

## Bessemer, AL, City of

1 The Governmental Utility Services Corporation of the City of Bessemer (Alabama) Water Supply Revenue Refunding Bonds, Series 2008, \$61,310,000 Dated: April 1, 2008

### EXHIBIT B

Series 2008 GUSC

#### **Audited Financial Report of the City of Bessemer, Alabama Water Service Department**

Fiscal Year Ended September 30, 2016

See Audited Financial Statements filed on 3/23/2017

### The Water System

Series 2008 GUSC

#### **Rates and Fees**

Per (100) cu. Ft.

<u>Rates</u>	<u>2016</u>
Residential	3.21
Commercial	3.21
<b><u>Residential Availability Charges per Month</u></b>	
5/8 inch meter	18.67
3/4 inch meter	18.67
1 inch meter	30.81
2 inch meter	105.17
<b><u>Commercial Availability Charges</u></b>	
5/8 inch meter	21.33
3/4 inch meter	21.33
1 inch meter	30.81
1 - 1/2 inch meter	58.12
2 inch meter	105.17
3 inch meter	218.93
4 inch meter	385.81
6 inch meter	856.11
8 inch meter	1296.06
<b><u>Fire Protection</u></b>	
Public	17.31
Sprinkler Heads	22.23

Ref: Bessemer Utilities Rate Charges and Service Fees

Series 2008 GUSC

#### **A Summary of the Revenues and Expenditures for the Immediately Preceding Fiscal Year of the Water System**

##### City of Bessemer, Alabama Water Service Department Statement of Revenues, Expenses, and Retained Earnings

	<u>2016</u>
<b>OPERATING REVENUES</b>	
Water sales:	
Residential	10,728,365
Commercial	1,331,415
Industrial	3,718,897
Public and private fire protection	34,810
Other public authorities	1,194,462
Total water sales	17,007,949
Sewer commissions	1,007,374
Forfeited discounts	1,166,835
Miscellaneous	973,217
<b>Total operating revenue</b>	<b>20,155,375</b>
<b>OPERATING EXPENSES</b>	
Water purchased	(7,422,542)
Power and pumping	(639,193)
Transmission and distribution	(3,861,217)
Customers' accounting and collection	(1,059,804)
Administrative and general	(1,432,450)
Amortization	(16,045)
Bad debt	(200,296)
Depreciation	(687,463)
Payment in lieu of taxes	(185,392)
Payroll taxes	(230,116)
<b>Total operating expenses</b>	<b>(15,734,518)</b>
Operating income	4,420,857
Other income (expense):	
Interest income	860
Interest expense	(1,078,650)
Total other income (expense)	(1,077,790)
Operating transfers to City of Bessemer	-
Net income (loss)	3,343,067
Net Assets, beginning of the year	14,051,652
Net Assets, end of the year, as restated	18,306,923

Ref: Financial Report

### Largest Water Users

<b>Name</b>	<b>Cubic Feet</b>	<b>Gallons</b>
Alabaster Water Board	37,744,000	282,344,727
Bessemer Housing	9,122,500	68,241,039
City of Helena	16,485,800	123,322,348
Oak Grove Resources	7,059,200	52,806,483
Milos Tea Company	6,901,700	51,628,301
Griffin Wheel	5,211,800	38,986,971
UAB Medical West	3,518,500	26,320,208
Renaissance Ross	2,970,700	22,222,379
U S Cast Iron & PI	3,032,500	22,684,675
Koch Parks LLC	2,383,100	17,826,826

Series 2008 GUSC

<u>Fiscal Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	520,000	1,063,050	1,583,050
2018	540,000	1,041,850	1,581,850
2019	560,000	1,019,500	1,579,500
2020	590,000	995,560	1,585,560
2021	615,000	970,101	1,585,101
2022	640,000	943,273	1,583,273
2023	670,000	914,856	1,584,856
2024	705,000	879,050	1,584,050
2025	750,000	835,400	1,585,400
2026	795,000	789,050	1,584,050
2027	845,000	739,850	1,584,850
2028	890,000	692,250	1,582,250
2029	935,000	646,625	1,581,625
2030	985,000	598,625	1,583,625
2031	1,035,000	548,125	1,583,125
2032	1,090,000	495,000	1,585,000
2033	1,145,000	439,125	1,584,125
2034	1,205,000	380,375	1,585,375
2035	1,265,000	318,625	1,583,625
2036	1,330,000	253,750	1,583,750
2037	1,395,000	185,625	1,580,625
2038	1,470,000	114,000	1,584,000
2039	1,545,000	38,625	1,583,625
Total	21,520,000	14,902,290	36,422,290

## Exhibit A

Population	SEE ATTACHED
Fiscal Year Ended September 30,	
<u>Year</u>	<u>Population</u>
2016	

Employment Statistics		SEE ATTACHED
Fiscal Year Ended September 30,		
<u>Employment Status</u>		<u>2016</u>
Civilian Labor Force		
Employment		
Unemployment		
Unemployment rate		

Rate of Unemployment		SEE ATTACHED
Fiscal Year Ended September 30,		
Year	Jefferson County	State
2016		

[illegible]

**THE GOVERNMENTAL UTILITY SERVICES CORPORATION OF BESSEMER, ALABAMA  
ANNUAL REPORT UNDER THE CONTINUING DISCLOSURE AGREEMENT RELATED TO THE  
SERIES 2008 WATER SUPPLY REVENUE BONDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**INFORMATION CONCERNING THE CITY OF BESSEMER, ALABAMA WATER SYSTEM  
(the "WATER SYSTEM")**

**General Information**

The City purchased the Water System from Alabama Water Service Company in 1945. Since that time, the Water System has been an enterprise of the City. The Mayor of the City is the ex officio Manager of the Water System.

The Water System serves the 51 square mile service area within the corporate limits of the City, the municipalities of Brighton, Hueytown, Midfield, Lipscomb, and the unincorporated communities of Dolomite, Muscoda, New Village, Lacy's Chapel, and a portion of McCalla. The Water System also serves the Lake Cyrus and Ross Bridge communities located within the corporate limits of the City of Hoover, Alabama. The City water service area totals over 80 square miles. More than 26,000 commercial and domestic customers are now receiving water from the Water System. All of the customers are metered. Some 40 industrial users purchase water from the Water System. Among the industrial users are U.S. Pipe and Foundry Co. and U.S. Steel Corporation. The Governmental Utility Service Corporation of the City of Bessemer (GUSC) is the exclusive source of water to the Water System.

The Water System has an aggregate of 24,000,000 gallons of existing above-ground storage capacity.

The Water System is subject to regulation by the Alabama Department of Environmental Management with respect to water quality and improvements and additions to the Water System. The Water System is required to chlorinate water purchased from the GUSC to treat impurities which enter the Water System at any time that leaks are repaired. The Water System sells water at wholesale to two public water distribution systems (Alabaster and Helena). Those water systems operate in an area contiguous to the service area of the Water System. The terms of those contracts permit rate increases.

**Alabaster Water Board**

The City and the Alabaster Water Board, an agency of the City of Alabaster, Alabama, which is located to the south of the City, have entered into a Water Supply Agreement dated April 18, 2006, the term of which extends for thirty (30) years from the initial date of delivery of water to the Alabaster Water Board. Under that agreement, the City agreed to sell to the Alabaster Water Board, and the Alabaster Water Board agreed to purchase from the City, certain quantities of water not to exceed 5,972,603 gallons per day on an annualized basis. The said sale of water to the Alabaster Water Board will substantially lower the cost of water to the City that is purchased from the GUSC. On August 1, 2007, the City and the Alabaster Water Board entered into a First Amendment to the Water Supply Agreement. Under that amendment, the City and the Alabaster Water Board agreed (i) to provide for the construction by the City of a water supply line along Shelby County Highway 52 by which the City will deliver water to the Alabaster Water Board, (ii) to amend the service territories of the City and the Alabaster Water Board, and (iii) to acknowledge the delays experienced as of the date of said Amendment in obtaining all necessary permits and authorizations before construction of a water supply line between the City and the Alabaster Water Board.

## **Utility Board of the City of Helena, Alabama**

The City and the Utility Board of the City of Helena, Alabama (hereinafter referred to as Helena), which is located to the south of the City, have entered into a Water Supply Agreement dated March 16, 2004, the initial term of the agreement is 10 years subject to a 10 year automatic renewal unless terminated by either party by March 31, 2010. Under that agreement, the City agreed to sell Helena, and Helena agreed to purchase from the City, certain quantities of water not to exceed 3,000,000 gallons per day. The said sale of water to Helena will substantially lower the cost of water to the City that is purchased from the GUSC.

## **Other Municipalities Served by the Water System**

Although the City owns the water distribution systems in the municipalities of Midfield, Lipscomb, Brighton, and Hueytown in which it now supplies water to the public, the City has no record indicating that franchises have been granted to the City for the operation of the water systems in those cities. In the event that a competing provider of water services desires to operate in the aforementioned cities, such a competing provider of services would have to install lines that parallel the City's existing lines. Under the laws of Alabama, the City would be permitted to retain and operate all water facilities which were in existence at the time of the incorporation of any municipality in which it sells water, but the City could be compelled to discontinue service through any facilities installed after the incorporation of a municipality from which the City did not hold a franchise.

The Water System has expanded in Midfield by approximately 54% since 1954, which is the year of incorporation for Midfield. In 1954, there were approximately 1,950 water customers in Midfield, and today there are approximately 3,000 such customers.

The Water System in Hueytown has expanded approximately 35% since 1960, which is the year of incorporation for Hueytown. In 1960, there were approximately 4,500 water customers in Hueytown, and today there are approximately 6,000 such customers. The City is now expanding the City's existing water transmission lines in Hueytown that are utilized in connection with the Project.

**Delinquencies.** The policy of the City is to discontinue service sixty days after any bill for water becomes due. A late charge of 10% is charged ten days after the bills are rendered. The Water System experiences about a 0.5% bad debt loss. All rate increases go into effect the date the meters are read rather than the date bills are sent or the date the increase is adopted by the City Council of the City.

**Water Pressure.** At present, pressure on the Water System's downtown grid is limited to gradient 712' MSL because some of its mains have been in service for 100 years. The City has made various improvements to the Water System that were funded with the proceeds of the City's Water Revenue Warrants, Series 2000, and it is expected that these improvements will alleviate and remediate this problem.

**Water Rates.** The water rates for the Water System were set by Resolution No. 1792-09 of the City Council dated December 1, 2009. Water rates are increased automatically on February 1 of each year based upon the increase in the Consumer Price Index for the previous year as of October. The City is not subject to any state regulatory body as pertains to the determination of rates, but there is a judicially imposed standard of reasonableness on all rates. The City is subject to the Alabama Department of Environmental Management with respect to water quality and construction of all improvements to the Water System.

## Rates and Fees

The following is the retail rate schedule in effect as of September 1, 2016:

### Rates

Residential	\$ 3.21 per 100 cu. ft.
Commercial	\$ 3.21 per 100 cu. ft.

#### Residential Availability Charges Per Month

5/8 inch meter	\$ 18.67
3/4 inch meter	18.67
1 inch meter	30.81
2 inch meter	105.17

#### Commercial Availability Charges Per Month

5/8 inch meter	\$ 21.33
3/4 inch meter	21.33
1 inch meter	30.81
1- 1/2 inch meter	58.12
2 inch meter	105.17
3 inch meter	218.93
4 inch meter	385.81
6 inch meter	856.11
8 inch meter	1,296.06

### Fire Protection

Public - \$207.60 per year or \$17.31 per month per hydrant  
Sprinkler Heads - \$266.80 per year or \$22.23 per month up to 500 head increments

If a meter serves more than one Residential unit, the availability charge for a  $\frac{3}{4}$  meter will apply to each additional unit.

If a meter serves more than one Commercial unit, the availability charge for a  $\frac{3}{4}$  meter will apply to each additional unit.

Trailer parks will be charged by the total number of available lots or pads, multiplied by 70% times the rate for a  $\frac{3}{4}$  meter, or by the size of the master meter serving the park, whichever is greater.

### Tapping Fee

	<u>Residential</u>	
$\frac{3}{4}$ "		\$ 1,730.00
Additional Sprinkler Tap		
(Paid for at time of original tap)		665.39
	<u>Commercial</u>	
1"		\$ 1,996.16
2"		2,661.54
4"		3,992.32
6"		5,323.08
8"		7,984.61

**Water Capital Recovery Fee (Payable at time of application for water service)**

Residential/Commercial/Industrial	
¾"	\$ 1,187.84
1"	1,187.84
2"	1,781.75
4" and above	5,939.17

**Hotels/Motels, Apartments, Nursing Homes/Assistant Living Facilities, and Hospitals (Payable at time Building Permit is issued)**

Hotels/Motels: Multiply the number of rooms in the hotel/motel by .35 by the amount set forth for a ¾ inch line.

Apartments: Multiply the number of rooms in the Apartments by .50 by the amount set forth for a ¾ inch line.

Nursing Homes/Assistant Living Facilities: Multiply the number of rooms in the Nursing Homes/Assistant Living Facility by .30 by the amount set forth for a ¾ inch line.

Hospitals: Multiply the number of rooms in the Hospital by .50 by the amount set forth for a ¾ inch line.

Source: Bessemer Utilities

**Major Consumers**

The following is a list of the ten largest water users for fiscal year 2015 and the gallons consumed:

**2016 FISCAL YEAR  
LARGEST WATER USERS**

<u>NAME</u>	<u>CUBIC FEET</u>	<u>GALLONS</u>
Alabaster Water Board	37,744,000	282,325,120
Utility Board of the City of Helena	16,485,800	123,313,784
Bessemer Housing Authority	9,122,500	68,236,300
Oak Grove Resource	7,059,200	52,802,816
Milo's Tea	6,901,700	51,624,716
Griffin Wheel Co*	5,211,800	38,984,264
UAB Medical West	3,518,500	26,318,380
US Cast Iron & Pipe	3,032,500	22,683,100
Renaissance Ross Bridge	2,970,700	22,220,836
Jefferson County Commission	2,558,600	19,138,328
KOCH Parks, LLC	2,383,100	17,825,588

Source: Bessemer Utilities

\*Griffin Wheel Co idled their plant June, 2016.

## INFORMATION CONCERNING THE CITY OF BESEMER, ALABAMA

### CITY GOVERNMENT AND ADMINISTRATION

The City government is organized under the Mayor and Council form of government with a Mayor and seven Council members elected from seven districts. The President of the City Council is elected annually by the Council from among its members. The Mayor, who is not a member of the Council but who has veto powers, is elected at large. The present terms of all City elected officers expire in October, 2016. The names of the present officers of the City are as follows:

<u>Name</u>	<u>Office</u>
Kenneth E. Gulley	Mayor
Ron Marshall	Council President
Cleophus King	Councilmember, President Pro Tempore
Cynthia S. Donald	Councilmember
Jesse Matthews	Councilmember
Chester W. Porter	Councilmember
Donna Thigpen	Councilmember
David Vance	Councilmember

The Finance Director/Treasurer, Kela Pryor, was appointed by the mayor.

The City employs approximately 500 persons in such capacities as firemen, policemen, administrative, park and recreation, department supervisors, and equipment operators. In addition, the City employs approximately 100 persons in the operation and maintenance of its water and electric utility systems.

### ECONOMIC AND DEMOGRAPHIC INFORMATION RESPECTING THE CITY

#### General

The City of Bessemer is located in Jefferson County, Alabama, and adjoins the City of Birmingham, Alabama, on the western boundary of the said City of Birmingham. The City has been incorporated for approximately 130 years and the area surrounding the City has experienced substantial economic expansion in the last five years.

#### Population

The population of the City has been as follows according to the decennial census for each year shown:

<u>Year</u>	<u>Population</u>
2010	27,456
2000	29,672
1990	33,497
1980	31,729
1970	33,428
1960	33,054

## Employment Statistics

The following table sets forth labor force data, estimates, and employment rates for the City for the years indicated:

<u>Employment Status</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Civilian Labor Force	10,102	9,938	9,699	9,886	10,005
Employment	8,887	8,999	8,961	9,078	8,984
Unemployment	1,215	939	738	808	1,021
Unemployment Rate	12.5%	9.4%	7.6%	8.2%	10.2%

Source: U.S. Department of Labor, Bureau of Labor Statistics.

The following table sets forth comparative unemployment rates for the City, the County, the State of Alabama, and the United States for the years indicated:

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
City of Bessemer	12.5%	9.4%	7.6%	8.2%	10.2%
Jefferson County	8.7%	6.8%	5.6%	5.8%	5.7%
State of Alabama	9.0%	7.3%	6.4%	6.2%	5.9%
United States	8.9%	8.1%	7.5%	5.9%	5.1%

Source: U.S. Department of Labor, Bureau of Labor Statistics.

## Major Employers

Major employers in and surrounding the City, their principal activity, and the number of employees of each are as follows:

<u>Company</u>	<u>Product</u>	<u>Employees</u>
UAB Medical Center West	Healthcare	1,181
Dollar General	Retail Store and Distribution Center	680
Wal-Mart Stores, Inc.	Retail	599
Piggly Wiggly	Wholesale Distribution Center	459
CVS/Caremark	Retail Pharmacy and Distribution Center	410
Lowe's Home Center	Retail	330
Southern Store Fixture	Retail	255
Oaks on Parkwood	Nursing Home	199
Jefferson County	Government	197
Golden Living Meadowood	Nursing Home	161

Source: City of Bessemer.

## Transportation

Interstates 59 and 20 run through the City and the metropolitan by-pass. Interstate 459 runs through a part of the City.

## Health Care

University of Alabama Medical Center West, a 300 bed hospital with an active staff of 86 physicians, is located in the City.



**Sanitary Sewer**

Jefferson County is responsible for the expansion and continued maintenance of the sanitary sewer trunk line outfall and treatment system within Jefferson County and fixes the charges for the treatment services. The City owns and maintains the collector and feeder system within the City.

**Natural Gas**

Natural gas is provided to the residents of the City by Alabama Gas Corporation, an investor-owned utility. Rates are regulated by the Alabama Public Service Commission.