STATEMENT OF CHANGES IN FUND BALANCE FOR ALL CITY FUNDS FOR THE YEAR ENDING JUNE 30, 2008 (In Thousands)							
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects	Proprietary Funds	Fiduciary Funds	Consolidated
	BUDGET 2007/08	BUDGET 2007/08	BUDGET 2007/08	BUDGET 2007/08	BUDGET 2007/08	BUDGET 2007/08	BUDGET 2007/08
REVENUES							
Total Revenue and Other Sources	\$ 328,600	\$ 14,097	\$ 27,600	\$ 5,040	\$ 3,280	\$ 75,200	\$ 453,817
Total Expenditures and Other Uses	328,600.00	27,585.00	36,636.00	9,807.00	3,063.00	65,000.00	470,691.00
Revenues Over/(Under) Expenditures	-	(13,488)	(9,036)	(4,767)	217	10,200	(16,874)
Beginning Fund Balance - July 1, 2007	93,177	131,968	45,394	155,477	995	1,020,914	1,447,925
Ending Fund Balance - June 30, 2008	\$ 93,177	\$ 118,480	\$ 36,358	\$ 150,710	\$ 1,212	\$ 1,031,114	\$ 1,431,051

The projected combined fund balance for fiscal year 2008 shows a decline of approximately \$16.9 million. The City will incur deficit spending in the Birmingham Water Works Proceeds Fund (Special Revenue). There is also deficit spending in the General Bond Debt Reserve Fund (Debt Service). Both of these deficits are due to increases in debt service expense and will be paid by fund balances.