

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 11, 2025

Ratings:
Moody's: Aa1
Standard & Poor's: AA+
(See "RATINGS" herein)

New Issue – Book Entry Only

In the opinion of Bond Counsel to the Authority, assuming continuing compliance by the Authority with the covenants set forth in the Indenture and the proceedings under which the Series 2025 Bonds are issued with respect to certain conditions imposed by Section 103 of the Internal Revenue Code of 1986, as amended, the interest income on the Series 2025 Bonds will be excludable from gross income of the recipients thereof for federal income tax purposes. Bond Counsel to the Authority is also of the opinion that the interest income on the Series 2025 Bonds is, under existing statutes and regulations, exempt from Alabama income taxation. See "TAX MATTERS" herein.

\$6,160,000*

**THE PUBLIC BUILDING AUTHORITY
OF THE CITY OF HUNTSVILLE (ALABAMA)
Lease Revenue Bonds
Series 2025**

Dated: Date of Delivery

**Due: February 1, as shown on
the inside cover hereof**

SEE INSIDE COVER FOR AMOUNTS, MATURITIES, INTEREST RATES AND YIELDS

Interest on the Series 2025 Bonds is payable on August 1 and February 1 of each year, commencing August 1, 2025. The Series 2025 Bonds will be issued as fully registered bonds in the denominations of \$5,000 and any integral multiple thereof. Principal of and any premium on the Series 2025 Bonds will be payable at the corporate trust office of Regions Bank, Birmingham, Alabama, as Trustee under the Indenture hereinafter defined. Interest on the Series 2025 Bonds will be payable by check or draft mailed by the Trustee to the registered owners thereof.

The Series 2025 Bonds are special, limited obligations of The Public Building Authority of the City of Huntsville (the "Authority") payable solely from, and secured by a pledge of, the revenues and receipts derived by the Authority from the leasing by the City of Huntsville (the "City") of the Facility described herein. The Series 2025 Bonds will not constitute an indebtedness of the State of Alabama or of the City, or give rise to a pecuniary liability or charge against the general credit or taxing powers of the State of Alabama or the City. The Authority has no taxing power and no source of payment of the principal of and premium (if any) and interest on the Series 2025 Bonds other than revenues derived from or with respect to the Lease (hereinafter defined) and, in certain cases, proceeds of insurance or condemnation awards respecting the Facility. The Series 2025 Bonds will not be obligations or debts of the City or any other political subdivision or instrumentality of the State of Alabama (other than the Authority to the extent provided in the Indenture), and except for the obligation of the City to pay rentals with respect to the Series 2025 Bonds coming due during the current term or any renewal term of twelve months for which the Lease shall be in effect, neither the City nor any such political subdivision or instrumentality (other than the Authority to the extent provided in the Indenture) shall in any manner be liable for the payment of the principal of or the interest on the Series 2025 Bonds or for the performance of the undertakings of the Authority contained in the Series 2025 Bonds or in the Indenture.

The Series 2025 Bonds will be issued as fully registered Series 2025 Bonds and will be registered in the name of Cede & Co., nominee of The Depository Trust Company ("DTC"), to which principal and interest payments on the Series 2025 Bonds will be made so long as Cede & Co. is the registered owner of the Series 2025 Bonds. Individual purchases of the Series 2025 Bonds will be made in book-entry form only, and individual purchasers ("Beneficial Owners") of the Series 2025 Bonds will not receive physical delivery of Series 2025 Bond certificates. So long as DTC or its nominee is the registered owner of the Series 2025 Bond, disbursements of such payments to DTC is the responsibility of the Trustee, disbursements of such payment to DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC Participants or Indirect Participants as more fully described herein.

Certain of the Series 2025 Bonds are subject to [optional, mandatory and] extraordinary redemption prior to maturity as described herein.

THIS COVER PAGE CONTAINS ONLY A SUMMARY OF INFORMATION REGARDING THE SERIES 2025 BONDS. POTENTIAL INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES HERETO, PRIOR TO MAKING AN INVESTMENT DECISION.

The Series 2025 Bonds are offered when, as and if issued and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of validity thereof by Bradley Arant Boult Cummings LLP, Bond Counsel to the Authority, and certain other conditions. PFM Financial Advisors LLC is serving as Financial Advisor to the Authority and the City. It is expected that the Series 2025 Bonds in definitive form will be available for delivery through DTC on or about _____, 2025.

RAYMOND JAMES®

Dated: _____

* Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

AMOUNTS, MATURITIES, INTEREST RATES AND YIELDS

\$6,160,000* Lease Revenue Bonds Series 2025

Maturity Date (February 1)	Principal Amount*	Interest Rate	Yield	CUSIP⁽¹⁾
2026	\$110,000			
2027	115,000			
2028	125,000			
2029	130,000			
2030	135,000			
2031	140,000			
2032	150,000			
2033	155,000			
2034	165,000			
2035	175,000			
2036	185,000			
2037	190,000			
2038	200,000			
2039	210,000			
2040	225,000			
2041	235,000			
2042	245,000			
2043	260,000			
2044	270,000			
2045	285,000			
2046	300,000			
2047	315,000			
2048	335,000			
2049	350,000			
2050	365,000			
2052	385,000			
2052	405,000			

* Preliminary; subject to change.

⁽¹⁾ CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, operated by Standard & Poor's, a division of The 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 Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of the registered owners of the Series 2025 Bonds. The Authority and the Underwriter are not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness by the Authority on the Series 2025 Bonds and by the Underwriter on the Series 2025 Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2025 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2025 Bonds.

**THE PUBLIC BUILDING AUTHORITY OF
CITY OF HUNTSVILLE**

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Board of Directors

Mark Russell
Chairman

Bob Broadway
Vice-Chairman

DeMarco McClain
Secretary/Treasurer

Financial Advisor

PFM Financial Advisors LLC
Huntsville, Alabama

Bond Counsel

Bradley Arant Boult Cummings LLP
Birmingham, Alabama

Trustee

Regions Bank
Birmingham, Alabama

Underwriter

Raymond James & Associates, Inc.
Birmingham, Alabama

Certain information contained in or incorporated by reference in this Official Statement has been obtained by the Authority and the City from DTC and other sources that are deemed reliable. No representation or warranty is made, however, as to the accuracy or completeness of such information by the Underwriter or the Authority or the City. The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with and as part of its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information and nothing contained in this Official Statement is or shall be relied upon as a promise or representation by the Underwriter. This Official Statement is being used in connection with the sale of securities as referred to herein and may not be used, in whole or in part, for any other purpose. The delivery of this Official Statement at any time does not imply that information herein is correct as of any time subsequent to its date.

No dealer, broker, salesperson or any other person has been authorized by the Authority, the City, or the Underwriter to give any information or to make any representation other than as contained in this Official Statement in connection with the offering described herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than those described on the inside cover page, nor shall there be any offer to sell, solicitation of an offer to buy or sale of such securities in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. 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 Series 2025 Bonds.

Any statements made in this Official Statement, including the Appendices, involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such estimates will be realized. This Official Statement contains certain forward-looking statements and information based on the Authority's beliefs as well as assumptions made by and information currently available to the Authority.

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OFFICIAL STATEMENT

\$6,160,000*

THE PUBLIC BUILDING AUTHORITY OF THE CITY OF HUNTSVILLE Lease Revenue Bonds Series 2025

INTRODUCTION

General

The purpose of this Official Statement, including the cover page and the appendices hereto, is to set forth information in connection with the offering by The Public Building Authority of the City of Huntsville (the "Authority") of the above-referenced bonds (the "Series 2025 Bonds"), dated their date of initial delivery. The Authority is a public corporation organized and existing under and pursuant to the provisions of Chapter 56 of Title 11 of the Code of Alabama 1975, as amended (the "Act") and a resolution adopted by the governing body of the City of Huntsville, Alabama (the "City").

The Authority is issuing the Series 2025 Bonds to finance a portion of the costs to design, develop, construct, equip and install the Facility hereinafter described and to pay the costs of issuing the Series 2025 Bonds. The initial costs of the Facility were paid with proceeds of the \$74,285,000 initial principal amount Lease Revenue Bonds, Series 2022, dated March 3, 2022, of the Authority (the "Series 2022 Bonds"), which were issued under and pursuant to the provisions of the Act and under a Mortgage Indenture and Deed of Trust dated March 3, 2022 (the "Base Indenture"), between the Authority and Regions Bank, as trustee (the "Trustee").

The Series 2025 Bonds will be issued pursuant to the provisions of the Act and under the Base Indenture, as supplemented and amended by a First Supplemental Mortgage Indenture and Deed of Trust dated the date of the Series 2025 Bonds (the "First Supplemental Indenture" and, together with the Base Indenture, the "Indenture"), between the Authority and the Trustee. The Series 2022 Bonds, the Series 2025 Bonds, and any additional parity bonds hereafter issued under the Indenture ("Additional Parity Bonds") are herein from time to time together called the "Bonds." See "THE SERIES 2025 BONDS – Purpose" herein; See also "THE AUTHORITY, THE FACILITY AND THE LEASE" herein.

The Facility

The Series 2025 Bonds are being issued to finance the final costs to develop, construct, equip and install the new city hall facility, including among other features administrative, storage and parking facilities, for use by the City (the "Facility") for lease by the Authority to the City.

The Lease

The Act authorizes the City to lease the Facility from the Authority. Upon issuance of the Series 2025 Bonds, the City and the Authority will enter into a First Supplemental Lease Agreement dated the date of the Series 2025 Bonds (the "First Supplemental Lease"), which supplements and amends that certain Lease Agreement dated March 3, 2022 (the "Base Lease" and, together with the First Supplemental Lease, the "Lease"), under which the City will lease the Facility from the Authority on a year-to-year basis. The Lease will have a term in effect on the date of issuance of the Series 2025 Bonds and continuing until and including September 30, 2025. The Lease provides that the rental required to be paid and the agreements required to be performed by the City during any fiscal year of the City during which the Lease may be in effect shall be payable solely out of the current revenues of the City for such fiscal year.

The financing authorized by the Act and by the proceedings under which the Series 2025 Bonds will be issued is that of a limited obligation of the City payable solely out of the revenues and receipts of the City for the fiscal year during which the Lease is in effect. The Act permits, but does not require, the City to renew the Lease at the beginning of each successive fiscal year of the City. A determination in any fiscal year by the City not to renew the Lease for a subsequent fiscal year would result in the City being liable only for the rental required to be paid and

* Preliminary; subject to change.

agreements performed during the fiscal year during which the Lease was last in effect; such liability to be satisfied solely out of the revenues of the City for the last fiscal year during which the Lease was in effect. See "SECURITY – Lease Term" herein.

Prospective investors in the Series 2025 Bonds should examine the Base Lease, and should also examine the form of the First Supplemental Lease to be entered upon issuance of the Series 2025 Bonds. See also APPENDIX H – "THE BASE LEASE AND THE FORM OF FIRST SUPPLEMENTAL LEASE" hereto.

THE AUTHORITY

The Authority is a public corporation organized and existing under and pursuant to the provisions of the Act and a resolution adopted by the governing body of the City. The Authority was organized for the purpose of constructing certain public facilities for lease by the Authority to the City. The powers of the Authority are vested in its Board of Directors, consisting of three members elected by the governing body of the City for staggered terms. Each director must be a duly qualified resident of the City, but no director may be an officer of the State of Alabama or of the City.

The following consist of the initial Board of Directors of the Authority:

Name	Title
Mark Russell	Chairman
Bob Broadway	Vice-Chairman
DeMarco McClain	Secretary/Treasurer

In addition to the Facility, the Authority owns and leases various other facilities to the City. Specifically, the Authority owns and, under a Lease Agreement between the Authority and the City dated September 1, 2007, as supplemented by a First Supplemental Lease Agreement dated October 12, 2017 (the "Public Safety Facility Lease"), leases to the City a municipal court and fire and police administration facility (the "Public Safety Facility"), and the Authority owns and, under a Lease Agreement between the Authority and the City dated March 18, 2021 (the "Amphitheater Lease"), leases to the City, a public amphitheater in the City known as "Orion Amphitheater" (the "Amphitheater").

Under the Public Safety Facility Lease, the City pays the debt service on the Authority's \$46,965,000 initial principal amount Lease Revenue Refunding Bonds, Series 2017 (the "Series 2017 Bonds"), which were issued to finance and refinance the costs of the Public Safety Facility. Under the Amphitheater Lease, the City pays the debt service on the Authority's \$37,000,000 initial principal amount Taxable Lease Revenue Bonds, Series 2021 (the "Series 2021 Bonds"), which were issued to finance the costs of the Amphitheater. Under the Base Lease the City paid debt service on the Series 2022 Bonds, and under the Base Lease, as amended by the First Supplemental Lease, the City will pay debt service on the Series 2022 Bonds and on the Series 2025 Bonds as parity obligations.

The Series 2025 Bonds are not secured by, and holders thereof have no claim to any amounts or other obligations of the City whatsoever under, the Public Safety Facility Lease or the Amphitheater Lease or otherwise in connection with the Public Safety Facility, the Amphitheater, the Series 2017 Bonds, or the Series 2021 Bonds.

The Series 2025 Bonds are being issued as Additional Parity Bonds under the Indenture, and as such the holders thereof have a parity claim with holders of the Series 2022 Bonds, and with the holders of any Additional Parity Bonds hereinafter issued, on payments of Basic Rent (hereinafter defined) under the Lease assigned to the Authority under the Indenture.

THE CITY OF HUNTSVILLE

For information concerning the City of Huntsville, prospective investors in the Series 2025 Bonds are encouraged to review the various appendices to this Official Statement, including without limitation APPENDIX A – "CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION OF THE CITY OF HUNTSVILLE", APPENDIX B – "GOVERNMENTAL ORGANIZATION AND FUNCTIONS OF THE CITY OF HUNTSVILLE", APPENDIX C "CERTAIN FINANCIAL, DEBT AND RELATED INFORMATION OF THE CITY OF HUNTSVILLE", AND APPENDIX G – "AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023".

THE SERIES 2025 BONDS

General

The Series 2025 Bonds will be dated the date of their initial issuance, will bear semiannual interest payable on each August 1 and February 1, commencing August 1, 2025, at the rates set forth on the inside of the cover page hereof, and will mature on February 1 in the years and in the principal amounts set forth on said inside cover page. Interest on the Series 2025 Bonds is computed on the basis of a 360 day year of twelve (12) consecutive thirty (30) day months. The Series 2025 Bonds will be issued as fully registered bonds, registerable as to both principal and interest, in the denominations of \$5,000 or any integral multiple thereof. The principal of and premium (if any) on the Series 2025 Bonds will be payable at the designated corporate trust office of the Trustee in Birmingham, Alabama, and the interest on the Series 2025 Bonds will be paid by the Trustee by draft or check mailed to the registered owner as such registered owner's name shall appear on the registry books of the Trustee on the fifteenth (15th) calendar day next preceding any interest payment date. Payments of interest with respect to the Series 2025 Bonds shall be deemed timely made if made by check or draft mailed by the Trustee no later than the respective due dates of such interest. The principal of and the interest and premium (if any) on the Series 2025 Bonds will be payable in lawful money of the United States of America.

Purpose of Series 2025 Bonds

The Series 2025 Bonds are being issued to finance the final costs of the Facility and to pay costs of issuing the Series 2025 Bonds. See "PLAN OF FINANCING" herein.

Estimated Debt Service of the Series 2025 Bonds

The estimated debt service requirements for the Series 2025 Bonds is as follows^{(1)*}:

Year (February 1)	Principal ⁽¹⁾	Interest ⁽¹⁾	Total ⁽¹⁾
2026	\$110,000	\$125,767	\$125,767
2027	115,000	305,250	415,250
2028	125,000	299,625	414,625
2029	130,000	293,625	418,625
2030	135,000	287,250	417,250
2031	140,000	280,625	415,625
2032	150,000	273,750	413,750
2033	155,000	266,500	416,500
2034	165,000	258,875	413,875
2035	175,000	250,875	415,875
2036	185,000	242,375	417,375
2037	190,000	233,375	418,375
2038	200,000	224,000	414,000
2039	210,000	214,250	414,250
2040	225,000	204,000	414,000
2041	235,000	193,125	418,125
2042	245,000	181,625	416,625
2043	260,000	169,625	414,625
2044	270,000	157,000	417,000
2045	285,000	143,750	413,750
2046	300,000	129,875	414,875
2047	315,000	115,250	415,250
2048	335,000	99,875	414,875
2049	350,000	83,625	418,625
2050	365,000	66,500	416,500
2051	385,000	48,625	413,625
2052	405,000	29,875	414,875

⁽¹⁾ Assumes annual renewal by the City of the Lease through the final estimated maturity date of Series 2025 Bonds.

* Preliminary; subject to change.

Debt Service on the Series 2022 Bonds and the Series 2025 Bonds

The scheduled debt service for the Series 2022 Bonds, together with the estimated debt service requirements for the Series 2025 Bonds, is as follows⁽¹⁾:

Year (February 1)	Series 2022 Bonds ⁽¹⁾	Series 2025 Bonds ^{(2)*}	Total ^{(1)*}
2025	\$4,780,500	\$125,767	\$4,906,267
2026	4,778,500	415,250	5,193,750
2027	4,778,375	414,625	5,193,000
2028	4,779,875	418,625	5,198,500
2029	4,777,875	417,250	5,195,125
2030	4,777,250	415,625	5,192,875
2031	4,777,750	413,750	5,191,500
2032	4,779,125	416,500	5,195,625
2033	4,781,125	413,875	5,195,000
2034	4,778,625	415,875	5,194,500
2035	4,776,500	417,375	5,193,875
2036	4,779,375	418,375	5,197,750
2037	4,777,000	414,000	5,191,000
2038	4,779,125	414,250	5,193,375
2039	4,780,375	414,000	5,194,375
2040	4,780,500	418,125	5,198,625
2041	4,779,250	416,625	5,195,875
2042	4,781,250	414,625	5,195,875
2043	4,776,250	417,000	5,193,250
2044	4,778,875	413,750	5,192,625
2045	4,778,625	414,875	5,193,500
2046	4,780,125	415,250	5,195,375
2047	4,778,000	414,875	5,192,875
2048	4,776,875	418,625	5,195,500
2049	4,781,125	416,500	5,197,625
2050	4,780,250	413,625	5,193,875
2051	4,778,875	414,875	5,193,750
2052	4,776,500	415,125	5,191,625

⁽¹⁾ Assumes annual renewal by the City of the Base Lease through the final estimated maturity date of Series 2022 Bonds.

⁽²⁾ Assumes annual renewal by the City of the Lease through the final estimated maturity date of Series 2025 Bonds.

* Preliminary; subject to change.

Registration and Transfer

SO LONG AS DTC ACTS AS THE SECURITIES DEPOSITORY FOR THE SERIES 2025 BONDS ALL REFERENCES HEREIN TO "OWNER" OF "HOLDER" OF THE SERIES 2025 BONDS ARE DEEMED TO BE CEDE & CO., AS NOMINEE FOR DTC, AND NOT TO PARTICIPANTS OR BENEFICIAL OWNERS. SEE APPENDIX F - "BOOK-ENTRY ONLY SYSTEM" HERETO.

The Series 2025 Bonds shall be registered as to both principal and interest and may be transferred only on the registry books of the Trustee pertaining to the Series 2025 Bonds. No transfer of the Series 2025 Bonds shall be permitted except upon presentation and surrender of such Series 2025 Bond at the office of the Trustee with written power to transfer signed by the registered owner thereof in person or by a duly authorized attorney in form and with guaranty of signature satisfactory to the Trustee. The holder of one or more of the Series 2025 Bonds may, upon request, and upon the surrender to the Trustee of such Series 2025 Bonds, exchange such Series 2025 Bonds for Series 2025 Bonds of other authorized denominations (\$5,000 principal amount or any integral multiple thereof) of the same maturity and interest rate and together aggregating the same principal amount as the Series 2025 Bonds so surrendered. Any registration, transfer and exchange of Series 2025 Bonds at the request of a holder thereof shall be without expense to such holder, except that the holder shall pay all taxes and other governmental charges, if any, required to be paid in connection with such transfer, registration or exchange. The holder of any Series 2025 Bond

will be required to pay any expenses incurred in connection with the replacement of a mutilated, lost or stolen or destroyed Series 2025 Bond.

The Indenture provides that interest on the Series 2025 Bonds shall be payable solely by check or draft mailed by the Trustee to the holders of the Series 2025 Bonds shown on the registry books of the Trustee pertaining to the Series 2025 Bonds on the Record Date (defined in the Indenture as the 15th calendar day next preceding an interest payment date). The Indenture makes special provision for payment of overdue interest which may be paid to a holder other than the registered holder of a Series 2025 Bond at the time such overdue interest becomes due and payable.

The Indenture provides that each holder of the Series 2025 Bonds, by receiving or accepting the Series 2025 Bonds, consents and agrees and is estopped to deny that, insofar as the Authority and the Trustee are concerned, the Series 2025 Bonds may be transferred only in accordance with the provisions of the Indenture. The Indenture also provides that each transferee of the Series 2025 Bonds takes them subject to all principal and interest payments in fact made with respect to the Series 2025 Bonds.

The Indenture provides that the trustee shall not be required to register or transfer any Series 2025 Bond during the period of 15 days next preceding any August 1 or February 1, and if any Series 2025 Bond is called for redemption, the Trustee is not required to register or transfer any such Series 2025 Bond during the period of 45 days next preceding the date fixed for its redemption.

Reference is made to the provisions of the Indenture in full for its provisions pertaining to the registration, transfer and exchange of Series 2025 Bonds and the method of payment of the principal thereof and interest thereon.

Discontinuation of Book-Entry Only System

DTC may determine to discontinue providing its services with respect to the Series 2025 Bonds at any time by giving notice to the Authority and the Trustee and discharging its responsibilities with respect thereto under applicable law. Upon the giving of such notice, the book-entry only system for the Series 2025 Bonds will be discontinued unless a successor securities depository is appointed by the Authority.

In the event that the book-entry only system for the Series 2025 Bonds is discontinued, the following provisions would apply, subject to the further conditions set forth in the Indenture.

The principal of and premium, if any, on the Series 2025 Bonds will be payable when due upon their presentation and surrender at the office of the Trustee in Birmingham, Alabama. Interest payments on the Series 2025 Bonds will be made to the persons who are the registered owners by check or draft mailed to such owners at their addresses as they appear on the registration books of the Trustee.

The Series 2025 Bonds will be transferable only upon presentation to the Trustee with written power to transfer signed by the registered owner thereof in person or by duly authorized attorney. Upon the request of the owner of any Bond, the Authority will execute and the Trustee will authenticate and deliver, upon surrender to the Trustee of such Bond and in exchange therefor, as may be requested by the person surrendering such Bond, other Series 2025 Bonds in different authorized denominations (\$5,000 or any integral multiple thereof) of like tenor and together aggregating the same principal amount as the then outstanding unpaid principal amount of Bond so surrendered. The Trustee will not be required to register or transfer any Bond during the period beginning January 15 or July 15 next preceding any interest payment date with respect thereto. If any such Bond is called for redemption, the Trustee will not be required to register, transfer or exchange such Bond during the period beginning 45 days next preceding the redemption date with respect thereto.

Redemption Provisions

Optional Redemption. [Those of the Series 2025 Bonds maturing or being subject to mandatory redemption on February 1, [____], and on any date thereafter, will be subject to redemption, at the option of the Authority (which shall be evidenced by the direction of the City) or, while no default by the City exists under the Lease Agreement, at the option of City exercised by the City on behalf of the Authority, as a whole or in part (but if in part only in installments of \$5,000 or any integral multiple thereof and in such maturities as the Authority or the City, as the case may be, shall designate, and if less than all the Series 2025 Bonds of a single maturity are to be

redeemed, those to be called for redemption shall be selected by the Trustee by lot) on [____] 1, [____], and on any date thereafter, such redemption to be at and for a redemption price for each Series 2025 Bond redeemed equal to the par or principal amount to be redeemed plus accrued interest thereon to the redemption date.]

Mandatory Redemption. [Those of the Series 2025 Bonds having a stated maturity in [____] will be subject to mandatory redemption on February 1 in the following years and in the following aggregate principal amounts at a redemption price for each such Series 2025 Bond redeemed equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption:

Year (February 1)	Amount to be Redeemed
------------------------------	----------------------------------

Those of the Series 2025 Bonds having a stated maturity in [____] will be subject to mandatory redemption on February 1 in the following years and in the following aggregate principal amounts at a redemption price for each such Series 2025 Bond redeemed equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption:

Year (February 1)	Amount to be Redeemed
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In the event the City or the Authority shall have caused to be partially redeemed Series 2025 Bonds or shall have provided for a partial redemption of Series 2025 Bonds in such a manner that, under the provisions of the Indenture, the Series 2025 Bonds for the redemption of which provision is made are considered as fully paid, the City, on behalf of the Authority, may elect to apply all or any part (but only in integral multiples of \$5,000) of the principal amount of such Series 2025 Bonds so redeemed or to be redeemed to the reduction of the principal amount of Series 2025 Bonds required to be redeemed pursuant to the schedule set forth immediately above on any February 1 coterminous with or subsequent to the date such optional redemption actually occurs. Such notice shall be deemed effective only if it is given prior to the Trustee having given notice of redemption contrary to the provisions of such notice pursuant to the provisions of the Indenture.]

Extraordinary Redemption. The Series 2025 Bonds will be subject to redemption as a whole only at any time, at and for a redemption price equal to the principal amount thereof plus accrued interest thereon to the redemption date, but only in the event of the taking by eminent domain of all or substantially all the Facility or the exercise by the City of its right under the Lease to require the Authority to redeem and retire all Bonds then outstanding under the Indenture, which right shall be exercisable only if (a) any part of the Facility is damaged or destroyed to such extent that, in the opinion of an independent engineer, (i) the Facility cannot reasonably be restored to the condition thereof immediately preceding such damage or destruction within a period of six (6) consecutive months, (ii) the City will thereby be prevented, or is likely to be thereby prevented, from using the Facility for a period of not less than six (6) consecutive months, or (iii) the cost of restoration thereof would exceed the sum of the net insurance proceeds referable to such damage or destruction; or (b) title to, or the temporary use of, any part of the Facility is taken under the exercise of the power of eminent domain by any governmental authority or person, firm or corporation acting under governmental authority and such taking or takings result (or, in the opinion of an independent engineer are likely to result) in the City being thereby prevented from using the Facility for a period of not less than six (6) consecutive months; or (c) as a result of any changes in the Constitution of the State of Alabama or the Constitution of the United States of America or of legislative or administrative action (whether state or federal) or by final decree, judgment or order of any court or administrative body (whether state or federal), entered after the contest thereof by the City in good faith, the Lease becomes void or unenforceable or impossible of performance in accordance with the

intent and purposes of the parties as expressed herein or unreasonable burdens or excessive liabilities are imposed on the Authority or the City.

Notice of Redemption of Series 2025 Bonds. Notice of the proposed redemption (other than mandatory redemption) of any of the Series 2025 Bonds prior to their respective stated maturities will be given, not more than 60 nor less than 30 days prior to the proposed redemption date, by registered or certified mail to the registered holders of any Series 2025 Bonds called for redemption. If on the applicable redemption date the redemption price of any Series 2025 Bond (or portion thereof) duly called for redemption is on deposit at the principal corporate trust office of the Trustee, such Series 2025 Bond (or portion thereof) will cease to bear interest on such date.

PLAN OF FINANCING

Simultaneously with the issuance of the Series 2025 Bonds, the Authority will deposit the proceeds of the Series 2025 Bonds into a special fund or account designated by the City to be used to reimburse the City for cash payments made by the City to complete construction of the Facility (the "Reimbursement Fund"). Such proceeds will also be used to pay the costs of issuing the Series 2025 Bonds.

SECURITY

Limited Obligation. The Series 2025 Bonds will be limited obligations of the Authority payable solely from rental income derived by the Authority from the City under the Lease, except to the extent that they may be paid out of income from investments or, under certain circumstances, proceeds of insurance or condemnation awards respecting the Facility. See "THE CITY OF HUNTSVILLE" herein, and other information in this appendix respecting the City. See also APPENDIX G – "AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023" for additional information respecting the City and its finances.

Lease Term. The term of the Lease in effect upon issuance of the Series 2025 Bonds will expire on September 30, 2025 (the "Current Term"). So long as any of the Series 2025 Bonds remain outstanding and unpaid, the City will have the option to renew the Lease for successive terms of one year, commencing on October 1 and ending on September 30 of the next succeeding calendar year, which terms of one year coincide with the fiscal year of the City (any such term being herein called a "Renewal Term"). Neither any provision of the Lease, nor any other action taken by the City in connection with the issuance and sale of the Series 2025 Bonds, obligates the City to renew the Lease for any Renewal Term after the expiration of the Current Term, or after the expiration of any Renewal Term for which the City may have renewed the Lease, nor obligates the City to make any rental payment or perform any agreement under the Lease with respect to any fiscal year during which the Lease may be in effect except out of the revenues of the City for the same fiscal year.

Subject to the terms of the Indenture, the Authority will, for the benefit of the holders of the Series 2022 Bonds and the Series 2025 Bonds, and to secure payment of the principal thereof and the interest and premium (if any) thereon, assign and pledge to the Trustee:

- (i) all rents, rentals and other receipts from the Facility, and
- (ii) all right, title and interest of the Authority in and to the Lease insofar as such right, title and interest pertain to (a) the obligation of the City with respect to the use, maintenance and preservation of the Facility, and (b) the right to receive and collect all rents and other payments due from the City under the Lease.

As further security for the payment of the principal of and the interest (and premium, if any) on all Bonds issued under the Indenture (i.e., the Series 2022 Bonds, the Series 2025 Bonds and any Additional Parity Bonds hereinafter issued under the Indenture), the Indenture will constitute a non-foreclosable mortgage on the Facility and the equipment and furnishings forming a part thereof and on the real property on which the Facility is located and all other buildings and improvements now or hereafter constructed or situated on said real property, subject to "Permitted Encumbrances" (as that term is defined in the Indenture).

The Lease will require the City to pay rent (directly to the Trustee for the account of the Authority) during each fiscal year of the City during which the Lease shall be in effect in an amount sufficient to pay the principal

of and interest on the Series 2022 Bonds and on the Series 2025 Bonds that will become due during such fiscal year. During the Current Term, and during each Renewal Term (if any) of the Lease, the obligations of the City to pay rent and to make all other payments provided for in the Lease, and to perform the other agreements on its part contained therein, shall constitute limited obligations of the City payable solely out of the current revenues of the City received during such Current Term and such Renewal Term (if any), as the case may be.

The Series 2025 Bonds will not be general obligations of the Authority, and the covenants and representations contained in the Series 2025 Bonds and in the Indenture do not and will not constitute a liability or charge against the general credit of the Authority. The Series 2025 Bonds will not be obligations or debts of the City or any other political subdivision or instrumentality of the State of Alabama other than the Authority, and except for the obligation of the City to pay rentals in respect to the Series 2025 Bonds coming due during the Current Term, or during any Renewal Term for which the Lease shall be in effect, neither the City nor any such political subdivision or instrumentality, other than the Authority, shall in any manner be liable for the payment of the principal of or the interest on the Series 2025 Bonds or for the performance of the undertakings of the Authority contained in the Series 2025 Bonds or in the Indenture.

Additional Parity Bonds. The Indenture authorizes the Authority to issue additional bonds ("Additional Parity Bonds"), secured on a parity of lien with the Series 2022 Bonds, the Series 2025 Bonds, and any other Bonds outstanding under the Indenture, for any purpose for which the Authority may issue its bonds under the provisions of the Act. As conditions precedent to the issuance of such Additional Parity Bonds, the Authority will be required to furnish to the Trustee, among other things:

(a) A supplemental indenture authorizing such Additional Parity Bonds and specifying the details with respect thereto;

(b) A certificate signed by the Mayor, the City Clerk or the Finance Director of the City stating that there has been no default in the payment of any amounts required to be paid under the Lease; and

(c) A supplemental lease between the Authority and the City containing the following:

(i) an agreement that such supplemental lease agreement shall be in effect for a primary term beginning on the date of its delivery and ending on the date on which the then current fiscal year of the City will end,

(ii) an agreement by the City to pay, for the then-current term of the Lease and for each Renewal Term, on or before the first day of each such term, additional, supplemental or changed rent in an amount sufficient to provide for the payment of the principal of and the interest on such Additional Parity Bonds becoming due during each such term, and

(iii) in the event the last maturity of such Additional Parity Bonds is subsequent to the last maturity of the Bonds then outstanding under the Indenture, provisions enabling the City to renew, at its option, the Lease for such additional consecutive one-year Renewal Terms as may be necessary to cause the last of such terms to commence on the October 1 next preceding the last maturity of such Additional Parity Bonds.

Additional Parity Bonds, irrespective of when issued, shall have the same priorities and be entitled to the same security, with respect to both the lien of the Indenture and the pledge of the rentals and other revenues of the Authority from the Facility, as the Series 2025 Bonds.

Prospective investors in the Series 2025 Bonds should examine the Base Lease and the form of First Supplemental Lease to be entered upon issuance of the Series 2025 Bonds. See also APPENDIX H – "The Base Lease and the FORM OF FIRST SUPPLEMENTAL LEASE" hereto.

ESTIMATED SOURCES AND USES OF PROCEEDS

The Authority expects that the proceeds from the sale of the Series 2025 Bonds will be applied substantially as follows:

Sources

Par amount
Plus Original Issue Premium

Total Sources

Uses

Construction Costs of the Facility
Costs of Issuance ⁽¹⁾

Total Uses

⁽¹⁾ Includes underwriting discount, financial advisory fee, rating agency fees, legal, trustee's, printing and other issuance costs

SUMMARY OF CERTAIN PROVISIONS OF THE LEASE

The following, in addition to certain information hereinabove contained, summarizes certain provisions of the Lease (i.e., the Base Lease, as supplemented and amended by the First Supplemental Lease). Prospective investors in the Series 2025 Bonds should carefully examine all terms of the Base Lease and of the First Supplemental Lease as shown in the copy of the Base Lease and in the form of First Supplemental Lease attached hereto. See APPENDIX H – "THE BASE LEASE AND THE FORM OF FIRST SUPPLEMENTAL LEASE".

Current Term of Lease; Renewal Terms

The City leases the Facility from the Authority, on a year-to-year basis, under the Base Lease, which Base Lease will be supplemented and amended by the First Supplemental Lease dated the date of the Series 2025 Bonds (the "First Supplemental Lease" and, together with the Base Lease, the "Lease"). The term of the Lease in effect at the time of issuance of the Series 2025 Bonds expires on September 30, 2025 (the "Current Term"). So long as any of the Series 2025 Bonds remain outstanding and unpaid, the City will have the option (but will not be required) to renew the Lease for successive terms of one year each (each hereinabove defined as a "Renewal Term"). Each Renewal Term will commence on October 1 and end on September 30 of the immediately succeeding calendar year (which terms of one year coincide with the fiscal year of the City). Such option to renew the Lease for a Renewal Term shall be deemed to have been exercised, and shall be automatically exercised, for a fiscal year in any of the following circumstances:

- (a) if the City continues in occupancy of the Facility on the first day of such fiscal year;
- (b) if, on or prior to the first day of such fiscal year, the governing body of the City shall adopt a resolution electing to exercise such option for such fiscal year; or
- (c) if the City elects to pay all or any part of the Basic Rent referable to such fiscal year prior to the commencement thereof.

Neither any provision of the Lease, nor any other actions taken by the City in connection with the issuance and sale of the Series 2025 Bonds, will obligate the City to renew the Lease for any Renewal Term after the expiration of the Current Term, or after the expiration of any Renewal Term.

Rental Provisions

General. The Lease requires the City to make, for each fiscal year during which the Lease shall be in effect, rental payments directly to the Trustee for the account of the Authority.

Rent for Renewal Terms. At the beginning of each Renewal Term for which the City may renew the Lease, the Lease will obligate the City to make rental payments (which rent is herein called the "Basic Rent") with respect to the Series 2022 Bonds and the Series 2025 Bonds in an amount sufficient to provide for the payment of the

principal of and the interest on the Series 2022 Bonds and the Series 2025 Bonds due during such Renewal Term. The rent due during each Renewal Term in respect of the Series 2022 Bonds and the Series 2025 Bonds shall be an amount which, when added to the amount then on deposit in the Debt Service Fund from whatever source derived, but exclusive of any amount held therein for payment of matured but unrepresented bonds and bonds called for redemption and not yet presented, equals:

(a) the principal (if any) that will mature with respect to the Series 2022 Bonds and the Series 2025 Bonds on the next succeeding February 1, and

(b) the interest with respect to the Series 2022 Bonds and the Series 2025 Bonds that will mature on the next succeeding February 1 and August 1.

The Lease will require that the Basic Rent shall be paid directly to the Trustee not later than 15 days prior to each February 1 and August 1.

Other Rent Payments. As additional rent under the Lease, the City will also be obligated to pay directly to the Trustee the fees, charges, expenses and disbursements of the Trustee in connection with the performance of its duties under the Indenture. Such rent is not pledged to or otherwise available for payment of debt service on the Series 2022 Bonds and the Series 2025 Bonds.

Obligations of the City under the Lease

The Lease will provide that the obligations of the City to pay the Basic Rent, to make all other payments provided for in the Lease and to perform and observe the other agreements and covenants on its part therein contained will, during the Current Term and during any Renewal Term for which the Lease may be renewed by the City, constitute limited obligations of the City payable or otherwise dischargeable solely out of the City's current revenues for the fiscal year of the City during which the City becomes obligated to pay or discharge such obligations. The Lease will expressly provide that nothing contained therein shall be construed as imposing upon the City any obligation to pay or otherwise provide for the retirement of the Series 2022 Bonds or the Series 2025 Bonds, or to renew the Lease for one or more Renewal Terms.

Operation, Maintenance, Modification and Insurance of the Facility

During the Current Term of the Lease, and during any Renewal Term of the Lease, the City will be solely responsible for the operation, maintenance, upkeep and insuring of the Facility. See APPENDIX H – "THE BASE LEASE AND THE FORM OF FIRST SUPPLEMENTAL LEASE".

Damage to or Destruction of Facility

The Lease provides that if the Facility is damaged or destroyed, in whole or in part, the insurance proceeds, up to the amount (together with interest earnings on such amount) necessary to cause the Series 2022 Bonds and the Series 2025 Bonds to be deemed no longer outstanding under the Indenture, shall be paid to the Trustee and that if, in such event, the City is not entitled to exercise its right under the Lease to require the Authority to redeem all bonds outstanding under the Indenture (see "THE SERIES 2025 BONDS" – "Redemption Provisions" and "Extraordinary Redemption" herein), or being so entitled, does not exercise such right, the Authority will cause the property damaged or destroyed to be repaired, rebuilt or restored in accordance with the directions of the City, and the Trustee will apply all insurance proceeds referable thereto for such purposes. The Lease will not obligate the City to pay any costs of such repair, rebuilding or restoration that are in excess of the insurance proceeds available therefor. If the insurance proceeds exceed the costs of such repair, rebuilding or restoration, such excess shall be paid into the Debt Service Fund and applied to the redemption of Bonds on the earliest date on which they are by their terms subject to redemption.

Condemnation of Facility

The Lease will require that in the event the Facility or any part thereof is taken by eminent domain proceedings, the entire condemnation award shall be paid to the Trustee. If all or substantially all the Facility is taken and the City does not exercise its right under the Lease to require the Authority to redeem all bonds outstanding under the Indenture, the Lease will terminate as of the date the condemning authority enters into possession of the Facility

and the Trustee will, under the terms of the Lease and the Indenture, be required to apply the condemnation award to the earliest practicable retirement of the Series 2022 Bonds, the Series 2025 Bonds, and any other Additional Bonds outstanding under the Indenture; provided, that the condemnation award plus all other funds held by the Trustee in the special trust funds created under the Indenture are sufficient to provide for the retirement of all such bonds. If, however, the total of the condemnation award and the amounts on deposit in such special funds is not sufficient to provide for the retirement of all such Bonds, the Trustee will apply such total funds available ratably among the Series 2022 Bonds, the Series 2025 Bonds, and any other Additional Parity Bonds then outstanding to principal and interest then due and unpaid respecting such Bonds. In the event of such a taking of the Facility, the City will not be obligated to provide any funds that may be needed to redeem all Bonds of the Authority outstanding under the Indenture. The Lease will provide that if less than all or less than substantially all of the Facility is taken and if the City is not entitled to exercise its right to require the Authority to redeem all Bonds outstanding under the Indenture, or being so entitled, does not exercise such right, the Authority will restore or rearrange the Facility in accordance with the directions of the City, and the Trustee will apply the condemnation award to payment of the costs of such restoration or rearrangement. The Lease will not obligate the City to pay any costs of such restoration or rearrangement that are in excess of the condemnation award. If the condemnation award exceeds the costs of such restoration or rearrangement, such excess shall be paid into the Debt Service Fund and applied to the redemption of Bonds on the earliest date on which they are by their terms subject to redemption.

Certain Covenants of the City

General. The City will agree in the Lease (i) that it will not do or permit anything to be done in or about the Facility that will impair or contravene any policies of insurance carried on the Facility against loss or damage, and (ii) that it will, in the use of the Facility, comply with all applicable lawful requirements of all governmental bodies.

Indemnification of Authority. The City will agree in the Lease to indemnify the Authority, to the extent permitted by applicable law, against loss or damage caused or resulting from any defect in the Facility, and it will further agree to insure any liability for which it shall be obligated to indemnify the Authority; provided, that the City will have no indemnity liability under the Lease unless such liability is fixed during a period in which the Lease is in effect and then only out of current revenues.

Inspection of Facility. The City will agree in the Lease to permit the Authority, the Trustee and their duly authorized agents to inspect the Facility at all reasonable times.

Covenant Not to Acquire, Use or Construct New Facilities Useful for the Purposes for which the Facility is to Be Used. In the Lease, the City will covenant that during any period in which the Series 2025 Bonds are outstanding and the City has not renewed the term of the Lease, the City will not construct any new facilities, or lease any new space, in any building, structure or other facility in or about the City for the same purpose for which the Facility was leased except pursuant to a supplemental lease agreement entered into between the City and the Authority pursuant to the provisions of the Indenture. The City currently owns and operates, and leases space within, other facilities in the City in which city hall operations (including, without limitation, headquarter facilities for the operations of Huntsville Utilities and other facilities for the conduct of business and operations of the City) and related parking are conducted and, in the future, will be conducted. Anything in the foregoing to the contrary notwithstanding, the City reserves the right to continue the conduct of such business, operations and activities in such other facilities without regard to the Lease, the Indenture, or the Series 2025 Bonds.

Right of the City to Require Redemption of Series 2025 Bonds

The Lease gives the City the right to require the redemption of the Series 2022 Bonds, the Series 2025 Bonds, and any other Additional Parity Bonds outstanding under the Indenture if any of the following events shall have occurred:

- (a) The Facility or any part thereof is damaged or destroyed to such extent that, in the opinion of an independent engineer expressed in a written certificate (such certificate to be filed with the Authority and the Trustee), the property so damaged or destroyed cannot reasonably be restored within a period of six (6) consecutive months to the condition thereof immediately preceding the event causing such damage or destruction, or the City will thereby be prevented, or is likely to be thereby prevented, from using the Facility for a period of not less than six (6) consecutive months, or the cost of restoring the property so damaged or destroyed would exceed the net proceeds of insurance referable to such damage or destruction;

(b) Under the exercise of the power of eminent domain by any governmental authority, (i) title to all or substantially all the Facility is taken, or (ii) the temporary use of all or a part of the Facility or title to part of the Facility is taken, and such taking or takings result (or, in the opinion of an independent engineer expressed in a certificate to be filed with the Authority and the Trustee, are likely to result) in the City being thereby prevented from using the Facility for a period of not less than six (6) consecutive months; or

(c) As a result of any changes in the Constitution of Alabama or the Constitution of the United States of America or as a result of legislative or administrative action (whether state or Federal) or by final decree, judgment or order of any court or administrative body (whether state or Federal) entered after the contest thereof by the City in good faith, the Lease shall have become void or unenforceable or impossible of performance in accordance with the intent and purposes of the parties or unreasonable burdens or excessive liabilities shall have been imposed on the Authority or the City.

In order to exercise the right to require the Authority to redeem all bonds outstanding under the Indenture, the City will be required to pay to the Authority an amount which, when added to the total of the amounts then on deposit in the special trust funds created under the Indenture plus the amount of any insurance proceeds or condemnation award in the hands of the Trustee and referable to any damage, destruction or condemnation authorizing the exercise of such right, will be sufficient to pay and redeem (under the extraordinary redemption provisions pertaining to the Series 2022 Bonds, the Series 2025 Bonds, and any Additional Parity Bonds hereafter issued) all such outstanding bonds, including, without limitation, principal, premium (if any), accrued interest, expenses of redemption and the Trustee's fees.

Events of Default and Remedies on Default under the Lease

Under the Lease, a default shall mean any one or more of the following events:

(a) Failure by the City to pay the Basic Rent applicable to the Current Term or applicable to any Renewal Term, or to appropriate funds required to comply with the Lease which failure shall result in moneys on deposit in the Debt Service Fund being insufficient to pay the principal of and interest on the Series 2022 Bonds and the Series 2025 Bonds as the same shall respectively become due and payable;

(b) Failure by the City to observe and perform any covenant or agreement, other than those referred to in clause (a) above, which failure shall have continued for a period of sixty (60) days after written notice, specifying such failure and requiring it to be remedied, has been given the City by the Authority or the Trustee unless (i) the Authority and the Trustee shall agree to an extension of such period prior to its expiration, or (ii) during such period the City shall have commenced and be diligently pursuing action to remedy such failure, or (iii) the City is prevented by force majeure (as defined in the Lease) from remedying such failure; or

(c) Failure of the City to appropriate any amounts due under the Lease for any annual term then in effect.

Whenever any event of default shall have happened and be continuing, the Authority and the Trustee (or the Trustee on behalf of the Authority) may take whatever actions at law or in equity may appear necessary or desirable to collect the rent then due, or to enforce any obligation, covenant or agreement of the City under the Lease.

THE INDENTURE

Prospective investors in the Series 2025 Bonds should carefully examine all terms of the Indenture. See APPENDIX I – "THE BASE INDENTURE AND THE FORM OF FIRST SUPPLEMENTAL INDENTURE" hereto.

CONTINUING DISCLOSURE

General

The City will be deemed an "Obligated Person" respecting the Series 2025 Bonds for purposes of the Rule (defined below). Contemporaneously with issuance of the Series 2025 Bonds, the City will enter into a Continuing Disclosure Agreement for the benefit of the beneficial owners of the Series 2025 Bonds wherein the City will agree to provide annually certain financial information and operating data relating to the City (the "Annual Report") through the Electronic Municipal Market Access ("EMMA") system established by the Municipal Securities Rulemaking Board (the "MSRB") (or such other system as may be subsequently authorized by the MSRB).

The specific nature of the information to be contained in the Annual Report or the event notices and the other provisions of the Continuing Disclosure Agreement are summarized in Appendix E – "SUMMARY OF CONTINUING DISCLOSURE AGREEMENT" hereto.

Prior Compliance

The City has entered continuing disclosure agreements for various series of obligations of the City and other obligations for which the City is an obligated person for purposes of Rule 15c2-12 promulgated by the Securities and Exchange Commission of the United States of America (collectively, the "Prior Undertakings"). In these Prior Undertakings, the City agreed to provide, annually, its audited financial statements and certain financial and operating data relating to the City, and to provide notices of the occurrence of certain events specified therein. During the preceding five years, the City failed to comply with the provisions of the Prior Undertakings, as follows:

During the last five years, the City did not file its audited financial statements for each of the fiscal years ended September 30, 2019, September 30, 2021, September 30, 2022, and September 30, 2023, on or before the due dates therefor as provided in the Prior Undertakings, and also did not timely post certain financial information and operating data for each of the fiscal years ended September 30, 2019, September 30, 2021, September 30, 2022, and September 30, 2023, on or before the due dates therefor as provided in the Prior Undertakings. In addition, the City did not file certain fiscal year 2019 and fiscal year 2020 financial information and operating data tables as required in the Prior Undertakings.

The City did not file certain financial and operational information with respect to its sewer system for the fiscal year ended September 30, 2020 (the obligations for which such filing is required to be made are no longer outstanding), and with respect to certain ad valorem tax information for its fiscal year ended September 30, 2021, until February 22, 2023.

The City did not timely file notice of the issuance of (i) a financial obligation in the form of an up to \$2.0 million Taxable Limited Obligation TIF Warrant, TIF5 – Series 2020-A, dated April 17, 2020, (ii) a financial obligation in the form of an up to \$6.0 million Taxable Limited Obligation TIF Revenue Warrant, TIF-5 – Series 2021-A, dated June 3, 2021, and (iii) a financial obligation in the form of an \$11,000,000 General Obligation Warrant, Series 2023-E, dated August 16, 2023.

Other than audited financial information and financial and operating information not timely filed for the fiscal years ended September 30, 2022 and September 30, 2023, during the last five years the City did not timely file a notice of its failure to file the items described in the preceding paragraphs as required under its Prior Undertakings.

LITIGATION AND OTHER MATTERS

There is no litigation pending or, to the knowledge of the Authority, threatened, contesting the validity of the Series 2025 Bonds or relating to the organization of the Authority, the right of the Authority to construct or finance the Facility, the incumbency of any of the Authority's officers, or the issuance or sale of the Series 2025 Bonds. Simultaneously with the delivery of the Series 2025 Bonds, the Authority will deliver a certificate to the effect that no such litigation is pending or, to the knowledge of the Authority, threatened.

AUDITED FINANCIAL STATEMENTS OF THE CITY

The financial statements of the City described in the following paragraph are included as an appendix to this Official Statement solely to provide financial information concerning such current revenues of the City for the period described below.

The City's financial statements as of and for the fiscal year of the City ended September 30, 2023, included as APPENDIX G – "AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023" to this Official Statement, have been audited by Mauldin & Jenkins, LLC ("Mauldin"), as stated in its report dated July 14, 2023. Mauldin has not been engaged to perform and has not performed, since the date of its report described above, any procedures on the financial statements addressed in its report and included in this Official Statement. Mauldin also has not performed any procedures relating to this Official Statement.

The City' financial statements for prior fiscal years, including without limitation those fiscal years, other than the fiscal year ended September 30, 2021, for which audited financial information is herein provided, were audited by Warren Averett, LLC, Certified Public Accountants, Huntsville, Alabama. Early in the 2022 calendar year the City conducted a request for proposals (the "RFP") respecting auditing services for the City. As a result of that process, the City determined to engage Mauldin to audit the financial statements of the City (other than financial statements respecting operations of Huntsville Utilities, which were not part of the RFP), commencing with the fiscal year ending September 30, 2021.

Mauldin & Jenkins, LLC has not been engaged to perform and has not performed, since the date of its report described above, any procedures on the financial statements addressed in its report and included in this Official Statement. Mauldin & Jenkins, LLC, also has not performed any procedures relating to this Official Statement.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings ("S&P") have assigned underlying ratings of "Aa1" and "AA+", respectively, to the Series 2025 Bonds. Such credit ratings reflect only the view of such credit rating agencies, and an explanation of the significance of such credit ratings may be obtained only from the credit rating agencies furnishing the same. There is no assurance that either such credit rating will remain in effect for any given period of time or that either may not be lowered or withdrawn entirely if, in the judgment of the credit rating agency in question, circumstances should warrant such action. Any such downward revision or withdrawal of any credit rating assigned to the Series 2025 Bonds may have an adverse effect on the market price of the Series 2025 Bonds.

FEDERAL BANKRUPTCY ACT

Under certain conditions, title 11 of the United States Code, 11 U.S.C. §§101 et seq. (the "Bankruptcy Code"), permits a municipality to file a petition for relief in federal bankruptcy court to adjust debts under Chapter 9 of the Bankruptcy Code. Debt adjustment may include restructuring, reduction or other impairment of debt, subject to various conditions and limitations set forth in the Bankruptcy Code. Section 101 of the Bankruptcy Code defines "municipality" to mean a political subdivision, public agency or instrumentality of a State. To be eligible to file a Chapter 9 bankruptcy petition under section 109 of the Bankruptcy Code, a municipality must be "specifically authorized, in its capacity as a municipality or by name, to be a debtor under [Chapter 9], or by a governmental officer or organization empowered by State law to authorize such entity to be a debtor under [Chapter 9]." Section 109 of the Bankruptcy Code imposes additional requirements for a municipality to be eligible to file bankruptcy. Without limitation, the municipality must (a) be insolvent (either unable to pay debts as they come due or generally not paying debts as they come due); (b) desire to effect a debt adjustment plan; and (c) meet certain requirements regarding negotiations with creditors (or certain exceptions to such requirements). Alabama law authorizes municipalities, counties and certain public authorities to file petitions under the Bankruptcy Code. However, there is no legislation currently in effect in Alabama authorizing corporations formed under the Act to file such petitions for relief. Such legislation authorizing public building authorities formed under the Act to file petitions for relief under the Bankruptcy Code may well be enacted by the Legislature of Alabama in the future. The other conditions to eligibility are fact-specific to the time of filing the petition.

Section 922(d) of Chapter 9 of the Bankruptcy Code provides that a bankruptcy petition does not operate as a stay of "application of pledged special revenues" to the payment of indebtedness secured by such revenues in a manner consistent with other provisions of the Bankruptcy Code. Without limitation, Section 928 of the

Bankruptcy Code provides that special revenues acquired by the debtor after commencement of a chapter 9 case remain subject to any lien resulting from any security agreement entered into by the debtor before commencement of the case, but further provides that any such lien on special revenues (other than municipal betterment assessments) derived from a project or system shall be subject to "the necessary operating expenses of such project or system." It is not clear whether the pledge of the rentals derived from the Lease made by the Authority for the benefit of the Series 2025 Bonds would constitute "special revenues" as that term is defined in Section 902(2) of the Bankruptcy Code. Moreover, the phrase "application of pledged special revenues" has given rise to arguments that the provisions of Section 922(d) apply only to funds in possession and control of the debtholders, or their trustee. Therefore, it is uncertain whether or not the filing of a Chapter 9 petition would affect application of such rentals for the payment of principal and interest on the Series 2025 Bonds. Similarly, it is uncertain whether Section 928 of the Bankruptcy Code would control the claims of holders of the Series 2025 Bonds with respect to such rentals.

The approving legal opinion of Bond Counsel will contain the customary reservation that the rights of the holders of the Series 2025 Bonds and the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and the exercise of judicial discretion in appropriate cases. See the proposed form of approving legal opinion set forth in APPENDIX D – "PROPOSED FORM OF APPROVAL OPINION OF BOND COUNSEL TO THE AUTHORITY".

FINANCIAL ADVISOR

PFM Financial Advisors LLC, Huntsville, Alabama (the "Financial Advisor") is serving as financial advisor to the Authority and the City in connection with the issuance of the Series 2025 Bonds. The Financial Advisor assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the Series 2025 Bonds, and provided other advice to the Authority and the City. The Financial Advisor will not engage in any underwriting activities with regard to the issuance and sale of the Series 2025 Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement, and is not obligated to review or ensure compliance with the undertaking by the City to provide continuing secondary market disclosure.

UNDERWRITING

The Series 2025 Bonds are being purchased by Raymond James & Associates, Inc. (the "Underwriter") at a purchase price of \$[] (which price reflects the original principal amount of the Series 2025 Bonds, [plus/less] [net] original issue [premium/discount] of \$[], less an underwriting discount of \$[]). The Series 2025 Bonds may be sold and offered to certain dealers (including dealers depositing such bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed from time to time by the said purchaser.

TAX MATTERS

General

In the opinion of Bond Counsel to the Authority, under the Internal Revenue Code of 1986, as amended (the "Code"), as presently construed and administered, and assuming compliance by the Authority with its covenants pertaining to certain requirements of federal tax law that are described herein and set forth in the Indenture and in the Tax Compliance Agreement and Certificate executed by the Authority in connection with the issuance of the Series 2025 Bonds, the interest on the Series 2025 Bonds will be excludable from gross income of the recipients thereof for federal income tax purposes pursuant to the provisions of Section 103(a) of the Code, and the interest on the Series 2025 Bonds will not be an item of tax preference included in alternative minimum taxable income for the purpose of computing the minimum tax imposed by Section 55 of the Code.

Bond Counsel to the Authority expresses no opinion regarding any other federal or any state tax consequences with respect to the Series 2025 Bonds. Bond Counsel to the Authority renders its opinion under existing statutes and court decisions as of the issue date and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel to the Authority expresses no opinion on the effect of any action taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Series 2025 Bonds.

Bond Counsel to the Authority is also of the opinion that interest on the Series 2025 Bonds is exempt from present state income taxation under the laws of the State of Alabama as enacted and construed on the date of issuance of the Series 2025 Bonds

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Series 2025 Bonds. It does not purport to deal with all aspects of federal taxation that may be relevant to a particular owner of a Series 2025 Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2025 Bonds.

Prospective owners of the Series 2025 Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for federal income tax purposes. Interest on the Series 2025 Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Premium

[The initial public offering price to be paid for certain of the Series 2025 Bonds (the "Original Issue Premium Bonds") is greater than the principal amount thereof. Under existing law, any owner who has purchased an Original Issue Premium Bond in the initial public offering of the Series 2025 Bonds is required to reduce his basis in such Original Issue Premium Bond by the amount of premium allocable to periods during which he holds such Original Issue Premium Bond, and the amount of premium allocable to each accrual period will be applied to reduce the amount of interest received by the owner during each such period. All owners of Original Issue Premium Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Premium Bond and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale, gift or other disposition of such Original Issue Premium Bond.]

Original Issue Discount

[The initial public offering price to be paid for certain of the Series 2025 Bonds (the "Original Issue Discount Series 2025 Bonds") is less than the principal amount thereof. Under existing law, the difference between (i) the amount payable at the maturity of each Original Issue Discount Series 2025 Bond, and (ii) the initial offering price to the public of such Original Issue Discount Series 2025 Bond constitutes original issue discount with respect to such Original Issue Discount Series 2025 Bond in the hands of any owner who has purchased such Original Issue Discount Series 2025 Bond in the initial public offering of the Series 2025 Bonds. Such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Series 2025 Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Series 2025 Bond continues to be owned by such owner. In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Series 2025 Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Series 2025 Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Series 2025 Bond was held by such initial owner) is includable in gross income.

Under existing law, the original issue discount on each Original Issue Discount Series 2025 Bond is accrued daily to its stated maturity (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary date of the Series 2025 Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Series 2025 Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other taxable disposition thereof. The amount (if any) to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods (if any) multiplied by the yield to maturity (determined on the basis of compounding at the close of each accrual

period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such bonds.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Series 2025 Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Series 2025 Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Series 2025 Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale, gift or other disposition of such Original Issue Discount Series 2025 Bonds.]

Future Tax Legislation

There can be no assurance that additional legislation will not be introduced or enacted after issuance and delivery of the Series 2025 Bonds so as to cause interest on the Series 2025 Bonds to be or 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, nor that the introduction or enactment of any such legislation will not adversely affect the marketability of the Series 2025 Bonds.

Post-Issuance Compliance

The tax-exempt status of the Series 2025 Bonds could be affected by post-issuance events. Various requirements of the Code must be observed or satisfied after the issuance of the Series 2025 Bonds in order for such interest to remain excludable from gross income of the holders thereof. These requirements include restrictions on use of the proceeds of the Series 2025 Bonds, use of the facilities financed by the Series 2025 Bonds, investment of proceeds of the Series 2025 Bonds, and the rebate of so-called excess arbitrage earnings. The Authority is primarily responsible for such compliance, and a failure to comply could result in the inclusion of interest on the Series 2025 Bonds in gross income retroactive to the date of issuance of the Series 2025 Bonds.

Likewise, the Internal Revenue Service (the "IRS") conducts an audit program to examine compliance with the requirements applicable to tax-exempt obligations. If the Series 2025 Bonds become the subject of an audit, under current IRS procedures, the Authority would be treated as the taxpayer in the initial stages of the audit, and the owners of the Series 2025 Bonds would have limited rights to participate in the audit process. The initiation of an audit with respect to the Series 2025 Bonds could adversely affect the market value and liquidity of the Series 2025 Bonds, even though no final determination about the tax-exempt status would have been made. If an audit were to result in a final determination that the Series 2025 Bonds do not qualify as tax-exempt obligations, such a determination could be retroactive in effect to the date of issuance of the Series 2025 Bonds.

Series 2025 Bonds are not Bank Qualified

The Series 2025 Bonds have not been designated as "qualified tax-exempt obligations" under Section 265 of the Code.

No Mandatory Redemption due to Event of Taxability

The Indenture does not provide for mandatory redemption of the Series 2025 Bonds or payment of any additional interest or penalty if a determination is made that the Series 2025 Bonds do not comply with the existing requirements of the Code or if a subsequent change in law adversely affects the tax-exempt status of the Series 2025 Bonds or the economic benefit of investing in the Series 2025 Bonds.

LEGAL MATTERS

The legality and validity of the Series 2025 Bonds will be approved by Bradley Arant Boult Cummings LLP, Bond Counsel to the Authority, whose approving opinion will be in substantially the form attached hereto as Appendix D – "PROPOSED FORM OF APPROVAL OPINION OF BOND COUNSEL TO THE AUTHORITY". Bond Counsel's participation in connection with the issuance of the Series 2025 Bonds is limited to the preparation of certain legal documents and supporting certificates, to a review of the transcript of proceedings by which the Series 2025 Bonds have been authorized to be issued and to the issuance of an approving opinion in substantially the form set forth in Appendix D hereto.

MISCELLANEOUS

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized.

References herein to legislative acts are intended to be only brief outlines of certain provisions thereof and do not purport to summarize or describe all provisions thereof.

The execution and delivery of this Official Statement on behalf of the Authority and the distribution and use thereof by the Underwriter for the purpose of making a public offering of the Series 2025 Bonds have been duly authorized by the Authority.

**THE PUBLIC BUILDING AUTHORITY
OF THE CITY OF HUNTSVILLE**

By: _____ /s/ Mark Russell
Chairman of its Board of Directors

APPENDIX A
CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION OF THE CITY OF HUNTSVILLE

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APPENDIX A
CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION
OF THE CITY OF HUNTSVILLE

General Information

The City of Huntsville (the "City"), the county seat of Madison County (the "County"), was incorporated in 1811 and is one of the oldest incorporated municipalities in the State of Alabama (the "State"). Centrally situated in the Tennessee River Valley of north Alabama (the Tennessee River being the southern boundary of Madison County), the City is located approximately 95 miles north of Birmingham, approximately 103 miles south of Nashville, Tennessee, and approximately 180 miles northwest of Atlanta, Georgia.

The City is the central economic base of the State's second largest Metropolitan Statistical Area ("MSA") and is the economic engine for the Northern Alabama and Southern Tennessee region. The eight counties adjoining Huntsville/Madison County form a thriving regional market.

Initially, the City prospered as a commercial center in an agricultural area and grew from the manufacture of cotton goods, flour, shoes, lumber, pumps and other products. During World War II, the construction of two arsenals -- Huntsville and Redstone -- gave the City new military and strategic importance as a principal manufacturing site of chemical artillery shells and explosives. Although arsenal activities were sharply curtailed during the immediate postwar period, in 1950 the U.S. Army transferred its missile experts, including the late Dr. Werner Von Braun and a team of German rocket scientists, to the City.

Following the successful launching of a Jupiter C missile in 1958, the U.S. Army's missile program and the Marshall Space Flight Center for the newly created National Aeronautics and Space Administration were located in the City. As a result, the City experienced a rapid influx of population during the decades of the 1950's and 1960's. Beginning in the mid -1960s, cutbacks in the space program slowed growth in Huntsville. However, the 1980 Census showed that the City maintained strong economic indicators and a youthful, well-educated labor force. As the City's economy began to diversify in the 1980's, recovery was swift.

Since the space race of the 1960's, Huntsville has well over doubled in population and quadrupled in square miles. The past four decades have seen significant growth in population increasing by more than 95,000 residents. Between 2000 to 2010, the MSA grew by approximately 20.1%. Based on the 2020 U.S. Census Bureau estimates, Huntsville is now the most populous city in Alabama. The total population for the City of Huntsville as of October 1, 2024 was 227,571, which is an increase of 5.84% from the 2020 Census total of 215,006. The Huntsville MSA was 491,723 according to the 2020 Census Bureau estimates which ranks it second behind the Birmingham MSA. Since 2010, Huntsville has added 45,459 people.

Population Characteristics.

Income, education, and employment levels are all substantially higher in Huntsville than in the state of Alabama and compare favorably to national and regional indices. The Huntsville economy is one of the strongest economies in the Southeast, marked by low unemployment, steady job growth, and income levels that regularly lead the region. Huntsville compares favorably in numerous categories to some of the leading cities in the Southeast and Southwest United States. The local unemployment rate continues to remain below state and national figures. A growing employment rate, while the population is growing, is a positive sign for local business conditions. The median family income of Huntsville residents still exceeds national and state figures.

Annual Unemployment Rate

MSA	2010	2018	2019	2020	2021	2022	2023
Austin, TX	7.0%	3.0%	2.7%	6.2	4.1	2.9	3.3
Charlotte, NC	11.7	3.8	3.5	7.3	4.0	3.4	3.2
Durham, NC	8.1	3.5	3.3	6.1	4.1	3.2	3.0
Huntsville, AL	8.6	3.5	2.6	4.6	2.6	2.1	2.1
Raleigh, NC	8.6	3.5	3.4	6.4	2.5	3.1	3.0
State of Alabama	10.5	3.9	3.0	5.9	3.4	2.6	2.5
United States	9.6	3.9	3.7	8.1	5.3	3.6	3.6

Source: Bureau of Labor Statistics, Local Area Unemployment Statistics as of June 2024

Total Employment

MSA	2010	2018	2019	2020	2021	2022	2023
Austin, TX	785,600	1,075,600	1,118,000	1,086,100	1,165,700	1,329,400	1,346,400
Charlotte, NC	954,200	1,208,100	1,238,200	1,190,700	1,243,800	1,371,600	1,351,000
Durham, NC	270,700	321,300	328,400	315,400	334,400	349,400	346,800
Huntsville, AL	210,000	238,700	245,200	240,900	251,400	273,700	276,500
Raleigh, NC	500,100	630,200	645,900	624,100	660,500	725,200	728,100
State of Alabama	1,890,300	2,044,800	2,074,800	1,986,100	2,039,700	2,161,600	2,161,800
United States	130,362,000	148,908,000	150,905,000	142,185,000	146,124,000	156,945,000	158,269,000

Source: Bureau of Labor Statistics, Current Employment Statistics, Total Nonfarm Employment (place of work), not seasonally adjusted, as of July 2024

Effective Buying Income

MSA	2010	2018	2019	2020	2021	2022	2023
Austin, TX	\$42,416	\$63,191	\$65,950	\$69,001	\$71,186	\$80,412	\$80,284
Charlotte, NC	43,190	49,3979	55,207	56,503	58,317	64,728	65,492
Durham, NC	39,488	49,272	50,933	55,588	56,892	63,495	65,010
Huntsville, AL	39,012	52,968	54,391	56,279	57,815	64,553	66,243
Raleigh, NC	43,455	57,962	63,501	66,090	67,491	74,646	74,637
State of Alabama	34,387	42,756	43,671	45,649	46,504	50,511	52,353
United States	43,252	50,735	52,133	55,303	56,790	64,448	65,326

Source: Nielson/Claritas Survey of Buying Power/Median Household Effective Buying Income, as of October 2024

Mean Annual Wage

MSA	2010	2018	2019	2020	2021	2022	2023
Austin, TX	\$46,130	\$53,810	\$55,190	\$57,830	\$60,260	\$63,890	\$69,150
Charlotte, NC	44,630	51,000	52,150	55,330	57,270	60,550	64,440
Durham, NC	53,220	59,940	61,220	64,430	68,710	71,720	75,590
Huntsville, AL	48,080	55,630	55,980	58,730	61,140	63,790	67,120
Raleigh, NC	44,810	52,580	54,850	56,720	58,550	62,500	66,230
State of Alabama	38,590	44,790	44,930	46,840	48,110	50,620	53,400
United States	44,410	51,960	53,490	56,310	58,260	61,900	65,470

Source: Bureau of Labor Statistics, May 2022 Occupational Employment Statistics

Per Capita Personal Income by Metropolitan Area

MSA	2010	2018	2019	2020	2021	2022
Austin, TX	\$32,862	\$60,764	\$62,460	\$64,913	\$71,372	\$75,119
Charlotte, NC	30,996	52,232	54,086	56,682	62,056	65,156
Durham, NC	31,215	52,243	54,408	56,703	63,375	63,799
Huntsville, AL	28,672	50,044	52,208	55,126	57,815	59,677
Raleigh, NC	34,450	56,139	58,147	60,884	66,428	70,628
State of Alabama	33,696	42,240	44,145	46,479	49,769	51,982
United States	40,278	54,098	56,047	59,510	64,143	66,625

Source: Bureau of Economic Analysis, November 2023 Metropolitan Statistical Area BEARfacts,
Appendix A-2

As of June 2024, The U.S. Department of Housing and Urban Development estimates that the median family income of families in the United States for 2023 was \$96,200, for families in Alabama is \$79,600, and for families in the Huntsville MSA is \$108,200.

Professional & Business Service Employment							
MSA	2010	2018	2019	2020	2021	2022	2023
Austin, TX	113,100	187,700	198,000	199,300	258,800	283,100	286,700
Charlotte, NC	145,700	206,700	212,700	207,700	222,200	226,700	228,900
Durham, NC	35,300	44,800	45,500	46,100	57,000	60,200	61,700
Huntsville, AL	49,200	57,400	60,000	60,800	64,500	68,700	68,900
Raleigh, NC	85,700	120,200	124,100	125,400	136,400	146,800	145,200
Alabama	209,500	245,100	251,100	242,000	259,600	267,100	269,500
United States	16,728,000	20,950,000	21,274,000	20,246,000	22,202,000	22,907,000	22,965,000

Source: Bureau of Labor Statistics, Current Employment Statistics as of July 2024

Population Growth

According to the 2020 Federal Decennial Census 2023 population estimates, the City is both the largest municipality in Madison County and in the State, surpassing the City of Mobile in 2016, the City of Montgomery in 2018, and the City of Birmingham in 2021. Madison County is the third largest county in the State as well. The following table depicts the history of population growth in Madison County, the City of Huntsville, and the Huntsville MSA since 1980. The Huntsville Metro area includes Madison, Limestone and Morgan Counties.

Census	Madison County	City of Huntsville	Huntsville Metro Area (MSA)
1980	196,966	145,604	242,971
1990	238,912	159,789	293,047
2000	276,700	156,216	343,798
2010	336,138	180,924	419,279
2011*	340,111	182,354	425,480
2012*	343,080	183,463	429,876
2013*	346,892	185,662	435,275
2014*	350,299	187,506	440,212
2015*	353,089	189,975	444,373
2016*	356,967	191,956	449,232
2017*	361,046	194,585	455,448
2018*	367,004	198,125	455,448
2019*	372,909	200,574	466,377
2020	389,696	215,043	494,018
2021*	395,211	216,963	502,728
2022*	403,565	222,363	514,465
2023*	412,600	227,571	527,254

* U.S. Census Bureau estimates

Source: U.S. Census Bureau (www.census.gov) as of October 2024

Major Economic Activity

Huntsville has experienced a rapid population rise in the last two decades. With multiple established economic cornerstones in our community like Redstone Arsenal, Huntsville Hospital, and NASA Marshall Space Flight Center, the City remains poised to continue strong growth in all economic sectors. The growth brings financial stimulus and adds revenues as well as increased need for public services provided by the City. However, within the opportunities and challenges, the City has seen financial stability through sound fiscal policy, conservative fiscal practices, and strong economic activities.

The City not only brought industry, federal funding, and commercial employers to the area, but worked to raise the standard quality of life. Recreation and transportation projects which attracted people to live in the City, were prioritized, which caused population expansion in the area, increasing revenue and creating energy that drives economic expansion.

Economic Diversification. Federally funded space and defense programs have a significant impact on the Huntsville region. However, economic analysts for local organizations such as the Huntsville/Madison County Chamber of Commerce and the Alabama State Employment Service point to the increasing shares of trade and services employment as indications that the economy has become more diversified. In addition, the education and technical skills associated with the space and defense programs in the region have been applied in the private sector, as evidenced by the success of numerous high-technology firms that originated in Huntsville. Such firms include: Sanmina/SCI Systems, a Fortune 500 computer manufacturer established in Huntsville in 1961; Intergraph Corporation, a computer graphics firm established in Huntsville in 1969; Nichols Research Corporation, a diversified computer services firm established in 1976 which later merged with Computer Sciences Corporation in 1999 and later merged with DXC Technology in 2017; ADTRAN, Inc., a telecommunications firm founded in 1985; Avocent, a leading provider of KVM switching and remote access devices which was acquired in 2010 by Emerson; Dynetics, an information technology company providing services to the U.S. Government and others since 1974, headquartered in Huntsville; Digium, Inc., established in 1999 and headquartered in Huntsville, which created, owns and is the innovative force behind Asterisk, the most widely used open-source telephony software in the world; Nektar Therapeutics, with headquarters in San Francisco and locations in Huntsville and India, a clinical-stage biopharmaceutical company developing a pipeline of drug candidates that utilize its PEGylation and polymer conjugate technology platforms, which are designed to improve the benefits of drugs for patients; and DIATHERIX Laboratories, Inc., headquartered in Huntsville, which provides clinical laboratory services on a multiplexing platform for the detection of infectious diseases.

HudsonAlpha Institute for Biotechnology is a nonprofit institute dedicated to innovating in the field of genomic technology and sciences across a spectrum of biological problems. HudsonAlpha has a four-fold mission of conducting genomics-based research to improve human health and well-being; implementing genomic medicine, sparking economic development; and providing educational outreach to nurture the next generation of biotech researchers and entrepreneurs, as well as to create a biotech literate public. Since opening in 2008, HudsonAlpha, under the leadership of Dr. Richard M. Myers—a key collaborator on the Human Genome Project—has built a name for itself in genetics and genomics research and biotech education.

HudsonAlpha's 270,000 square-foot facility is the cornerstone of the 152-acre Cummings Research Park Biotechnology Campus. Currently, more than 40 biotechnology businesses reside within the nonprofit institute on the campus and together these organizations employ over 1,100 individuals. This synergistic cluster of life sciences talent promises collaborative innovation to turn knowledge and ideas into commercial products and services for improving human life and strengthening Alabama's progressively diverse economy. The biotech campus currently features three other facilities: the Jackson Center, a full-service conference facility, 701 McMillian Way, which provides an additional 88,000 square feet of lab and office space, and the Paul Propst Center, totaling more than 100,000 square feet and houses the institute's growing education and research programs and its growing biotech companies. McMillian Park, the central green space connecting current facilities and future growth, boasts intertwining walkways that create a double-helix—the structure of DNA and the path to understanding living organisms. Two water features and hundreds of plantings are also contained in the park.

When the world first learned of a new coronavirus infection, HudsonAlpha Institute for Biotechnology Faculty Investigators and Associate Companies that call the biotech campus home pivoted some of their efforts to battle COVID-19. At the outset of the COVID-19 pandemic, companies residing on HudsonAlpha's biotech campus increased laboratory testing capacity and launched point-of-care testing diagnostics and worked tirelessly to produce neutralizing monoclonal antibodies to treat COVID-19 disease symptoms by blocking its viral entry into our cells. Through a project led by the Centers for Disease Control and Prevention, HudsonAlpha is also sequencing the viral

genome from people who have been affected by the disease in an effort to monitor the spread and mutation of the virus. Projects studying the transmission of the virus through the air in enclosed areas, and the detection of dead viral particles in wastewater to monitor pending outbreaks in a community are among some of the environmental monitoring projects ongoing on HudsonAlpha’s campus.

In July 2022, the HudsonAlpha Institute for Biotechnology finished construction a 14,000-square-foot glass greenhouse. The highly sophisticated facility is equipped with two lab spaces, seven grow rooms with fifteen-foot ceilings, and several technologically advanced features rarely found in other greenhouses. The facility will help researchers in the HudsonAlpha Center for Plant Science and Sustainable Agriculture (Plant Center) advance their mission to use genomics to help sustainably feed and fuel our planet. The Hudson Alpha campus now also includes the global headquarters for Discovery Life Sciences, an international market leader in biospecimen analysis, procurement, and distribution for the pharmaceutical, biotechnology, and diagnostics industries. This global headquarters consists of 90,000 square feet and house DLS’s research and development, laboratory and business operations.

In 2022, HudsonAlpha announced the expansion of its physical footprint outside of its longtime home in Cummings Research Park in Huntsville, Alabama. Through a partnership with the city of Dothan, HudsonAlpha launched the HudsonAlpha Wiregrass campus that serves Dothan, Alabama, and the surrounding areas. HudsonAlpha’s agricultural researchers are experts at creating diverse ways to apply genomics to solve challenges in modern plant science and agriculture. A major goal of the HudsonAlpha Wiregrass research mission is to use the power of genomics to develop more drought- and disease-resistant varieties of peanuts and other agriculturally important crops to thrive in the Wiregrass region.

The following table depicts some of the major industrial job growth for previously announced new and expanding companies in Huntsville/Madison County for the period 2005 to 2022. It is interesting to note the continued diversification of the local employment base and that only four of the largest announced developments from 2005-2023 were by federal contractors.

Announced New and Expanding Industry

Year	Total New Jobs	Total New Investment	Largest Single Development
2005	7,017	685,849,435	Hudson-Alpha Inst. Biotech.
2006	3,188	175,350,000	Verizon Wireless
2007	4,181	115,860,000	International Diesel of AL
2008	3,811	96,093,846	BASF Catalysts
2009	2,027	219,290,000	Toyota Motor Manuf. of AL
2010	2,901	152,886,089	Raytheon Company
2011	1,956	133,428,000	Boeing Company
2012	1,189	231,077,749	Toyota Motor Manuf. of AL
2013	1,603	266,545,020	Toyota Motor Manuf. of AL
2014	3,423	323,067,000	Toyota Motor Manuf. of AL
2015	3,546	413,094,000	GE Aviation
2016	2,000	259,201,083	Boeing Company
2017	2,554	600,579,820	Blue Origin
2018	4,666	2,582,293,941	Mazda Toyota Manuf. USA
2019	450	1,829,875,000	Toyota Motor Manuf. of AL
2020	852	1,009,422,692	Mazda Toyota Manuf. USA
2021	1,297	345,740,380	Amazon
2022	580	391,453,500	Toyota Motor Manuf. of AL
2023	597	195,967,420	Toyota Motor Manuf. of AL

Source: Huntsville Chamber of Commerce/Economic Development/New & Expanding Industry

High Technology/Industrial Activity. Research and industrial parks are the center of much of the high-technology and manufacturing activity within or near the city of Huntsville. Those parks include Cummings Research Park (“CRP”), Chase Industrial Park, Jetplex Industrial Park (on Airport property), Lowe Industrial Park, Chelsea Industrial Park, Thornton Research Park, Gateway Research Park, North Huntsville Industrial Park, SouthPoint Industrial Park and Triana Industrial Park. The 3,843-acre Cummings Research Park is the second largest research park in the country and the fourth largest in the world. It is one of the world’s leading science and technology business parks, with a mixture of Fortune 500 companies, local and international high-tech enterprises, U.S. space and defense

agencies, thriving business incubators and competitive higher-education institutions. CRP is the home of more than 300 companies, more than 26,000 employees and 13,500 students. This collection of technical expertise gives the Huntsville community the highest concentration of engineers in the country and is vital to supporting major Department of Defense and NASA contract programs and commercial technology applications. The University of Alabama in Huntsville is also located in the park and is annually ranked among the highest technology research universities in the U.S. The unique synergy of academia, government and industry working together on a global scale makes the Huntsville community a premier technology center of excellence for aerospace and defense research and development.

The Jetplex Industrial Park (JIP) includes 4,000 acres of which approximately 2,882 acres are currently available for immediate development. From this strategic Southeastern location, the Jetplex Industrial Park offers a rare combination of air, rail, and truck transportation. The Park is divided into six sections allowing for various types of economic development opportunities ranging from warehousing/ distribution, office, aviation/aerospace, and light manufacturing/assembly. Major industrial park tenants include The Boeing Company, LG Electronics, Navistar, Northrop Grumman, Yulista Management Services, and SESI. The Jetplex Industrial Park houses more than 70 companies representing seven different countries in a variety of industries including: automotive suppliers, electronics, aviation/aerospace, office and lab, aircraft MRO, unmanned aerial systems, office development -both technical and engineering, and warehouse or distribution centers.

Source: Port of Huntsville

Lowe Industrial Park, Chase Industrial Park and Thornton Research Park house a number of companies including Intergraph Corporation, PPG, Technicolor and BASF. North Huntsville Industrial Park received an AdvantageSite designation in February 2017 and has seen a significant uptick in activity. In addition, the SouthPoint Industrial Park was designed for companies that support the Redstone Arsenal, Army Contracting Command; NASA's Marshall Space Flight Center; and the Southern Automotive corridor.

Toyota Motor Manufacturing Alabama (TMMAL) is the only Toyota plant globally to produce four-cylinder, V-6 and V-8 for the Sequoia SUV, Tacoma, Camry, RAV4, Sienna, Highlander, and Tundra. The plant's total annual engine capacity is more than 900,000, producing one-third of Toyota's engines in the U.S. With more than 2,000 team members and investments totaling more than \$1.2 billion, TMMAL has made a substantial impact on North Alabama for almost 18 years. Toyota announced the Huntsville facility in 2001 and broke ground later that same year. The first Toyota V-8 engine ever made outside of Japan came off the line at TMMAL in 2003. TMMAL has undertaken eight major investment projects worth nearly \$1.5 billion. The most recent was a \$222 million investment made in April 2022 to expand the facility by 114,000 square feet and create a new four-cylinder production line that has the capacity to build engines for combustion and hybrid electric powertrains.

Source: Toyota, External Affairs

Polaris Industries operates a 900,000 square foot manufacturing facility within the Huntsville city limits in Limestone County, which opened in 2016. The Huntsville facility produces the industry's top auto-cycle, the Polaris Slingshot, as well as and the off-road utility vehicle, the RANGER. In April 2023, Polaris began production of the first fully electric RANGER XP Kinetic through a partnership with Zero Motorcycles. The plant employs nearly 2,000 people.

In 2017, Google Fiber brought its services to Huntsville, making it just the 10th US City to receive the service. Google Fiber is the first of possibly many ISPs to lease excess dark fiber on a Huntsville Utilities-constructed network. Construction of the Huntsville Utilities network was complete in 2019. Google Fiber's top speed of its Huntsville network to is currently 8 Gpbs.

In 2019, Aerojet Rocketdyne opened a 136,000 square foot Advanced Manufacturing Facility which is the company's Missile Solutions sector headquarters, establishing Huntsville as Aerojet Rocketdyne's Inert Manufacturing Center of Excellence. In May 2024, Aerojet Rocketdyne announced plans to expand its operations in Huntsville to increase production of inert solid rocket motor components to meet elevated demand. As part of the expansion, the company leased a 379,000 square foot manufacturing facility located in the Jetplex Industrial Park to provide additional manufacturing and office space for Huntsville employees and to transition production of inert components for Javelin and GMLRS missiles from its Camden, AR site to Huntsville. Currently roughly 800 employees work in Huntsville between the Missile Solutions headquarters building and the AMF.

The German auto parts manufacturer BOCAR is considered a Tier 1 auto parts supplier and uses advanced manufacturing techniques to build parts such as intake manifolds, oil pans and oil pumps for a variety of automobile companies. BOCAR's first and only US plant in Huntsville sets itself apart by housing the latest technology in aluminum high pressure die casting automotive structural and powertrain parts. In 2022, BOCAR added a new plant to its manufacturing capacity in Huntsville with an investment of \$176 million for land and construction. The 350,000 square foot plant houses production, offices, quality labs, a training center and employee services BOCAR employs around 500 people.

Blue Origin, the aerospace company owned by Jeff Bezos opened its 400,000 square foot state-of-the-art production facility in 2020 in Cummings Research Park to manufacture its BE-4 and BE-3U engines. Blue Origin employs over 300 people in this facility. The BE-3, the smaller of Blue Origin's two engine lines, powers the company's New Shepard rocket and will help lift its bigger New Glenn rocket. The larger BE-4 engine is also the designated main engine for the big new Vulcan rocket United Launch Alliance is building in Decatur. In 2022, Blue Origin completed a 200,000 square foot expansion and in 2023 it announced a 3rd expansion that will essentially duplicate the existing 400,000 square foot facility. In 2023 Blue Origin was selected by NASA to build the lunar lander for the Artemis V moon mission scheduled for launch in 2029. The Huntsville-built BE-3 engine will power the New Glen rocket that is in development for the mission.

In 2018, Japanese automobile manufacturers Toyota Motor Corporation and Mazda Motor Corporation announced a new North American plant for the manufacture of vehicles pursuant to a \$1.6 billion joint venture between the two companies (Mazda Toyota Manufacturing "MTM") on a site within the City and Limestone County. The plant became fully operational in 2022 employing 3,500 people. The plant's two production lines are building Toyota's Corolla Cross and Mazda's CX-50. Both production lines include both gas powered and hybrid vehicle production. Since announcing its original plans, MTM has expanded the scope of the project to a total investment of \$2.4 billion. Several suppliers are located onsite and adjacent, which are expected to create more than 2,000 jobs in the region.

BAE Systems, the third-largest defense contractor in the world, has opened a new \$45.5 million facility in Huntsville including a new 83,000 square foot manufacturing and office facility in Cummings Research Park. It provides workspace for more than 200 high-tech employees. BAE announced the expansion in 2018 as an opportunity to establish a close working relationship with the U.S. Army and Redstone Arsenal and attract key local talent to develop and deliver important new capabilities to its customers. In August 2022, BAE Systems received a contract from Lockheed Martin to design and manufacture next-generation infrared seeker technology for the Terminal High Altitude Area Defense (THAAD) interceptor missile. The THAAD seeker provides critical sensing and guidance capabilities that help protect the U.S. and global allies from ballistic missiles. In October 2022, BAE Systems successfully fired its Long-Range Precision Guidance Kit (LR-PGK) for 155mm artillery projectiles from the U.S. Army's Extended Range Cannon Artillery (ERCA) at Yuma Proving Ground, demonstrating airframe structural survivability under extreme firing conditions. The LR-PGK improves the accuracy of unguided artillery projectiles with low-cost navigation and guidance technology.

In December 2022, J.H. Berry & Gilbert, Inc. announced that land has been acquired for the new Huntsville Logistics Center. The 132-acre class A industrial development is comprised of four buildings totaling up to 2.2 million square feet available for lease. The new industrial park is conveniently located with easy access to I-565, the Mazda Toyota Manufacturing campus and the Huntsville International Airport. Buildings 1 & 2 are now complete and ready for tenant buildout,

With more than 3,000 talented employees, Boeing is one of the largest aerospace companies in AL and have played a vital role in the U.S. space and defense program for nearly 60 years, including developing missile and weapons systems, as well as the Space Launch System and the International Space Station. Boeing's aerospace operations are headquartered in Huntsville. In November 2023, Boeing broke ground on an expansion of its Huntsville factory that produces the Patriot Advanced Capability – (PAC-3) seeker, which will increase annual production by more than 30%. The 35,000 square foot project, expected to be operational in 2027, will help meet worldwide demand for the seeker, which enables the identification, tracking and interception of air and missile threats. Since 2010, the company has spent more than \$100 million in Huntsville in support of the PAC-3 program. Boeing employs more than 3,400 people in Huntsville and the annual impact on the State is estimated at \$2.7 billion.

Meta, the parent company of Facebook, unveiled plans in June 2018 for a \$750 million center in Huntsville. The first two buildings of the Facebook Data Center in Huntsville went online Sept. 15, 2021. In June 2022, Meta announced that it is expanding its Huntsville Data Center campus. The two new buildings put the entire facility at almost 3.5 million square feet and bring total employment to more than 300 jobs. The expansion put Meta's investment in the center to more than \$1.5 billion, according to the company. In addition, Meta also announced two new grants

amounting to a total of \$300,000 in support of local schools and STEM education. Meta is providing \$225,000 in support of the Raise Your Hand program with the Schools Foundation and \$75,000 to the Alabama School of Cyber Technology and Engineering.

Retail. While high technology research and manufacturing continue to dominate Huntsville's economy, retailing has been steadily growing in recent years. This is especially significant since Huntsville derives a significant portion of its operating budget from sales tax collections. A major factor in this growth is Huntsville's above-average per capita and median family incomes. This healthy buying power has attracted many national retailers to the area.

In June 2016, work began on a \$70 million mixed-use project called CityCentre at Big Spring near Big Spring International Park and Von Braun Center in downtown Huntsville. The project features two hotels, 270 multi-family units and an artisanal food hall inspired by Ponce City Market and Krog Street in Atlanta, Eataly in Chicago and The Source in Denver. Phase I includes a 150-unit new-to-market AC Hotel, a six-story Marriott hotel including a rooftop deck for the public and hotel patrons, 31,000 square feet of retail stores and restaurants, 53,000 square feet of office loft space and 270 multi-family apartments. This is the 10th AC Marriott in the world, the first in Alabama, which are all custom designed for their specific location. The AC Hotel began accepting reservations in April of 2019. Phase II represents a \$30 million investment with a 100-key urban hotel and 50,000 square feet of mixed-commercial and office loft space. The addition of these 250 units will bring the city one-step closer to its goal of attaining 1,000 rooms in the downtown area. Phase III is currently under construction and will include a new hotel (Moxy), and a mixed-use development with apartments, office and retail space, as well as a food hall. In addition, the City will construct a six-level, 430 space parking garage. The City will fund up to \$11 million of the cost of the garage and the developers will contribute \$3 million. The developers will make lease payments to the City for spaces to support the Moxy and AC Marriott hotels and the remaining spaces will be metered by the City.

In 2017, work began on a mixed-use project called MidCity District, then a \$350 million development that has since expanded to \$2.2 billion. Built on land formerly occupied by a regional mall, MidCity District is a carefully and thoroughly planned community built on decades of experience and research into how people congregate, what communities look for in a place, and how venues, buildings, parks and public spaces can be used to support and drive growth. The District not only serves as a civic and commercial hub, but an iconic new mixed-use environment strategically located at the gateway of Redstone Arsenal and Cummings Research Park Fitness, recreation, public gathering spaces, walkable streets, inviting architecture, vibrant amenities, and intimate thoroughfares form the 140-acre MidCity District. The District is adjacent to a 40-acre, City-owned park that integrates a kayaking lake, the award-winning Orion Amphitheater, TopGolf, an outdoor climbing area, and a one-mile biking and running trail. This trail will connect to the City of Huntsville's Master Greenway Plan, the University of Alabama in Huntsville's campus expansion, and the trail system in Cummings Research Park. Once complete, the development will include 350,000 square feet of retail, dining, and entertainment space; approximately 400,000 square feet of high-tech office space; 1,600 residential units; and approximately 650 hotel rooms. Building on the reputation of the City of Huntsville, MidCity is a workforce recruitment tool for North Alabama and serves as an entertainment and innovation powerhouse for locals and new residents. Already operational at MidCity District includes Dave & Buster's, Trader Joe's, and a 2,500 square foot Starbucks as well as many other shops and restaurants. Metronome, MidCity's first apartment community opened in May 2023 with 296 units. Three other multifamily developments are in various phases of construction totaling nearly 1,200 available units once complete. One of those projects, Wellory Living, is a \$108M mixed-use development to bring future forward, sustainable living and dining options – all with a net zero energy status and reduced carbon footprint.

National Aeronautics and Space Administration. For six decades, NASA and its partners have relied on the experience, capabilities, and state-of-the-art facilities at the Marshall Space Flight Center to solve spaceflight's most complex and technical problems.

Founded July 1, 1960, Marshall is one of NASA's largest field centers, with a total workforce of nearly 7,000 employees and an annual budget of approximately \$5 billion. Marshall also manages NASA's Michoud Assembly Facility in New Orleans, offering state-of-the-art manufacturing, fabrication and welding capabilities, and is home to the National Center for Advanced Manufacturing, a partnership with the state of Louisiana, Louisiana State University in Baton Rouge, and the University of New Orleans. More than 3,000 are employed on-site, including government and contractor employees and commercial tenants.

Today, Marshall is developing NASA's advanced, heavy-lift Space Launch System to loft Artemis missions back to the Moon and to destinations across the solar system. The Marshall workforce is also leading the development,

testing and delivery of human-rated landers to descend to the Moon's surface for NASA's Human Landing System Program.

From inside the Payload Operations Integration Center, the Marshall team coordinates and integrates all scientific and commercial experiments on the International Space Station, as well as Earth-to-station science communications, 24 hours a day, 365 days a year.

Marshall space scientists conduct scientific research, design, and development in support of NASA exploration missions, while our Earth scientists use satellite data to tackle global challenges such as climate variability, weather prediction, and natural disaster response.

Source: Marshall Space Flight Center Office of Stakeholder Relations

Military. Since the early 1950s, Huntsville, Alabama has been one of the United States' principal centers for space and defense technology. Home to the work of Dr. Werner von Braun and America's rocket development programs, the Huntsville community and Redstone Arsenal became the location of choice for the country's best and brightest aerospace engineers and scientists during the 1960s. Rocket City USA, as the region was known, gave original meaning to the term "rocket science".

Today, Redstone Arsenal is a diverse federal campus for more than 60 major federal agencies and organizations providing the highest level of technology development for national defense and space exploration. Army commands manage key logistics, missile and aviation programs while NASA's Marshall Space Flight Center is responsible for large components of America's space program. Roughly half of the Army's weapons procurement budget is managed on Redstone Arsenal, including all US Army aviation systems, missile systems and missile defense systems. With a renewed emphasis on technological modernization, Redstone Arsenal tenant organizations are poised for new missions. As part of the Army Futures Command, Redstone Arsenal organizations are taking a lead on two primary focus areas: Future Vertical Lift and Air & Missile Defense.

Other federal agencies perform a wide variety of intelligence and homeland defense functions on Redstone. Cummings Research Park, one of the country's original and largest science and technology parks, is home to many of the 300+ national and international aerospace and defense contractors that call Huntsville home.

There is a significant military presence in Huntsville/Madison County. As of September 2023, Redstone employed some 50,000 DOD civilians and contractor employees and a little over 700 active military personnel (this does not include construction workers on base). Activities in the area involve a number of different organizations including:

U.S. Army Materiel Command (AMC) is an Army Major Command responsible for materiel readiness including technology, acquisition support, materiel development, logistics power projection and sustainment. The Command's missions range from development of sophisticated weapon systems and cutting-edge research to maintenance and distribution of spare parts and supplies to US Army units located around the globe. If a soldier shoots it, drives it, flies it, wears it, communicates with it, or eats it, AMC provides it.

U.S. Army Space & Missile Defense Command (SMDC) is responsible for developing the Army's missile defense systems including support of space and ground-based midcourse defense and assuring the Army's access to and utilization of space assets in the execution of their mission.

U.S. Army Aviation & Missile Command (AMCOM) provides support to joint warfighters and allies to ensure aviation and missile system readiness for combat operations. The Command is responsible for the development, acquisition and fielding of aviation and missile systems and the integration of aviation and missile technology. AMCOM develops, acquires, fields and sustains aviation, missile and unmanned vehicle systems, ensuring readiness with a seamless transition to combat operations.

U.S. Army Security Assistance Command (USASAC) is responsible for managing security assistance programs and Foreign Military Sales (FMS) for the Army. USASAC is known as the "Army's Face to the World" because it serves as the primary entry point for US Army materiel and service related FMS requirements.

Army Contracting Command (ACC) supports the warfighter worldwide through the acquisition of equipment, supplies and services vital to the soldier's mission and well-being. The Command Headquarters relocated to Redstone Arsenal in 2011.

Expeditionary Contracting Command (ECC) is responsible for expeditionary contracting across all military operations for Army Service Component Commanders and the Joint Warfighter and support to Army and other joint operations as well as other defense organizations outside the continental United States.

Program Executive Office – Aviation (PEO AVN) is the Army manager responsible for providing overall direction and guidance for the development, acquisition, testing, product improvement and fielding of Army aviation programs of record including the Apache Attack Helicopter, Cargo Helicopter, Utility Helicopter, Non-Standard Rotary Wing Aircraft, Fixed Wing Aircraft, Aviation Systems, Unmanned Aircraft System and Armed Scout Helicopter.

Program Executive Office – Missiles & Space (PEO M&S) provides centralized management for all Army tactical and air defense missile programs and selected Army space programs. The PEO was established in January 2005 with the merger of the PEO Air, Space and Missile Defense and the PEO Tactical Missiles.

U.S. Army Combat Capabilities Development Command Aviation & Missile Center is the Army's focal point for providing research, development and engineering technology and services for aviation and missile platforms. CCDC Aviation & Missile Center manages and conducts research, exploratory and advanced development, and provides one-stop lifecycle engineering and scientific support for aviation and missile systems and UAV platforms.

Redstone Test Center (RTC) was created through the merger of the Redstone Technical Test Center (RTTC) and the Aviation Technical test Center (ATTC) in 2010. RTC specializes in line-of-sight missile and rocket testing, guidance system testing, optical and electro optical systems, air-armorament component tests and electromagnetic environmental effects testing of aircraft systems. RTC is the designated DOD lighting effects tester for explosive ordnance and munitions. RTC also tests and certifies all modifications to the Army aviation fleet.

U.S. Army Garrison (USAG) Redstone executes daily operations effectively and efficiently with a qualified and professional workforce. The focus of its workforce is the continued viability and sustainability of the installation, achieved through deliberate strategic planning and appropriate execution of services and programs. The Garrison strives for excellence every day to make certain its tenant organizations can execute their peacetime and wartime missions without concern for any interruption in home-station support.

2nd Recruiting Brigade conducts recruiting operations for non-prior and prior service recruits for the Active Army and Army Reserves in several states across the Southeast, Puerto Rico and the Virgin Islands. The brigade is supported by numerous recruiting battalions and recruiting companies and partners with a wide range of colleges, ROTC programs, high schools, and vocational trade schools.

Fox Army Health Center (FAHC) is part of the Southern Regional Medical Command which provides access to quality and cost-effective primary care for patients while maintaining a state of readiness for mobilization. FAHC provides many types of services for Redstone, including direct healthcare, public health and education, occupational medicine and industrial hygiene.

Logistics Support Activity (LOGSA) supports Army operations through timely and integrated life cycle logistics information, knowledge and expertise. LOGSA maintains the Army's official single authoritative logistics data repository. LOGSA provides critical logistics information capabilities through analytical tools and business intelligence solutions to effectively acquire, manage, equip, and sustain the materiel requirements of the U.S. Army.

Missile Defense Agency (MDA) is the Department of Defense agency that facilitates the research, development, acquisition and integration of multi-service capabilities into seamless theater and national missile defense systems.

Defense Intelligence Agency – Missile & Space Intelligence Center (MSIC), is an intelligence organization charged with producing scientific and technological intelligence on adversary surface-to-air missiles and ballistic missile systems and directed energy systems. This intelligence includes characteristics, capabilities and limitations of foreign military systems.

U. S. Army Engineering and Support Center, Huntsville, is a specialized agency of the U.S. Corps of Engineers. The Huntsville Center manages national programs that have a broad scope, require standardization across corps of engineers' boundaries, or are otherwise complex in nature.

FBI Terrorist Explosive Device Analytical Center (TEDAC), was formally established in 2003 and moved to Huntsville in 2015 to serve as the single interagency organization to receive, fully analyze, and exploit all terrorist improvised explosive devices, or IEDs, of interest to the United States. TEDAC coordinates the efforts of the entire government, from law enforcement to intelligence to military, to gather and share intelligence about these devices—helping to disarm and disrupt IEDs, link them to their makers, and, most importantly, prevent future attacks. To date, TEDAC has received tens of thousands of IED submissions, primarily from Iraq and Afghanistan.

Source: Redstone Arsenal Public Affairs Office; www.garrison.redstonearmy.mil

BRAC. There have been five previous rounds of Base Realignment and Closure (BRAC) – a congressionally approved process for consolidating military infrastructure. Redstone Arsenal has consistently gained significant roles, missions and personnel through this process. The most recent BRAC was in 2005 and it relocated the Army Materiel Command's headquarters to Redstone Arsenal from Fort Belvoir, Va., along with more than 1,350 AMC positions and the AMC commander, a four-star command which is the first for Alabama.

In April 2024, Raytheon launched a \$115 million expansion of its Redstone Raytheon Missile Integration Facility, which will increase the factory's space for integrating and delivering on critical defense programs by more than 50%. The 26,000 sq ft expansion will also bring an estimated 185 new jobs to Huntsville, growing the employee footprint in Huntsville to over 2,200 people. The Huntsville facility currently handles the integration of nine variants of the Standard Missile family, including the Standard Missile-3 and Standard Missile -6, and will accommodate additional defense programs, including the Glide Phase Interceptor (GPI) which will be the first ever interceptor to defeat the emerging threat of hypersonic glide vehicles.

Source: MadeInAlabama.com

New Missions to Redstone Arsenal

The growth of the Federal Bureau of Investigation (the "FBI") has also been significant. The FBI is currently undergoing significant capital projects for specialized facilities at Redstone Arsenal serving, essentially, as a second headquarters. In addition to much of the back-office work, expertise in cyber security, data analytics, innovation, and training for agents will occur on its Redstone Arsenal campus. The FBI is currently building a sprawling, college-like campus on Redstone Arsenal, part of a multi-year effort to expand its presence at Redstone Arsenal. The Innovation Center, which broke ground in June of 2021, is a key part of that campus, which will top \$3 billion in investment by its completion. Initial announcements by the FBI indicated as many as 1,350 employees would be relocated to Huntsville, however recent announcements have indicated between 4,000 and 5,000 jobs could eventually be shifted to Redstone Arsenal over the next 10 years. Approximately 2,000 employees are currently located in Huntsville. The FBI now has eight major construction projects, five of which are training venues. The current "marquee project" is the Innovation Center and Kinetic Cyber Range, which is scheduled to be completed in late 2024. Other big projects now underway include Tech Buildings 2 and 3, a shared services warehouse, and a shipping and receiving expansion which will further aid the logistics capabilities of FBI Redstone. The Multi-purpose Range Complex and Practical Problem Venues are currently in design. Upon completion, the Range Complex will be able to accommodate both small- and large-scale training events. The Practical Problem Venues will provide a controlled, realistic, tech-forward testing and training environment for the FBI and its partners. The Academic Zone will provide graduate-level classroom training and a complementary platform on which to complete advanced research. Another project, the

National Security and Intelligence Center of Excellence, will be the centralized location for advanced training delivery, curriculum development, and instructional design.

Labor Force Characteristics

According to the 2022 American Community Survey 5 Year Estimates, the City had a "labor force participation rate" of 65.3%, compared with 58.6% for the State of Alabama and 63.5% for the United States.

The quality of the City's work force is enhanced by the educational attainments of a significant portion of the work force. The following table compares the educational attainments, for persons over 25 years of age, with respect to the City, the State of Alabama, and the United States.

Educational Attainment

	City of Huntsville	State of Alabama	United States
Percentage high school graduates or higher	92.0%	89.1%	89.8%
Percentage bachelor's degree or higher	47.7%	28.9%	32.2%

Source: U.S. Department of Commerce, Bureau of the Census, 2023 ACS 1 Year Estimates

Employment Data

Civilian Labor Force. The following table provides statistics regarding the average civilian labor force and unemployment rates of Huntsville/Madison County in the years indicated:

	2000	2010	2020	2021	2022	2023
Labor Force	175,460	208,154	231,870	313,220	268,271	255,991
Unemployment Rates						
Huntsville/Madison County	2.8%	8.6%	4.6%	3.6%	2.4%	2.1%
State of Alabama	4.6	10.5	5.9	5.3	2.5	2.5
United States	4.0	9.6	8.1	6.3	3.6	3.6

Source: U.S. Department of Commerce, Bureau of the Census, 2023 ACS 1 Year Estimates

Major Employers in the Huntsville Region

As shown in the following table, there are 12 private sector firms with employment in excess of 1,000 employees. The major private sector employers in the Huntsville Region include Mazda Toyota Manufacturing USA, Inc and The Boeing Company (aerospace) each with more than 3,000 employees in 2023. Most of the major employers are involved in high-technology research and manufacturing, previously noted as a leading source of economic activity in the Huntsville Region.

MAJOR EMPLOYERS IN HUNTSVILLE/MADISON COUNTY, AL

Private Employers	Number of Employees
Mazda Toyota Manufacturing USA, Inc	4,000
The Boeing Company	3,411
Dynetics, Inc	2,946
Northrop Grumman Corporation	2,850
SAIC	2,746
Toyota Alabama	1,994
Polaris	1,932
Lockheed Martin Corporation	1,685
Crestwood Medical Center	1,287
Blue Origin	1,235
Amazon	1,100
Redstone Federal Credit Union	1,095
PPG	983
KBR	964
Raytheon Technologies	945
Hexagon	924
Yulista	923
Kohler Company	870
Teledyne Brown Engineering	832
Aerojet Rocketdyne	829
Axient	800
ADTRAN, Inc.	786
Target Distribution Center	770
COLSA Corporation	739
Mazda North America Operations	735
Sanmina	726
Science and Engineering Services (SES)	719
SCI Technology, Inc.	700
Torch Technologies	695
Astrion	676
YKTA	656
Jacobs Space Exploration Group	618
Parsons	586
BASF Corporation	580
Phoenix	557
Radiance Technologies, Inc.	507
Tyonek Native Corporation	506
Public Employers	
U.S. Army/Redstone Arsenal*	45,700
Huntsville Hospital System **	11,149
NASA/Marshall Space Flight Center *	7,000
Huntsville City Schools	3,000
City of Huntsville	2,589
Madison County Schools	2,389
University of Alabama in Huntsville	1,979
Alabama A&M University	1,207
Madison County Commission	1,071
Madison City Schools	976
Huntsville Utilities	680
Calhoun Community College	579
U.S. Space & Rocket Center	508
* <i>Includes contractors</i>	
** <i>Employees in Madison County</i>	

Source: Chamber of Commerce Huntsville/Madison County, May 2024

Employment Data

The total number of persons employed in Huntsville/Madison County in nonagricultural wage and salary employment has consistently increased since 2014. The three largest sectors of employment are (in descending order) Manufacturing (107,956), Retail Trade (66,715), and Health Care and Social Assistance (66,666) in the Huntsville Region during 2022.

Huntsville Metropolitan Area Employment by Industry Sector (in thousands)

	2010	2020	2021	2022	2023
Manufacturing	23.7	26.2	28.9	32.4	34.8
Durable	20.5	22.5	22.5	28.0	30.6
Non-Durable	3.2	3.7	3.7	4.4	4.2
Construction & Mining	7.5	9.7	10.5	10.7	10.4
Transportation/Utilities	2.6	3.6	3.8	5.8	6.3
Wholesale Trade	5.4	6.2	6.3	6.4	6.5
Retail Trade	22.0	24.5	25.6	26.8	27.1
Finance/Insurance/Real Estate	6.1	7.1	7.6	8.4	8.7
Professional & Business Services	49.2	61.0	63.3	65.5	67.7
Government	48.6	51.7	52.7	54.0	56.0
Total Nonagricultural Employment	210.0	240.9	251.4	273.7	276.5

Source: Huntsville/Madison County Chamber of Commerce - Alabama Department of Labor, Bureau of Labor Statistics

Construction Activity

The following table shows the value of new building permits issued in the City for the fiscal years indicated.

Value of Building Permits* (Residential, Apartment and Commercial/Industrial)

Year	Residential	Apartment	Commercial/ Industrial	Total
2006	\$59,193,692	\$12,284,320	\$289,268,058	306,746,070
2007	69,324,698	73,366,333	257,689,367	400,380,398
2008	45,055,563	37,108,158	197,117,416	279,281,137
2009	46,014,460	24,624,748	111,635,798	182,275,006
2010	45,385,091	--	136,237,193	181,622,284
2011	67,349,833	23,890,934	199,764,460	291,005,227
2012	72,510,679	37,965,634	201,958,518	312,434,831
2013	76,153,776	31,493,814	258,148,571	365,796,161
2014	68,232,945	24,971,287	260,554,000	393,758,232
2015	50,480,824	25,086,049	146,238,696	221,805,569
2016	51,902,779	45,546,068	144,199,219	241,648,066
2017	55,176,401	32,675,273	165,076,154	252,927,828
2018	62,452,059	47,378,131	248,175,919	358,006,109
2019	71,989,506	58,894,007	420,081,963	550,965,476
2020	83,616,940	160,688,487	638,146,981	882,452,408
2021	126,727,217	318,311,624	1,226,553,374	1,671,592,215
2022	135,473,372	393,442,330	1,389,650,595	1,918,566,297
2023	154,944,564	152,732,108	1,424,017,310	1,731,693,980

*Exclusive of "Moving and Demolition Permits" and consists of new construction only

Source: City of Huntsville, Inspection Department

Education

Primary and Secondary Education. The City school system is now comprised of 43 schools: six high schools, 11 middle and junior high schools, and twenty-six Pre-K through elementary schools. Seven of the district's schools are also home to various magnet programs, with one high school and two P-8 facilities dedicated as fully established magnet schools. These magnet programs emphasize science, foreign language, creative and performing arts, pre-Engineering and international education. Students of City schools consistently score above national and state averages on standardized achievement tests and on the American College Test (ACT). Enrollment for the City School System for the 2024-2025 school year is 24,050 with 2,819 teachers and support personnel employed.

Madison County and the City of Madison also have public school systems, and in addition to public schools, there are approximately fifty private kindergartens and private schools (including church-related or parochial schools) in the City and the County.

The Alabama School of Cyber Technology and Engineering, the state's only fully public, residential high school for students interested in engineering and cyber technology, opened for its first year in Huntsville in August 2020. The school moved from a temporary location at Oakwood University to its 26-acre campus in September 2022. For the 2023-2024 school year, the school has total enrollment of 334 students from 75 Alabama cities and towns. 214 of those are commuter students and 120 are boarding students. 100% of students get free tuition. The school is the first cyber and engineering school in the nation.

Higher Education. There are three state-supported four-year colleges and universities located within or near the City: the University of Alabama in Huntsville, a campus of the University of Alabama system; Alabama A & M University; Athens State University, located in the City of Athens, Alabama, approximately 20 miles west of the City; and Oakwood University, a private four-year university. Other area institutions include John C. Calhoun State Community College, and J. F. Drake State Community and Technical College.

Source: City of Huntsville School System and Alabama State Department of Education

Medical and Health Services

Huntsville Hospital is the second largest hospital in Alabama with 881 licensed beds on two campuses, Huntsville Hospital-Main and Women & Children Hospital. It serves as the regional referral center for North Alabama and southern Tennessee and is home to one of only three statewide Level I Trauma Centers. In recent years, the hospital has expanded its service throughout North Alabama with the development of Huntsville Hospital Health System, making it one of the top 5 largest publicly owned hospital system in the nation with more than 2,500 beds, 19,500 employees, 13 hospitals and several outpatient facilities. Huntsville Hospital Health System has grown to include hospitals in a 14-county service area in North Alabama and Southern Tennessee.

Huntsville Hospital Main serves as a teaching facility for UAB's Family Practice Residency Program, and is also assisting to establish a nursing program at the Huntsville campus of Calhoun Community College. Huntsville Hospital for Women & Children offers the most advanced pediatric health care in the region including pediatric emergency services, pediatric intensive care, level III neonatal intensive care and pediatric surgery as well as providing specialized health care for women. Madison Hospital is a full service 90-bed hospital offering medical, surgical, obstetrical, non-invasive cardiac care, special procedures, emergency care, imaging, and therapy services.

Huntsville Hospital is governed by a volunteer board appointed by the City Council through the Health Care Authority of the City of Huntsville.

Source: www.huntsvillehospital.org

The City also hosts a 180-bed full service acute care hospital, Crestwood Medical Center, which has approximately 1,000 healthcare professionals representing more than 50 different specialties.

Source: www.crestwoodmedcenter.com

The U.S. Space and Rocket Center

The U.S. Space and Rocket Center, a state agency operated by the Alabama Space Science Exhibit Commission, which opened in 1969, is regularly the state's top paid tourist attractions in Alabama, attracting some

650,000 visitors annually. Recent additions include a full-scale space shuttle and a Saturn V and portions of the Space Station. A related activity of the Space and Rocket Center is U.S. Space Camp, a hands-on educational experience for young people and, in special corporate camps, adults. The U.S. Space Camp attracts approximately 35,000 young people and adults each year for its Space Camp and Corporate Camp programs. Additional programs include Aviation Challenge, Robotics Camp, U.S. Cyber Camp and a host of traveling exhibits.

Transportation

The City of Huntsville is accessed by highway, railway, waterways and a modern airport facility. U.S. Interstate Highway 65, which runs between Chicago and Mobile, is connected to the City by I-565. There are four major highways 231 (North-South), 431 (North-South), 72 (East-West) and 72 Alternate (East-West) which traverse the City and provide access to outlying areas. The City is served by numerous common carriers, including the Norfolk Southern Railway. In 2004 Huntsville built a new public transit center just off I-565 which is home to the offices of the Public Transit and Parking Services, Greyhound Bus, and the Convention and Visitor's Bureau. It serves as the central transfer point for the city's shuttle bus service. After years of community input and public sessions, the City of Huntsville's work on the new downtown transit center officially opened on September 3, 2024. In addition to the new center, the City has added a brand-new route south of the City, bringing the current total to 11 available routes. Huntsville transit enhancement came from a notable increase in ridership, surging since 2023. Fixed route ridership reached 94% of pre-pandemic levels, while paratransit routes saw an impressive 97% return. The Orbit fixed-route buses carried 630,569 passengers in 2023, the highest figure since the pre-pandemic peak of 671,459 riders in 2019. This represents a remarkable 29% increase from the lowest traffic year of 2021 and a notable 13% rise compared to 2022. Similarly, Access paratransit served 100,832 riders in 2023, the most since 2019, indicating a robust 38% surge from the pandemic's onset in 2020 and a significant 20% rise from 2022.

The Huntsville-Madison County Airport Authority (a joint authority of the City and Madison County) operates the Huntsville International Airport located approximately twelve miles west of the downtown area of the City, which is the principal airport serving northern Alabama and parts of Tennessee and Georgia. Airport operations are conducted on approximately 3,400 acres of land and include two active runways, associated taxiways and an industrial park. The airport is served by numerous carriers including: American, Delta, United, Silver Airlines and Breeze Airways.

Quality of Life

Huntsville is situated in the foothills of the Appalachian Mountains, and the natural beauty of the area contains many opportunities for hiking, biking, golfing, outdoor exploration and water sports on the Tennessee River and nearby Lake Guntersville. The mild climate allows for outdoor enjoyment throughout much of the year. Huntsville offers a number of parks, natural reserves, nature trails and a stop on the Robert Trent Jones Golf Trail.

Huntsville's downtown is undergoing a renaissance with a growing and vibrant nightlife. The arts are fully covered between Huntsville's Broadway Theatre League, the Huntsville Ballet Company and the Huntsville Symphony Orchestra. Downtown Huntsville now has three hotels, with the AC Hotel by Marriott and Embassy Suites Huntsville conveniently located right in the heart of downtown and connected by a sky bridge to the city's convention center space, the Von Braun Center, and to the city's sports arena, concert hall and playhouse.

Originally constructed in 1975, the Von Braun Center underwent major renovations in 2010 which transformed the Arena. The renovations changed the facade of the Arena to a modern glass frontage overlooking Big Spring Park as well as expanded the lobby by adding more pre-function space and a pub. The project also added over 1,000 seats to concert setups, VIP suites, and additional restrooms. The Von Braun Center Concert Hall has also recently undergone a major renovation. In 2019, the Von Braun Center opened a new music venue, Mars Music Hall, which includes a restaurant area and rooftop bar located at the corner Clinton Avenue and Monroe Street. It is a "plug-and-play" venue with permanent stage, lighting and sound systems for the artists' use. The second phase of the renovation is now underway and will include a large convention center expansion, a new state-of-the-art ballroom, and a full renovation of the North Hall. A new kitchen complex is going in, as well as a new break out rooms to support larger conventions and groups, and there will be many interior improvements to existing areas. The renovation and renaming of North Hall to Saturn Ballroom was completed in 2023.

Source: <https://www.vonbrauncenter.com/improvements/>

In 2021, the plans were announced to develop a new urban center in the heart of downtown. Located on Clinton Ave across from the Von Braun Center, Front Row will be an 11+ acre mixed-use development delivering high-end residential, Class A office space, and a dynamic blend of retail, destination-worthy dining, and entertainment. Plans for the former Coca-Cola Bottling plant site include 545 luxury apartments 47,000 sq.ft. of retail space including a mix of indoor and outdoor spaces, and 34,500 sq.ft. of office space. The project is slated to cost around \$325 million. Groundbreaking on the project occurred in April 2024.

In July 2024, the City of Huntsville and the Huntsville Housing Authority were awarded a \$50 million Choice Neighborhood Implementation (CNI) Grant from the US Department of Housing and Urban Development to revitalize and transform the area surrounding 2 of Huntsville's oldest standing public housing communities. The grant sets the stage for a \$350 million investment to redevelop the 27-acre site, now known as Mill Creek, into a mixed-income community with workforce housing, medical and childcare services and retail options. The Mill Creek projected is located adjacent to downtown in a growing area of the City. The multi-year plan will replace distressed public and assisted housing with high-quality, mixed-income housing that is well-managed and responsive to the neighborhood. The funding includes a \$27 million investment by Huntsville Hospital to create 125 workforce housing units and to operate a health care clinic on-site. The property will be redeveloped in 5 phases over 8 years to ultimately provide 705 mixed-income units.

Among the many museums and historic sites are the U.S. Space and Rocket Center, Huntsville Botanical Garden, Monte Sano State Park, Big Spring Park, the Huntsville Museum of Art and several children's museums.

Huntsville is home to Lowe Mill ARTS & Entertainment, America's largest independent center for the arts. With over 200 working artists, 7 galleries, 152 working studios, small businesses, restaurants, and 4 performance venues, this huge historic textile mill is now a rising home for music, art, and culture. Lowe Mill completed a 37,000 square foot expansion in December 2014.

In sports, Huntsville hosts a minor league hockey (SPHL) team And in 2023, Huntsville's professional soccer team, Huntsville City Football Club started play at the renovated Joe Davis Stadium. The team is affiliated with the Nashville Soccer Club. MLS Next Pro is a men's professional soccer league in the United States and Canada and is affiliated with Major League Soccer. College athletics such as UAH and Alabama A&M are also popular.

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APPENDIX B
GOVERNMENTAL ORGANIZATION AND FUNCTIONS OF THE CITY OF HUNTSVILLE

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APPENDIX B
GOVERNMENTAL ORGANIZATION AND FUNCTIONS
OF THE CITY OF HUNTSVILLE

Governmental Organization

The City is a municipal corporation under the laws of the State of Alabama. The municipal government may be characterized as a "strong" mayor-council form of government, wherein the mayor is elected at large for a four-year term to serve as the full-time administrative head of the City government. The Mayor is assisted in the day-to-day management of the City by an administrative assistant and a professional staff who oversee the various departments of the City.

The City Council, which consists of five members elected for staggered terms of four years each, operates exclusively as a legislative body and acts with respect to the executive branch of the City government (including all appointive officers, department directors and employees) only through ordinances and resolutions formally adopted at Council meetings. Members of the City Council are elected from five electoral districts. Each member of the City Council is required to reside in the district which he or she represents and to be elected by the qualified electors residing in such district.

The present Mayor and members of the City Council, and the dates of beginning and ending of their respective current terms of office, are as follows:

Name	Date of Beginning of Current Term	Date of Ending of Current Term
Tommy Battle, Mayor	November 4, 2024	November 6, 2028
John Meredith	November 4, 2024	November 6, 2028
Bill Kling, Jr.	November 7, 2022	November 2, 2026
Dr. Jennie Robinson	November 7, 2022	November 2, 2026
David Little	November 7, 2022	November 2, 2026
Michelle Watkins	November 4, 2024	November 4, 2028

Colonel (Ret.) John Hamilton became City Administrator effective as of October 1, 2013. Mr. Hamilton received a Bachelor of Science in Business Management in 1990 from Florida State University and a Masters in Logistics Management from the Florida Institute of Technology in 1999. He served for 23 years in the United States Army and retired a full Colonel in 2013. His final position was as Garrison Commander of Redstone Arsenal.

In the Fall of 2019, Penny L. Smith, CPA, became the Finance Director of the City. She also serves as City Treasurer. Previously, Mrs. Smith was the Finance Director for the City of Auburn, a position she had held since 2011 after spending seven years as that city's Deputy Finance Director. Mrs. Smith is a graduate of Auburn University, from which she received a bachelor's degree in accounting. She is a Certified Public Accountant, Certified Government Financial Manager and Chartered Global Management Accountant. Mrs. Smith is a past president of Governmental Finance Officers Association of Alabama and previously served on the Security for Alabama Funds Enhancement (SAFE) Board of Directors. She has more than 30 years' experience in public and governmental accounting and auditing.

Shaundrika Edwards has served as City Clerk of the City since March of 2023. Mrs. Edwards holds a master's and bachelor's degree in human resource management. She joined the Human Resources Department of the City in 2017 where she worked until becoming City Clerk in 2023.

Marion "Trey" Riley is the City Attorney. Mr. Riley was appointed as City Attorney in the Fall of 2015. Mr. Riley received a Bachelor in Business Administration degree from Auburn University in 1977, and his Juris Doctorate degree from the University of Alabama School of Law in 1980. Upon graduating from law school, Mr. Riley served a brief tenure as an Assistant District Attorney, and thereafter engaged in the solo practice of law for almost 35 years, representing a broad cross-section of individuals in a wide variety of legal matters before numerous different tribunals, primarily in Alabama but also in surrounding states.

The City Administrator, the Finance Director, the City Attorney, and the City Clerk are appointed by the Mayor, subject to the approval of the Council, for four-year terms concurrent with that of the Mayor.

Certain City Officials

Tommy Battle, Mayor. Mr. Battle is currently serving his fifth term as Mayor of the City. Mayor Battle was first elected Mayor in 2008, and before then served on the City Council between 1984 and 1988. A commercial real estate developer, Mayor Battle has served on various local boards within the City, including the Huntsville Emergency Medical Services, Inc., board, EarlyWorks Children's Museum board and the administrative council of Trinity United Methodist Church. Mayor Battle received his B.S. degree in Business Administration from the University of Alabama.

Michelle Watkins, Council Member. Michelle Watkins, representing District 1, was first elected to the City Council in 2024. Michelle Watkins is a lifelong resident of Huntsville, Alabama. Upon graduating from James Oliver Johnson High School of the Huntsville City School System, she furthered her education at Alabama Agricultural and Mechanical University by completing a Bachelor of Science in Business Administration, a Masters of Secondary Education, and an Education Specialist Degree. She is also a graduate of Leadership Huntsville Focus Class 27 and a Certified Oracle Instructor. Michelle has taught at Johnson High School and J. F. Drake State Technical College and has been actively involved in various community organizations and activities in the Huntsville City and Madison County area. She presided as PTSA President for Johnson High School during its last school year, and has worked with the Junior League of Huntsville, the United Way of Madison County, the City of Huntsville Community Development Citizens Advisory Council, and the Alabama A&M University Youth Motivational Task Force. Currently, Michelle Watkins is a Management & Program Analyst for the United States Army Garrison at Redstone Arsenal.

David Little, Council Member. Mr. Little, representing District 2, was elected to the City Council in 2022. He currently serves as President of the City Council. Mr. Little was born and raised in Huntsville. After graduating high school, he spent four years in the United States Marine Corps before earning degrees from Calhoun Community College and Athens State University. His professional background includes aerial photography, owning his own small business and sales management with a local technology firm before joining the investment community in 2005. Mr. Little presently works with a local wealth management and financial planning firm.

Dr. Jennie Robinson, Council Member. Dr. Robinson, representing District 3, was first elected to the City Council in 2014. Prior to her election to the City Council, Dr. Robinson served three terms on the Huntsville City Schools Board of Education. Before being elected to the School Board in 2002, Dr. Robinson served five times as a PTA president in Huntsville city schools. She has also served on the Executive Committee of the Alabama Association of School Boards (AASB) and chaired the State Legislative Committee for AASB. Dr. Robinson received her Doctor of Philosophy and Master's Degree in Consumer Behavior from Purdue University, and she owns a management consulting firm specializing in strategic planning and leadership development for corporations and non-profits. She is a graduate of Leadership Alabama and Leadership Huntsville. She received the Distinguished Leadership Award from Leadership Huntsville Madison County in 2006. She also serves on the boards of Leadership Huntsville Madison County and the Rotary Club of Greater Huntsville.

Bill Kling, Jr., Council Member. Mr. Kling, representing District 4, was first elected to the City Council in 1988. He received a B.S. degree in Mass Media Communications and Public Administration from the University of Alabama, and an M.S. degree in Urban Studies from Alabama A & M University. Mr. Kling was a recipient of Troy State University's "Grover C. Hall" journalism fellowship. He is professionally accredited by the Southern Public Relations Federation. Mr. Kling previously served as a member of the Huntsville City Board of Education. Mr. Kling has held numerous positions in the broadcast and public relations field including public relations director, radio announcer and newscaster for a public radio station and broadcast instructor and public relations specialist for John C. Calhoun Junior College. Mr. Kling is a past President of the Huntsville Press Club.

John Meredith, Council Member. Mr. Meredith, CASE (Ret.), representing District 5, was first elected to the City Council in 2020. Mr. Meredith earned an Associate's Degree from Hinds Junior College, a Bachelor's Degree from the University of Cincinnati, and a Master's Degree from Mississippi College. He serves as the Chair of the Madison County American Red Cross Board, Vice Chair of the Drake State Foundation Board, Board Member of Leadership Greater Huntsville and Advisory Board Member of Burritt on the Mountain and the Junior League. Mr. Meredith spent a majority of his professional career as a lobbyist and legislative advocate in various business sectors and for various public initiatives. During his distinguished lobbying career, Mr. Meredith was the recipient of two national awards for advocacy – the Legislative Champion Award and the Advancing Arboriculture Award. He has served as a National Co-Chair of Minority Outreach for the Voting Integrity Project and Executive Committee member of the National Council of Agricultural Employers ("NCAE"). At NCAE, he was the Moderator for the 2005 NCAE Immigration Roundtable in Washington, D.C. Mr. Meredith is the son of civil rights icon James

H. Meredith, the first African American to enroll and graduate from the previously segregated University of Mississippi.

Employees

As of September 30, 2024, the City employed 2,705 people and the City-owned but separately operated Huntsville Utilities employed 812 people. The employees of the City are administered under a separate personnel system from that of Huntsville Utilities.

Municipal Powers and Functions

The City provides police and fire protection, streets and highways, garbage and refuse collection and disposal, sanitary sewage and disposal service and certain recreational and cultural services. It is only in the area of law enforcement, where state and county officers have concurrent jurisdiction, that there is any significant overlap in City-furnished governmental-type services. The City (through the City-owned Huntsville Utilities) also provides, subject to policies established by the several utilities boards, electric, water and natural gas service for its citizens. For information as to a change in the furnishing of garbage and refuse disposal service, see "Refuse-to-Energy Plant", below.

Several municipal functions have been delegated, by statute or authorized City ordinance or resolution, to municipal boards or commissions, such as the several utilities boards, including the following functions: industrial development, solid waste disposal, health care, library services, museum and civic center operations and public housing. Some, but not all, of these boards or authorities may issue revenue debt. Policy decisions concerning these functions are in most cases made by the applicable board or commission (the members of which are appointed by the Mayor or the City Council) and implemented by an administrative head or staff responsible to such board or commission.

Certain municipal or public functions are performed jointly with Madison County (the "County") through statutory authorities or boards whose members are appointed by the governing bodies of both the City and the County. Such authorities or boards include The Huntsville-Madison County Airport Authority (which is responsible for the operation of Huntsville International Airport), the Huntsville-Madison County Mental Health Board, the Huntsville-Madison County Civil Defense Board and The Huntsville and Madison County Railroad Authority. In addition, the City and County governing bodies jointly elect the members of the Huntsville-Madison County Marina and Port Authority, a public corporation created under an act of the Alabama Legislature to construct and operate marina and port facilities.

Funding for certain municipal boards or commissions is provided, in whole or in part, by the City, and in other cases, such boards or commissions operate as separate public corporations created by the City, but funded entirely through revenues generated by the particular municipal functions involved.

Annexation Program

The City annexes land considered important to its future growth and economic expansion, which has included significant acreage in the past twenty years. Madison County annexations in excess of 40,000 acres have primarily been in the east, with mostly mixed, higher value residential developments occurring. The annexation in Limestone County, which is west of Madison County, primarily borders the Huntsville International Airport and Interstate 565, and is generally planned for industrial and commercial development. Smaller tracts are regularly being annexed, however, for residential and commercial uses.

With very few exceptions, the City's annexations have been accomplished by petition of the landowner requesting annexation. There is no pending or threatened legal action contesting the validity or legality of any of the City's annexations.

The City, in concert with the Metropolitan Planning Organization (MPO), has adopted a major street plan for the entire City. The rights of way for the streets shown on the master street plan are being protected from development as provided by Alabama law. The expansion and extension of these major streets will be the major expenditure for the City resulting from the City's annexation programs. Most of the local streets in the annexed areas will be constructed to City standards and specifications by developers as subdivision of property and development occur.

The City has in operation sufficient sewer treatment capacity for the annexed areas and future annexations. The City generally extends sewer outfall lines and facilities into annexed areas when there is a finding of sufficient economic return to justify such extension. The City's extension policy and its sewer rate structure are, in general, a significant part of its economic development policy.

The rate of growth in the annexed areas is unpredictable, and the full extent of any impact on the City's finances and resources cannot be measured. While the City cannot make a definite prediction or offer assurances that development will in fact occur in these areas, the City does expect that, as a result of the annexations and the services offered by the City in those areas, considerable industrial and commercial development and supporting residential development will occur.

Huntsville Utilities

The City's municipally-owned water, electric, gas and sanitary sewer systems are operated by separate boards of directors which are responsible for their supervision and control and the members of which are appointed by the City Council. These three systems are owned by the City, but operate separately from the City under the name of Huntsville Utilities and are managed by Wes Kelly, President and CEO of Huntsville Utilities. The employees of Huntsville Utilities are subject to personnel rules established by the respective utilities boards and administered by a separate Personnel Department of Huntsville Utilities. The financial statements of the City attached as APPENDIX C include the water, electric and natural gas systems, although it should be noted that the City's independent auditors have not examined these financial statements and that their opinion thereon is based solely on reports of other auditors.

Refuse-to-Energy Plant

The Solid Waste Disposal Authority of the City of Huntsville (the "Authority") constructed a solid waste resource recovery plant to assist the City in its solid waste disposal program. The plant, which was completed in July of 1990, was designed to convert garbage and other solid waste into energy (steam), primarily for use by and sale to the Department of the Army at Redstone Arsenal, an Army facility near the City. The Authority is a public corporation separate from the City, the members of the Board of Directors of which are appointed by the City Council. In 1987 the City Council adopted an ordinance authorizing the transfer and conveyance by the City to the Authority, without the payment of any pecuniary consideration, of the City's existing landfill, which, along with the plant and recycling programs, constitutes an integrated system for the disposal of solid waste and other refuse operated by or for the account of the Authority. Such transfer and conveyance was effected in August, 1988, when the Authority authorized the issuance of bonds to finance the construction of the plant. Pursuant to an agreement with the Authority, Ogden Martin Systems of Huntsville, Inc. now known as Covanta Huntsville, Inc. (an affiliate of Ogden Corporation, now known as Covanta Energy, Inc.) designed, constructed, and is operating the plant for the Authority.

In the ordinance authorizing the transfer and conveyance of the City's existing landfill to the Authority, the City Council also authorized the execution of a Solid Waste Delivery Agreement between the City and the Authority, under which the City agreed (a) to deliver to the Authority, for processing or other disposal, substantially all solid waste and other refuse collected by the City through its solid waste collection system (as well as substantially all the sewage sludge generated through the operation of the City's sanitary sewer or wastewater system) and (b) to pay to the Authority, for such processing or other disposal, such tipping fees as the Authority may from time to time impose and charge. This Agreement provides that all tipping fees and any other moneys due by the City under the Agreement are to be payable solely out of the current or general operating revenues or funds of the City received or receivable by it for or during the fiscal year during which such tipping fees or other moneys are required to be paid. The current rates are \$39.90 per ton for municipal solid waste and \$26.50 per ton for construction and demolition waste and may be adjusted in the future. The many variable factors on which any such adjustments in the future will depend (including, for example, plant operating results, landfill acquisition, if any, and operating costs, the effect of existing and future environmental laws and landfill regulations, and general economic conditions) are such that the City cannot accurately predict the extent of such adjustments, but it does expect increases in the amount of tipping fees over the next 25 to 30 years.

The City has taken steps to reduce the waste stream by instituting the following recycling programs: (1) the recycling of white goods at the landfill and (2) the first citywide curbside recycling program in the State of Alabama, for the removal and recycling of newspaper, plastics, metals, magazines, motor oil, and batteries. The Authority also operates a separate hazardous household wastes program. These recycling programs are expected to allow the City to meet any currently anticipated changes in environmental law which may mandate a reduction in the waste stream. The Authority expects that, even after such reductions in the waste stream are made, the amount of

solid waste to be delivered by the City, together with amounts to be delivered by the Army, will continue to be in excess of the required minimum amount the Authority has agreed to deliver to the plant.

The Authority has entered into a steam sales agreement with the Department of the Army, providing for the sale of steam by the Authority to the Army for use at Redstone Arsenal. The agreement between the Authority and the Army is not, however, a take-or-pay contract and does not obligate the Army to pay for steam that is not delivered or available for delivery. While the City expects that revenues from tipping fees and from the sale of steam to the Army will be sufficient to pay the costs of operating the plant and the landfill there can be no assurance that such tipping fees and steam sale revenues will be sufficient to pay all such expenses and any future debt service and that the payment by the City to the Authority of substantial tipping fees, as authorized in the Solid Waste Delivery Agreement, may be necessary. At this point in time, all of the debt of the Authority has been repaid and there is no current debt service requirement for the Authority.

The failure of the plant to operate in the manner expected, as well as any substantial plant "down-time", would adversely affect expected steam sale revenues and thus result in tipping fee increases substantially in excess of those otherwise expected. However, the plant has complete redundancy; it has four fossil-fuel-fired boilers which could supply steam to the Army if the failure to operate in the manner expected is related to the incineration of solid waste.

Miscellaneous Municipal Functions

The City, the County and the State of Alabama have coextensive law enforcement jurisdiction. The City operates a misdemeanor court system.

The State is responsible for maintaining state and federal highways in the City. Further, pursuant to an understanding between the County and the City, the County maintains certain roads and streets in the Green Mountain area annexed by the City in 1973.

While public health service is principally a state function, the City historically has made annual contributions to the Madison County Department of Public Health.

The City finances all major public recreation facilities in the City except for (a) Ditto Landing and Marina, which has received some appropriations from Madison County, and (b) Monte Sano State Park, which is located adjacent to the City and is owned and operated by the State of Alabama.

Huntsville International Airport is owned and operated by The Huntsville-Madison County Airport Authority, the members of the Board of Directors of which are appointed by the governing bodies of the City and the County.

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APPENDIX C
CERTAIN FINANCIAL, DEBT AND RELATED INFORMATION OF THE CITY OF HUNTSVILLE

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APPENDIX C
CERTAIN FINANCIAL, DEBT AND RELATED INFORMATION
OF THE CITY OF HUNTSVILLE

FINANCIAL SYSTEM

General

The City maintains a financial reporting system designed to provide timely and accurate reports of receipts and expenditures. Internal accounting controls, which are developed and monitored by the City Finance Department, are designed to provide reasonable, but not absolute, assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition, and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. Activities of the City are monitored internally on a monthly basis and are audited annually, as required by law, by independent certified public accountants. The report of such accountants for the fiscal year ended September 30, 2023 (the City's most recent audit), is included as APPENDIX G.

Budget System

Prior to the commencement of each fiscal year, the Mayor, in conjunction with the administrative staff and the City's department heads, prepares an annual operating budget for City Council approval. The budget represents a complete financial plan for the City and reflects the projection of all receipts and disbursements from all sources, including all revenues, expenditures and the surplus or deficit in the General Fund and all special funds of the City. Any expenditure request that results in budget increases, overruns or transfers between departments or funds must, under existing procedures, have City Council approval.

The budget for the General Fund is customarily adopted on a categorical basis consistent with generally accepted accounting principles ("GAAP"). Budgetary control is maintained at the departmental line-item level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. By ordinance, the City is required to maintain at all times an undesignated General Fund balance of 11.5% of the current fiscal year's General Fund recurring revenues. The fund balance was at the required policy amount at the close of each of the last five fiscal years. The City expects to satisfy this requirement for its fiscal year ending September 30, 2025.

The City maintains a ten (10) year Capital Improvement Plan which forecasts expenditures for capital improvements for each of the City's capital improvement funds (1990 Capital Improvement Fund and the 2014 Capital Improvement Fund). These plans include (a) construction and improvement of local roads and the City's financing share of non-local roads, (b) drainage projects and projects for the preservation of the natural environment, (c) acquisition and improvement of public safety equipment and facilities, and (d) acquisition of land for industrial growth.

During the budget process, the Mayor requests that each department head assign priorities to department capital improvements, by year, for the number of years to be budgeted. These requests are consolidated and reviewed, then the Mayor proposes a Capital Improvements Programs to the City Council for its consideration. Capital expenditures have been and will be funded with borrowings or with internally generated funds.

Accounting System

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. The various funds designated in the City's financial statements (attached as APPENDIX G) include the following:

General Fund. The General Fund, which is the general operating fund of the City, is the largest and most important accounting activity of the City and accounts for the current operations of the general government and all financial resources except those required to be accounted for in another fund. Expenditures from the General Fund are financed from a variety of revenue sources, including ad valorem and sales and use taxes, licenses and permits, charges for services, and fines and forfeitures. See "SOURCES OF REVENUES" in this appendix.

Grants Fund. The Grants Fund is used to account for various federal, state and local grant revenues and related expenditures.

Capital Improvements Fund. The Capital Improvements Fund represents the City's primary fund for accounting for a variety of capital projects of the City funded by internally generated revenues along with sales and use taxes and intergovernmental revenues. The two primary funds within the Capital Improvements Fund are as follows:

1990 Capital Improvement Fund. In fiscal year 1990, the City established the 1990 Capital Improvement Fund to account primarily capital projects and maintenance related to municipal facility construction and improvements, public parks and recreational facilities, street resurfacing and maintenance, as well as fleet and other durable equipment. These activities are funded by 18% of 3.5 of the 4.5% sales and use tax rate.

2014 Capital Improvement Fund. In fiscal year 2014, the City established the 2014 Capital Improvement Fund, a capital projects fund, to account for the proceeds of a one-percent sales and use tax levied by the City effective March 1, 2014. This fund accounts for the capital and economic development expenditures authorized for this fund, and the debt service on projects intended to be paid from the taxes.

Special Revenue Fund. The Special Revenue Fund is used to account for the proceeds of restricted property taxes, state gasoline taxes and seizure/forfeiture revenues, which are as follows:

Public Building Authority - accounts for the payment of debt service and related leasing arrangement in respect to construction of the jail facilities and amphitheater owned by the Authority.

Lodging Special Revenue Fund - accounts for the special lodging taxes levied within the City and the related expenditures of those funds.

Public Safety Fund - accounts for the funds received from State of Alabama required court fees and Federal, State and Local forfeitures to be used for public safety law enforcement and municipal court administration.

6.5 Mill Debt Property Tax Fund - accounts for the 6.5 mills of ad valorem taxes restricted for debt service payments of the City's projects.

6.5 Mill School Property Tax Fund - accounts for 6.5 mills of ad valorem taxes, restricted for the furtherance of education. Taxes are primarily allocated to the debt service payments on school facility projects.

1990 School Support Fund - accounts for the appropriation of sales and use taxes allocated to the Huntsville City Schools at 14.7% of 3.5 pennies of City sales and use taxes.

Gas Tax Fund - accounts for the City's share of the State four, five, and seven cents gas taxes and the related restricted expenditures.

Emergency Management Fund - accounts for the restricted revenues for the operation of the City's Emergency Management Agency.

Public Library - accounts for funds received from the City, donations and other governmental entities to be used for the operations of the public libraries in the City.

Burritt Museum - accounts for the operations of a park and museum. Financing is provided by the City, admission fees and public donations.

Alabama Constitution Village - accounts for the operation of historical tourist attractions in the City. Financing is provided by the City, admission fees and public donations.

Art Museum - accounts for the operation of the art museum in the City. Financing is provided by the City, admission fees and public donations.

Huntsville Tennis Center - accounts for the operation of a tennis center in the City. Financing is provided by the City and admission fees.

Cemetery Perpetual Care Fund - accounts for the collection of cemetery revenues earmarked by local ordinance for the long-term care of City-owned cemeteries.

TIF Special Revenue Fund - accounts for tax incremental financing districts established within the city. Revenues are restricted within specifically established tax increment districts throughout the city.

Debt Service Fund. The Debt Service Fund is used to account for the accumulation of moneys for, and the payment of, principal of and interest on long-term debt and related costs, other than long-term debt payable from special assessments and debt issued for and serviced primarily by City-owned enterprises.

Capital Projects Funds. Capital Project Funds are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by Enterprise Funds and TIF taxes of the Special Revenue Fund). In most cases, the City uses the Capital Projects Fund to account for the expenditure of the proceeds from all warrant issues, and uses separate accounts within that to show that the proceeds of the issues were spent only on the project or projects and for the purpose or purposes authorized, and that any unused warrant proceeds or project deficits were properly handled and accounted for in accordance with applicable legal, budgetary and policy provisions.

Proceeds from warrants or other obligations issued by the City to pay for capital improvements will be accounted for in capital project funds, as will the expenditures of the proceeds of warrants and other City obligations.

There are instances in which the General Fund or a Special Revenue Fund budgets and expends its own resources for long-term improvements, which may involve general long-term borrowing, and such outlays are properly accounted for in those funds without a separate Capital Projects Fund. The City also maintains other capital projects funds to account for the expansion and development of an industrial park, which is financed by revenues other than long-term debt.

Enterprise Funds. Enterprise Funds are used to account for operations that provide goods or services to the general public on a continuing basis and that are financed and operated similarly to private business enterprises, *i.e.*, those the costs of which are to be financed or recovered primarily through user charges, or those for which it is deemed advisable (for capital maintenance, public policy, management control, accountability, or other purposes) that periodic determinations be made of revenues earned, expenses incurred, and net income. The City currently maintains Enterprise Funds for the operation of the City's Sanitary Sewer System, the Municipal Iceplex, the Von Braun Center, Orion Amphitheater, and Sanitation, and accounts for the operations of one of its "discrete component units" (Huntsville Utilities) as an Enterprise Fund. With the exception of the Enterprise Funds, which may be characterized as "proprietary" funds, all above-mentioned funds currently maintained by the City are categorized as "governmental" funds.

SOURCES OF REVENUES

Introduction

Sales and use taxes, business licenses and permits are directly related to changes in personal income rate, price levels and general economic conditions and have in the past (subject to certain exceptions) increased at a more rapid rate than ad valorem taxes. Shared state, local and intergovernmental revenue is not subject to periodic

appropriations, but results from general statutory allocation to the City of a portion of certain taxes collected by the State of Alabama, Madison County, Limestone County and Morgan County. Additional information on the principal City revenue sources is provided in the following paragraphs. While the following paragraphs show the rates at which certain of these tax proceeds have increased, the City makes no representation that future increases will be at the same or greater rates or that there will, in fact, be any such increases.

Property Taxes and Payments in Lieu of Taxes

Property or ad valorem taxes are levied under various provisions of the constitution and statutes of Alabama and, except for the 6.5-mill general purpose tax, may be used only for the purpose or purposes for which they are levied. Under present law, the rates at which local ad valorem taxes are levied may be increased only after approval by the Alabama Legislature and a majority vote of the qualified electors of the affected jurisdiction. See "AD VALOREM TAXES" herein.

Payments in lieu of taxes, calculated on various bases, are made to the General Fund by Huntsville Utilities with respect to the City-owned electric, water and natural gas systems. Under the City's contract with the Tennessee Valley Authority (TVA) for the purchase of electric power, payments in lieu of taxes with respect to the electric system will be made at an agreed upon six percent (6%) of net book value of the electric system's properties. Payments in lieu of taxes are also received by the General Fund in lesser amounts from the water and natural gas systems, computed on the basis of gross revenues. All such payments are made, at the option of the City Council, in lieu of taxes which would be due if such utility systems were subject to ad valorem taxation. The City also receives certain payments in lieu of taxes from the TVA and from the Huntsville Housing Authority. Ad valorem property taxes paid on real property are subject to periodic adjustment based upon reappraisals required by the State Department of Revenue. See "Property Re-Evaluation Program" under "AD VALOREM TAXES" herein.

The following table shows the receipts from the 6.5-mill general purpose tax and from payments in lieu of property taxes for fiscal years shown:

Fiscal Year	6.5 Mill Tax General Fund General Purpose	TVA Payments in Lieu of Property Taxes	Huntsville Utilities Electric System Payments in Lieu of Property Taxes⁽¹⁾	Total
2024*	\$30,995,211	\$3,171,440	\$21,787,652	\$55,954,303
2023	26,228,000	3,256,334	18,842,021	48,326,355
2022	22,470,322	2,697,905	18,224,671	43,392,898
2021	20,409,023	2,864,376	18,396,408	41,669,807
2020	19,565,805	2,827,779	21,172,061	43,565,645
2019	18,299,987	2,494,464	18,836,298	39,630,749

* Unaudited

⁽¹⁾ Huntsville Utilities expanded its electric system and services during 2019, resulting in additional capital improvements that increased payments in lieu of taxes to the City in 2020. The increase is also due to accounting adjustments.

Source: Annual Comprehensive Financial Reports of the City for Fiscal Years 2019-2023 (modified accrual basis of accounting).

Sales and License Taxes

Sales and Use Taxes. The largest sources of General Fund revenues are the sales and use taxes levied by ordinance of the City. Retailers are required to collect the sales tax on sales of tangible personal property at retail from the consumer and to pay collections to the City, monthly. The use tax is levied upon the use of tangible personal property brought into the City and upon which the sales tax has not previously been paid. The sales and use tax was increased effective November 1, 1989, when the basic rate was raised from 3% to 3.5% and the automobile rate was increased from 1.5% to 1.75% (certain manufacturing machinery being exempt). Additionally, the general sales and use tax rate was raised from 3.5% to 4.5% effective March 1, 2014. The total sales tax rate paid by persons purchasing items in the City in Madison County is 9% – 4% being collected for the State and 0.5% for Madison County; the rate is 10.5% in those portions of the City within Limestone County – 4% being collected for the State and 2% for Limestone County.

The following table shows sales and use tax receipts levied by and collected for the City (at a total rate of 4.5%) for the fiscal years shown includes:

Fiscal Year	Receipts⁽¹⁾	Percentage Increase
2024	\$333,281,791*	2.9%
2023	324,001,554	7.3
2022	303,110,210	12.9
2021	268,438,074	13.2
2020	237,141,754	4.6
2019	226,685,473	--

* Unaudited

⁽¹⁾ Includes receipts from the Simplified Sellers Use Tax (the "SSUT"), which allows sellers of tangible personal property or service in the State of Alabama from inventory or locations outside the State (typically, on-line sellers) to collect, report, and remit a flat 8.0% sales and use tax. For the fiscal year ended September 30, 2022, unaudited SSUT receipts accounted for 4.39% of the \$303,110,210 sales and use tax receipts shown above, for the fiscal year ended September 30, 2023, SSUT receipts accounted for 4.81% of the \$324,001,554 sales and use tax receipts shown above, and for the fiscal year ended September 30, 2024, unaudited SSUT receipts accounted for 5.29% of the \$333,281,791 unaudited sales and use tax receipts shown above.

The following table shows the allocation and deposit of total sales and use tax receipts levied by and collected for the City (at a total rate of 4.5%) for the fiscal years shown:

Fiscal Year	General Fund	City Schools	Capital Improvements Fund	2014 Capital Improvement Fund	Total Receipts
2024	\$185,560,074*	\$36,682,413*	\$44,917,363*	\$66,121,841*	\$333,281,791*
2023	179,742,173	35,858,217	43,908,021	64,493,143	324,001,554
2022	167,970,846	33,548,667	41,080,002	60,510,695	303,110,210
2021	147,774,579	29,963,646	36,690,179	54,009,669	268,438,073
2020	129,911,237	26,566,516	32,530,427	48,133,575	237,141,755
2019	122,432,577	25,786,533	31,575,346	46,891,016	226,685,472

* Unaudited

By ordinance, the City designates the below special annual appropriations from the gross proceeds of sales and use taxes levied by the City:

(1) For the 3.5% general sales and use tax and 1.75% automotive rates, 18.0% of sales and use taxes are appropriated in the year earned from the General Fund to the Capital Improvements Fund.

(2) For the 3.5% general sales and use tax and 1.75% automotive rates, 14.7% of sales and use taxes are appropriated in the year earned from the General Fund to the Huntsville City Board of Education.

(3) For the 1.0% general sales and use tax rate effective March 1, 2014, 100% of sales and use taxes are reported as revenue in the 2014 Capital Improvement Fund and earmarked for certain capital and economic development purposes.

There is no express constitutional or statutory maximum on the rates at which sales and use taxes may be levied by the City. Except for limitations concerning the rates at which privilege or business license taxes may be levied on certain types of business (such as banks and insurance companies), there are no express constitutional or statutory limitations upon the rates at which privilege or business license taxes may be levied by the City. The statements made in this paragraph concerning sales and use taxes and privilege or business license taxes are subject, however, to the

qualification that, under applicable judicial precedents, none of such taxes may be levied at rates that are confiscatory or “unreasonable”.

Licenses and Permits. Under general authority granted to cities and towns in Alabama by the Alabama Legislature, the City levies privilege license taxes on the privilege of engaging in certain businesses and professions within the corporate limits of the City. Most license taxes are computed as a stated amount plus a percentage of gross receipts based on a graduated scale. The following table shows receipts from licenses and permits for the fiscal years shown, and the percentage increase or decrease, as the case may be, in such receipts over those for the preceding fiscal year:

Fiscal Year	Receipts	Percentage Increase
2024	\$40,601,348*	(5.7)%
2023	43,051,868	3.6
2022	41,565,147	13.8
2021	36,532,679	12.4
2020	32,514,504	10.4
2019	29,448,382	--

* Unaudited

Source: Annual Comprehensive Financial Reports of the City for Fiscal Years 2019-2023. General Fund Statement of Revenues, Expenditures and Changes in Fund Balance (modified accrual basis of accounting).

Tax Increment Financing Districts

From fiscal years 2000 through 2006, the City created five (5) tax increment financing districts as a part of the City's long-range economic development plan. Two of those districts (formerly known as "TIF 1" and "TIF 3" have since been closed and all debt obligations associated therewith have been retired. Remaining from that initial group of tax increment financing districts are "TIF2" and "TIF4". The City has since created three (3) additional tax increment districts, as follows.

In fiscal year 2010, the City created a tax increment financing district ("TIF5") in connection with the obligations of the City under an Annexation and Development Agreement dated March 25, 2010 (the "Annexation and Development Agreement") between the City and L W Redstone Company, LLC. TIF5 was adopted by the City Council on May 13, 2010, and the Madison County Commission on May 17, 2010.

In fiscal year 2016, the City created a tax increment financing district ("TIF6") in connection with the development of public infrastructure improvements and related work to real property to foster industrial and economic development.

In fiscal year 2018, the City created a tax increment financing direct ("TIF7") with respect to the financing of certain improvements and obligations of the City incident to the development of the North American plant on a site within the City and Limestone County for the manufacture of vehicles by a joint venture between Toyota Motor Corporation and Mazda Motor Corporation. See APPENDIX A – "CITY OF HUNTSVILLE – CERTAIN DEMOGRAPHIC INFORMATION – Major Economic Activity".

Accordingly, there are five (5) tax increment districts of the City that are currently open, consisting of TIF2, TIF4, TIF5, TIF6 and TIF7.

REVENUES AND EXPENDITURES

The following table sets forth the audited revenues, expenditures and changes in fund balance for the City for all governmental fund types for the fiscal years ended September 30, 2019, through September 30, 2023, inclusive, which such information has been extracted from the audited financial statements of the City for such fiscal years and should be read in conjunction with the financial statements of the City attached as APPENDIX G.

	2023	2022	2021	2020	2019
Revenues					
Taxes	\$501,515,567	\$460,027,279	\$402,717,697	\$358,726,446	\$344,378,077
Licenses & permits	43,051,868	41,565,147	36,532,679	32,514,504	29,448,382
Fines & forfeitures	3,897,342	4,139,564	4,019,550	3,382,013	3,507,915
Revenues from money & property	--	--	--	5,316,225	9,717,987
Charges for services	13,231,902	12,923,044	24,975,983	22,274,966	37,161,056
Intergovernmental	62,362,019	29,734,218	54,119,202	20,131,353	17,595,641
Gifts & donations	--	--	--	2,111,362	3,408,869
Interest	12,915,912	926,861	--	--	--
Other revenues	8,962,387	9,313,749	24,014,030	10,336,324	3,330,072
Total Revenues	<u>645,936,997</u>	<u>558,629,862</u>	<u>546,379,141</u>	<u>454,793,193</u>	<u>448,547,999</u>
Expenditures					
Current					
General government	68,629,902	48,356,163	41,557,082	39,293,215	39,778,460
Public safety	126,916,642	106,975,146	100,668,628	97,451,844	95,034,927
Public services	141,760,138	106,077,977	103,473,513	95,438,193	106,397,516
Urban development	34,553,728	30,612,180	26,490,111	30,623,574	26,419,907
Debt Service					
Principal	68,868,789	53,133,143	39,885,183	40,675,086	37,462,146
Interest	39,988,329	33,956,323	32,783,046	34,881,073	34,041,366
Fiscal charges	--	--	--	469	724
Debt issuance costs	885,841	571,639	1,166,670	6,500	514,302
Capital outlay	196,075,912	157,257,470	167,373,664	153,287,127	95,846,575
Intergovernmental assistance	36,557,258	33,899,856	29,961,029	31,198,551	34,137,648
Total Expenditures	<u>714,236,539</u>	<u>570,839,897</u>	<u>543,358,926</u>	<u>522,855,632</u>	<u>469,633,571</u>
Excess of revenues over (under) expenditures	(68,299,542)	(12,210,035)	3,020,215	(68,062,439)	(21,085,572)
Other financing sources (uses)					
Sale of capital assets	3,192,598	1,887,199	--	--	--
Long-term debt issued	131,437,860	87,853,036	159,598,374	16,582,628	80,078,908
Premium on debt issue	16,712,054	16,251,573	--	--	17,514,638
Payment to escrow agent	--	--	(114,349,148)	--	--
Issuance of subscription payable	5,164,271	--	--	--	--
Capital lease payable	877,779	2,013,031	1,978,636	--	--
Transfers in	167,477,258	155,002,389	108,686,564	107,648,922	85,058,749
Transfers (out)	<u>(143,212,662)</u>	<u>(162,692,875)</u>	<u>(113,767,843)</u>	<u>(114,834,843)</u>	<u>(99,295,656)</u>
Total other financing sources (uses)	181,649,158	100,314,353	42,146,583	9,396,707	83,356,639
Net change in fund balances	113,349,616	88,104,318	45,166,798	(58,665,732)	62,271,067
Fund Balance, Beginning	432,525,819	344,421,501	290,018,684	349,137,549	292,982,886
Prior Period Adjustment	--	--	9,236,019 ⁽¹⁾	(453,133)	(6,116,404)
Fund Balance, Ending	<u>\$545,875,435</u>	<u>\$432,525,819</u>	<u>\$344,421,501</u>	<u>\$290,018,684</u>	<u>\$349,137,549</u>

⁽¹⁾ In fiscal year 2021, the City reorganized its financial statements to better aggregate and present fund information. Although bottom line totals did not change, the presentation of fund combination and major fund calculation were altered and fund balances for fiscal year 2020 have been restated.

DEBT MANAGEMENT

General

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 warrants, 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 upon the general credit of the City. General obligation warrants, general and special obligation bonds financing street, sidewalk and sewer improvements and supported (wholly or in part) by assessments therefor, certain revenue anticipation bonds and notes and capitalized lease obligations may be issued or incurred without voter approval.

Existing statutes also permit the City, without the approval of the electorate, to enter into certain financing lease arrangements with county and municipal public building authorities with respect to needed municipal buildings and facilities; such lease arrangements are required to be on a year-to-year basis and may be considered as essentially "off-balance sheet" debt. No such financing lease arrangements on the part of the City are now in effect other than the City's leases with the Authority respecting the Series 2017 Bonds, the Series 2021 Bonds, and the Series 2022 Bonds.

There follows, in the discussion and tables below, various references to the existing City indebtedness. All such references exclude debt for the full retirement of which irrevocable deposits of funds or U.S. Government securities have been made. Included in the material under section entitled "DEBT MANAGEMENT" are several references to the amount of assessed value of property in the City. The amount stated in each case includes and refers to City property in Madison County, Limestone County and Morgan County.

Most of the Limestone County land was agricultural in nature, but in recent years there have been located thereon several industrial projects, including among other the North American plant constructed for the manufacture of vehicles by a joint venture between Toyota Motor Corporation and Mazda Motor Corporation. See APPENDIX A – "CITY OF HUNTSVILLE - CERTAIN DEMOGRAPHIC INFORMATION – Major Economic Activity".

Long-Term General Obligation Indebtedness of the City

The City's long-term indebtedness consists of (1) general obligation warrants and bonds, (2) warrants payable solely from revenues of the sanitary sewer system of the City, (3) warrants payable solely from revenues derived from the water system the ("Water System"), electric system (the "Electric System"), and natural gas system (the "Gas System") of the City operated by Huntsville Utilities, and (4) TIF5 Revenue Warrants.

Indebtedness payable from the City's (i) Water System is issued under a Trust Indenture dated as of May 1, 2008, as supplemented and amended (the "Water System Indenture") between the City and The Bank of New York Mellon Trust Company, N.A. ("BONY"), (ii) Electric System is issued under a Trust Indenture dated July 27, 2017, as supplemented and amended (the "Electric System Indenture") between the City and BONY, and (iii) Gas System is issued under a Trust Indenture dated August 1, 2019 (the "Gas System Indenture") between the City and BONY.

General Obligation Warrants and Authority Bonds. The following table lists the estimated maximum amount of all long-term general obligation warrants of the City, including estimated debt to be issued by the City around the time of issuance of the Series 2025 Bonds (see "Future Borrowings" below) and excluding City debt refinanced thereby, and of long-term limited obligation bonds of the Authority for which the City makes lease payments, following issuance of the proposed Series 2025 Bonds:

Description	Principal Amount Originally Issued	Principal Outstanding (not in excess of)
Series 2017 Bonds ⁽¹⁾	\$46,965,000	\$35,735,000
General Obligation Warrants, Series 2013-B	14,580,000	880,000
General Obligation Warrants, Series 2014-A	54,110,000	28,370,000

Description	Principal Amount Originally Issued	Principal Outstanding (not in excess of)
General Obligation Warrants, Series 2015-A	61,390,000	2,840,000
Taxable General Obligation Warrants, Series 2015-B	8,185,000	6,510,000
General Obligation Warrants, Series 2016-A	35,725,000	28,000,000
General Obligation School Warrants, Series 2016-B	29,890,000	29,315,000
General Obligation Warrants, Series 2016-C	36,030,000	19,075,000
General Obligation School Warrants, Series 2016-D	31,550,000	22,810,000
General Obligation School Warrants, Series 2017-A	17,355,000	13,175,000
General Obligation Warrants, Series 2017-B	8,560,000	3,945,000
Taxable General Obligation Warrants, Series 2017-C	11,045,000	8,000,000
General Obligation Refunding Warrants, Series 2017-D	20,055,000	17,140,000
General Obligation Refunding School Warrants, Series 2017-E	49,195,000	47,575,000
2017 IDB Guaranty Agreement ⁽²⁾	21,000,000	16,436,844
General Obligation Warrants, Series 2018-A	50,590,000	44,415,000
General Obligation Warrants, Series 2018-B	61,985,000	49,645,000
Taxable General Obligation Warrants, Series 2018-C	5,385,000	4,650,000
General Obligation Warrants, Series 2019-A	77,000,000	63,775,000
General Obligation Warrants, Series 2020-A	34,630,000	12,415,000
General Obligation School Warrants, Series 2020-B	13,265,000	7,430,000
Taxable General Obligation Warrants, Series 2020-C	31,210,000	18,030,000
Taxable General Obligation School Warrants, Series 2020-D	27,610,000	22,245,000
General Obligation Warrant, Series 2020-E	15,047,500	11,391,536
General Obligation Warrant, Series 2021	7,000,000	5,695,548
Series 2021 Bonds ⁽³⁾	37,000,000	31,980,000
Series 2022 Bonds ⁽⁴⁾	74,285,000	70,805,500
General Obligation Warrant, Series 2022	16,574,000	15,630,000
General Obligation Warrants, Series 2023-A	66,835,000	64,840,000
General Obligation Warrants, Series 2023-B	26,790,000	25,990,000
General Obligation Sewer Warrants, Series 2023-C	44,605,000	43,275,000
General Obligation School Warrants, Series 2023-D	45,425,000	44,755,000
General Obligation Warrant, Series 2023-E	11,000,000	10,242,000
General Obligation School Warrants, Series 2024-A	75,840,000	75,840,000
Taxable General Obligation School Warrants, Series 2024-B	16,000,000	16,000,000
Anticipated Series 2025-A Warrants	27,165,000*	27,165,000*
Anticipated Series 2025-B Warrants	57,040,000*	57,040,000*
Series 2025 Bonds ⁽⁵⁾	6,160,000*	6,160,000*
Total	<u>\$1,274,076,500*</u>	<u>\$1,009,220,928*</u>

* Preliminary; subject to change.

⁽¹⁾ Represents principal of the Series 2017 Bonds, which are revenue bond obligations issued by the Authority paid by lease payments made by the City for use of a municipal public safety and corrections facility in the City.

⁽²⁾ On December 1, 2017, The Industrial Development Board of the City of Huntsville (the "IDB") issued its \$21,000,000 Industrial Revenue Bond, Series 2017 (the "2017 IDB Bond") to pay the costs of constructing a manufacturing facility to be owned by the IDB. The initial tenant of the facility is Aerojet Rocketdyne, Inc. ("AR"). Under a lease agreement between the IDB and AR (the "2017 IDB Lease"), AR agreed to make certain lease payments to the IDB including, among others, payments at such times and in such amounts as shall be equal maturing installments of debt service on the 2017 IDB Bond. The 2017 IDB Bond was sold in a private placement to Regions Bank. The City has entered a guaranty agreement to Regions Bank pursuant to which the City has agreed to pay Regions Bank whatever is owed as debt service on the Series 2017 Bond in the event the IDB lacks funds from the 2017 IDB Lease for the same. The 2017 IDB Bond bears interest at a per annum rate of 4.61% and matures over a period of 21 years.

⁽³⁾ Represents principal of the Series 2021 Bonds, which are revenue bond obligations issued by the Authority paid by lease payments made by the City for use of a public amphitheater in the City.

⁽⁴⁾ Represents principal of the Series 2022 Bonds, which are revenue bond obligations issued by the Authority paid by lease payments made by the City for use of a city hall and related administrative and parking facilities in the City.

⁽⁵⁾ The City intends to issue, around the time the Series 2025 Bonds are issued, two series of general obligation warrants hereinafter defined as the "Anticipated Series 2025 Warrants" to finance the costs of certain capital improvements to the Von Braun Center and to refinance certain indebtedness of the City. The amounts shown represent the preliminary principal amount of the Anticipated Series 2025 Warrants.

Sewer Revenue Warrants. The City has issued warrants payable to the Alabama Water Pollution Control Authority to finance improvements to the City's sanitary sewer system (the "Sewer System"). The City has the following outstanding indebtedness payable to Alabama Water Pollution Control Authority as of February 1, 2025, all of which are payable solely out of the revenues derived from the operation of the Sewer System.

Sewer Revenue Warrant Description	Principal Outstanding
Sewer Revenue Warrant, Series 2011-CWSRF-DL	\$1,005,000

Warrants Payable from Water, Electric and Natural Gas System Revenues. The following tables list all outstanding bonds and warrants as of February 1, 2025, of the City payable solely out of revenues from the Water System, Electric System and Gas System of the City, each of which is operated by Huntsville Utilities:

Obligations Payable from Water System Revenues	Principal Outstanding
Water Revenue Warrants, Series 2024	\$14,335,000
Taxable Water Revenue Warrants, Series 2021-B	66,715,000
Water Revenue Warrants, Series 2021-A	4,185,000
Water Revenue Warrants, Series 2016	6,020,000
Subordinated Water Revenue Warrant, Series 2013-DWSRF-DL	90,000
Subordinated Water Revenue Warrant, Series 2021-DWSRF-DL	9,300,000
Subordinated Water Revenue Warrant, Series 2021-B-DWSRF-DL	13,770,000
Subordinated Water Revenue Warrant, Series 2023-DWSRF-DL	5,400,000
Subordinated Water Revenue Warrant, Series 2024-DWSRF-DL	6,810,000

Obligations Payable from Electric System Revenues	Principal Outstanding
Electric Revenue Warrants, Series 2024	\$57,680,000
Electric Revenue Warrants, Series 2017-B	11,090,000
Electric Revenue Warrants, Series 2017-A	47,425,000

Obligations Payable from Natural Gas System Revenues	Principal Outstanding
Gas System Revenue Warrant, Series 2019-A	2,266,808

TIF Revenue Warrants. In connection with the obligations of the City under an Annexation and Development Agreement dated March 25, 2010, as amended (the "Annexation and Development Agreement") between the City and L W Redstone Company, LLC ("L W Redstone"), the City has issued to L W Redstone fourteen (14) series of taxable limited obligation revenue warrants in the aggregate initial principal amount of \$76,000,000 (the "TIF5 Revenue Warrants") payable solely out of tax increment revenues generated in connection with TIF5, hereinafter described, in order to pay the costs of various public infrastructure improvements referable to the project described in the Annexation and Development Agreement. TIF5 Revenue Warrants are payable solely out of TIF revenues generated within TIF5, and in that regard do not constitute an indebtedness of the City for purposes of the City's constitutional debt limit. Under the Annexation and Development Agreement, the City had the right to issue up to \$76,000,000 of TIF5 Revenue Warrants; therefore, the City has no obligation to issue any additional TIF5 Revenue Warrants under the Annexation and Development Agreement.

TIF5 Revenue Warrants are deemed satisfied and paid in full at maturity to the extent not covered by tax increment revenues generated within the boundary of TIF5 during the term of such obligations.

As permitted under the Annexation and Development Agreement, certain of these TIF5 Revenue Warrants heretofore issued have been subsequently refinanced with general obligation warrants of the City (and, as permitted by the Annexation and Development Agreement, the City covers debt service on such general obligation warrants with TIF revenues collected within TIF5).

Future Borrowings. Pursuant to its ten-year Capital Improvement Plan and other initiatives, the City currently anticipates borrowing approximately \$150.0 million for City capital improvements over the next 24 months. The City also expects to borrow approximately \$250.0 million for public school capital improvements over the next 24 months.

The City may from time to time borrow additional money in connection with various City projects, at the request of the Huntsville School System based on its administration of the School Tax, or as needs for which may otherwise arise and be merited in the discretion of the City.

Around the time of issuance of the Series 2025 Bonds it is expected that the City will issue two series of general obligation warrants, one such series to be described as General Obligation Warrants, Series 2025-A (the "Anticipated Series 2025-A Warrants"), which the City estimates will be issued in the principal amount of \$27,165,000 to pay the costs of various public capital improvements to the Von Braun Center owned and operated by the City, and the other such series to be described as General Obligation Refunding Warrants, Series 2025-B (the "Anticipated Series 2025-B Warrants" and, together with the Anticipated Series 2025-A Warrants, the "Anticipated Series 2025 Warrants"), which the City estimates will be issued in the principal amount of \$57,040,000 to refinance certain outstanding indebtedness of the City.

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

Legal Debt Margin

The City's constitutional debt limit is an amount equal to twenty percent (20%) of the assessed value of the property therein. However, the following, among other types of indebtedness, are under existing general law not chargeable to the City's constitutional debt limit: obligations issued for the purpose of acquiring, providing or constructing schools, waterworks 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 lease obligations; and 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. Further, by virtue of certain constitutional provision respecting economic development, including, without limitation, Amendment 772 to the Constitution of Alabama of 1901, as amended, certain debt issued for industrial and economic development purposes are also not chargeable to the generally applicable 20% debt limit. The City does not have any such obligations outstanding.

The following sets forth the City's estimated constitutional debt margin following issuance of the Series 2025 Bonds:

Assessed value (real and personal property) ⁽¹⁾	\$5,921,706,000
Debt limit (20% of assessed value)	1,184,341,200
Maximum principal amount outstanding of direct outstanding debt ⁽²⁾	1,009,220,928
Less those portions not chargeable to debt limit:	
Lease revenue bonds of the PBA ⁽³⁾	144,680,000
Series 2018-A Warrants ⁽⁴⁾	44,415,000
Sewer and school purpose direct debt:	
General obligation sewer warrants	59,481,858
Warrants issued for school purposes	193,465,000
Total debt not chargeable to debt limit	<u>573,339,070</u>
Maximum amount of debt chargeable to debt limit	435,881,858
Estimated constitutional debt margin (not less than)	<u>\$748,459,342</u>

⁽¹⁾ The total reported by the Madison County Tax Assessor on the abstract for the city district tax, which is the basis for collection of the 6.5 mill general fund and 6.5 mill special revenue fund tax, along with the total reported by the Limestone County Tax Assessor and the Morgan County Tax Assessor. The most recent assessment date pertinent to this calculation is October 1, 2022.

⁽²⁾ See the chart under "General Obligation Warrants and Authority Bonds" in the section entitled "Long-Term General Obligation Indebtedness of the City" above. All other long-term indebtedness of the City, consisting of (i) warrants payable solely from Sewer System revenues, (ii) warrants payable from the water, electric or natural gas systems of the City operated by Huntsville Utilities, and (iii) TIF Revenue Warrants payable solely from TIF revenues are exempt from the constitutional debt limit and are not included in this figure.

⁽³⁾ The Series 2017 Bonds, the Series 2021 Bonds, the Series 2022 Bonds, and the proposed Series 2025 Bonds.

⁽⁴⁾ The Series 2018-A Warrants were issued under and in accordance with Amendment 919 to the Constitution of Alabama of 1901, under which the said warrants are exempt from the City's constitutional debt limit.

Direct and Overlapping Tax-Supported Debt

The following schedule reflects the estimated maximum amount of direct and overlapping tax-supported debt of the City following issuance of the Series 2025 Bonds:

	Net Direct Debt Outstanding	Percent of Debt Applicable to the City	City's Share of Debt
Direct Debt			
General Obligation Warrants & PBA bonds	\$1,009,220,928*	100%	\$1,009,220,928*
Overlapping Debt			
Madison County, general obligation debt	\$37,325,392 ⁽¹⁾	56.91% ⁽¹⁾	\$21,241,881
Limestone County, general obligation debt	\$6,345,000 ⁽²⁾	5.49% ⁽²⁾	\$348,341
Morgan County, general obligation debt	\$17,700,000 ⁽³⁾	0.00% ⁽³⁾	\$0.00
Total			\$1,030,811,150

* Includes outstanding principal of general obligation warrants of the City, as well as outstanding principal referable to the Series 2017 Bonds (assuming renewal of the leases by the City related thereto through final maturity of the said bonds), the Series 2021 Bonds (assuming renewal of the leases by the City related thereto through final maturity of the said bonds), the Series 2022 Bonds (assuming renewal of the leases by the City related thereto through final maturity of the said bonds), and the Series 2025 Bonds (assuming renewal of the leases by the City related thereto through final maturity of the said bonds). All other long-term indebtedness of the City, consisting of (i) warrants payable solely from the Sewer System, (ii) warrants payable from the water, electric and natural gas systems of the City operated by Huntsville Utilities, and (iii) TIF Revenue Warrants.

⁽¹⁾ Outstanding debt as presented in audited financial statements of Madison County for the fiscal year ended September 30, 2023. The Madison County percentage reflects the ratio of the population estimated by the City as of July 1, 2024 as residing in the City and living in Madison County (234,821) and the estimated total population of Madison County estimated for 2023 (412,600).

⁽²⁾ Outstanding debt as presented in audited financial statements of Limestone County for the fiscal year ended September 30, 2023. The Limestone County percentage reflects the ratio of the population estimated by the City as of July 1, 2024 as residing in the City and living in Limestone County (6,293) and the total population of Limestone County estimated for July 1, 2023 (114,654).

⁽³⁾ Outstanding debt as presented in audited financial statements of Morgan County for the fiscal year ended September 30, 2022. The Morgan County percentage reflects the ratio of the population estimated by the City as of July 1, 2024 as residing in the City and living in Morgan County (0) and the total population of Morgan County estimated for July 1, 2023 (125,133).

The following schedule shows the percentage of maximum direct and overlapping tax-supported debt to assessed value per capita in the City following issuance of the Series 2025 Bonds:

Direct general obligation debt	\$1,009,220,928
Overlapping	\$21,590,222
Total (direct and overlapping debt)	\$1,030,811,150
Assessed value of property in City	\$5,921,706,000
Ratio of direct debt to City's assessed value	17.04%
Ratio of direct and overlapping debt to City's assessed value	17.41%
Population of City (estimated as of October 2024)	227,571
Per capita direct debt	\$4,435
Per capita direct and overlapping debt	\$4,529

**SCHEDULED GENERAL OBLIGATION DEBT SERVICE
REQUIREMENTS OF THE CITY**

**Annual Debt Service Requirements for all General Obligation Warrants
of the City and Bonds of the Authority**

The following table reflects the estimated annual debt service requirements on a fiscal year basis respecting all general obligation warrants of the City and all Authority bonds payable through lease payments by the City, estimated debt service on the Anticipated Series 2025 Warrants, and estimated debt service respecting the proposed Series 2025 Bonds:

Fiscal Year	Existing Fixed Rate Debt⁽¹⁾	Anticipated Series 2025 Warrants*	Series 2025 Bonds⁽²⁾	Total Debt Service*
2025	\$96,758,885	\$1,801,051	\$125,767	\$ 98,685,703
2026	92,407,723	9,465,500	415,250	102,288,473
2027	88,004,364	9,464,125	414,625	97,883,114
2028	90,523,206	9,453,875	418,625	100,395,706
2029	86,866,362	8,167,000	417,250	95,450,612
2030	81,477,330	9,500,000	415,625	91,392,955
2031	78,825,469	9,504,000	413,750	88,743,219
2032	75,566,812	9,505,625	416,500	85,488,937
2033	78,120,444	9,504,125	413,875	88,038,444
2034	70,658,535	9,489,000	415,875	80,563,410
2035	64,634,327	7,778,125	417,375	72,829,827
2036	63,981,742	3,424,000	418,375	67,824,117
2037	56,413,315	3,424,750	414,000	60,252,065
2038	46,559,121	2,146,625	414,250	49,119,996
2039	36,144,023	2,150,875	414,000	38,708,898
2040	29,999,772	2,151,125	418,125	32,569,022
2041	29,998,492	2,147,375	416,625	32,562,492
2042	27,549,434	2,149,375	414,625	30,113,434
2043	27,542,901	2,146,875	417,000	30,106,776
2044	16,613,752	2,149,625	413,750	19,177,127
2045	16,614,563	2,147,375	414,875	19,176,813
2046	7,703,375	--	415,250	8,118,625
2047	7,698,250	--	414,875	8,113,125
2048	7,698,875	--	418,625	8,117,500
2049	7,704,250	--	416,500	8,120,750
2050	7,703,625	--	413,625	8,117,250
2051	7,701,375	--	414,875	8,116,250
2052	7,696,750	--	415,125	8,111,875
2053	2,921,250	--	--	2,921,250

* Preliminary; subject to change.

⁽¹⁾ Includes: the Series 2013-B Warrants, the Series 2014-A Warrants, the Series 2015-A Warrants, the Series 2015-B Warrants, the Series 2016-A Warrants, the Series 2016-B Warrants, the Series 2016-C Warrants, the Series 2016-D Warrants, the Series 2017-A Warrants, Series 2017-B Warrants, the Series 2017-C Warrants, the Series 2017-D Warrants, the Series 2017-E Warrants, the Series 2018-A Warrants, the Series 2018-B Warrants, the Series 2018-C Warrants, the Series 2019-A Warrants, the Series 2020-A Warrants, the Series 2020-B Warrants, the Series 2020-C Warrants, the Series 2020-D Warrants, the Series 2020-E Warrant, the Series 2021 Warrant, the Series 2022 Warrant, the Series 2023-A Warrants, the Series 2023-B Warrants, the Series 2023-C Warrants, the Series 2023-D Warrants, the Series 2023-E Warrant, the Series 2024-A Warrants, and the Series 2024-B Warrants. Also includes annual debt service (assuming renewal of the lease related thereto through final scheduled maturity of the Series 2017 Bonds) on the Series 2017 Bonds, annual debt service (assuming renewal of the lease related thereto through final scheduled maturity of the Series 2021 Bonds) on the Series 2021 Bonds, and annual debt service (assuming renewal of the lease related thereto through final scheduled maturity of the Series 2022 Bonds) on the Series 2022 Bonds. Does not include the 2017 IDB Bond, payment of which is guaranteed by the City.

⁽²⁾ Consists of annual debt service (assuming renewal of the lease related thereto) through final scheduled maturity of the Series 2025 Bonds.

AD VALOREM TAXES

General

The levy and collection of ad valorem taxes in Alabama are 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. Recent constitutional changes and statutory enactments, summarized below, have caused significant changes in Alabama's ad valorem tax structure.

Classification of Taxable Property

For purposes of ad valorem taxation, all taxable property in Alabama is required under current law to be divided into the following four classes:

Class I	-	All property of utilities used in their business*
Class II	-	All property not otherwise classified*
Class III	-	All agricultural, forest and single family, owner-occupied residential property, and historic buildings and sites
Class IV	-	Private passenger automobiles and pickup trucks

*Under applicable law, railroad property is not considered Class I (utility) property and is instead Class II.

Taxable property designated as "Class III" may, upon the request of the owner of such property, be appraised at its "current use value" rather than its "fair and reasonable market value". "Current use value" was originally defined in a legislative act as the value of such property based on the use being made of it on October 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." Amendatory legislation, effective since the beginning of the 1981-82 tax year, extensively revised the formulas and methods to be used in computing the current use property value of agricultural and forest property. However, the original statutory definition, though somewhat modified, remains applicable to residential and historical property. There are exempted from all ad valorem taxes household and kitchen furniture, farm tractors, farming implements when used exclusively in connection with agricultural property, and inventories of goods, wares and merchandise.

Assessment Ratios

The following are the assessment ratios now in effect in the City for purposes of state and local taxation:

Class	I	-	30%
Class	II	-	20
Class	III	-	10
Class	IV	-	15

Although current law provides in effect that with respect to ad valorem taxes levied by the City, the governing body of the City may, subject to the approval of the Legislature and of a majority of the electorate of the City at a special election, and in accordance with criteria established by legislative act, adjust (by increasing or decreasing) the ratio of assessed value of any class of taxable property to its fair and reasonable market value or its current use value (as the case may be), the governing body of the City has not heretofore sought to make any adjustment of the assessment ratio applicable to any class of taxable property in the City and has no present plans for any such adjustment. The Legislature has no power over the adjustment of assessment ratios pertaining to local taxes except to approve or disapprove an adjustment proposed by a local taxing authority. The assessment ratio applicable to each class of taxable property must in any event be uniform with respect to ad valorem taxes levied by the City.

Current Ad Valorem Tax Rates

Existing law provides that the rate of any ad valorem tax levied by the City may be increased only after the approval of the Alabama Legislature and of a majority of the electorate of the City at a special election. A general constitutional limitation on the total ad valorem taxes (*i.e.*, state, county, municipal, school district, etc.) on any property in any one year to certain percentages of the fair and reasonable market value of such property is by its terms not applicable to property in the City.

The City is located within each of Limestone County, Alabama ("Limestone County"), Madison County, Alabama ("Madison County"), and Morgan County, Alabama ("Morgan County"). Ad valorem taxes on property in the City within each of the aforesaid three counties are currently levied (*i.e.*, for the tax year ending September 30, 2022) as follows:

Limestone County

Levying Entity	Rates in Mills (Dollars per \$1,000 of Assessed Value)
State of Alabama	6.5
Limestone County:	
General	7.0
Road and Bridge/Public Building	3.5
Hospital	3.0
County-wide School	5.5
City of Huntsville:	
General	6.5
Amendment 8 Capital Projects Tax	6.5
School Tax	<u>22.0</u>
Total Mills	59.5

Source: Alabama Department of Revenue

Madison County

Levying Entity	Rates in Mills (Dollars per \$1,000 of Assessed Value)
State of Alabama	6.5
Madison County:	
General	7.0
Road and Bridge	4.0
County-wide School	5.5
District School	15.5
City of Huntsville:	
General	6.5
Amendment 8 Capital Projects Tax	6.5
School Tax	<u>6.5</u>
Total Mills	58.0

Source: Alabama Department of Revenue

Morgan County

Levying Entity	Rates in Mills (Dollars per \$1,000 of Assessed Value)
State of Alabama	6.5
Morgan County:	
General	7.2
Road and Bridge	3.6
Fire Protection	3.0
County-wide School	5.8
City of Huntsville:	
General	6.5
Amendment 8 Capital Projects Tax	6.5
School Tax	<u>10.7</u>
Total Mills	49.8

Source: Alabama Department of Revenue

Homestead Exemption

The governing body of the City is authorized by law to grant a homestead exemption of not exceeding \$4,000 in assessed value against any City ad valorem tax except one "earmarked for public school purposes." The City Council has not heretofore granted any such homestead exemption against any of the ad valorem taxes currently levied by the City.

Property Tax Litigation

The validity of the levy, assessment and collection of ad valorem taxes in Alabama have been from time to time the subject of significant litigation in both state and federal courts, which has on occasion resulted in substantial changes in Alabama's property tax system affecting ad valorem tax receipts of the various taxing authorities (including the City). However, no such litigation is, to the City's knowledge, presently pending. The City has not been a party to any such litigation that relates solely to ad valorem taxes levied by the City.

Assessment and Collection

Ad valorem taxes on taxable properties are assessed by the relevant county tax assessor or other county official, and collected by the relevant county tax collector or other county official. Ad valorem taxes on public utility properties are assessed by the State Department of Revenue and collected by the relevant county tax collector.

Ad valorem taxes are due and payable on October 1 and delinquent after December 31 in each year (except for taxes with respect to motor vehicles, which have varying due dates), after which a penalty and interest are required to be charged. If real property taxes are not paid by the March 1 following the due date, a tax sale is required to be held.

Property Re-Evaluation Program

Under existing procedures of the State Department of Revenue, each county in the State is effectively required to carry out a property reappraisal program at least once every five years. The Department of Revenue also annually reviews the appraised values and the fair market values of a representative sample of taxable property in each county in the State. A county property reappraisal program is customarily ordered by the Department of Revenue if such annual review indicates that the appraised value of property in such county has fallen below 85% of its then current fair market value.

The current level of property tax collection is dependent on many factors, including possible taxpayer appeals from increased property assessments. There can be no assurance that the current level of property tax collection will continue.

Assessed Valuations

The City is located mainly within Madison County, but smaller portions of the City exist in Limestone County and Morgan County. Historically, the City presented its assessed values based solely from those portions of the City located in Madison County because the vast majority of the City and its citizens are located in Madison County. However, over the past several years the City experienced substantial industrial and commercial growth and development within Limestone County, and the City has determined to include those portions of the City located within Limestone County and Morgan County, commencing with the 2021 tax year (for which assessments were made as of October 1, 2020), when presenting information regarding City assessed values in this Official Statement.

Madison County. The following table shows the estimated assessed values, by category, of properties within the corporate limits of the City located within Madison County as of the indicated assessment dates (*i.e.*, for the tax year commencing as of the date indicated):

Real and Personal Property Assessed Values (in thousands)*

Assessment Date October 1	Residential/ Corporate	Public Utilities	Motor Vehicles	Exemptions	Total
2023	\$6,349,787	\$17,471	\$497,561	(\$1,328,483)	\$5,536,336
2022	5,728,469	14,764	455,661	(1,136,089)	5,062,805
2021	4,676,897	19,541	393,791	(736,109)	4,354,120
2020	4,015,281	16,919	350,461	(578,597)	3,804,064
2019	3,631,402	17,621	318,648	(385,376)	3,582,295

Limestone County. The following table shows the estimated assessed values, by category, of properties within the corporate limits of the City located within Limestone County as of the indicated assessment dates (*i.e.*, for the tax year commencing as of the date indicated):

Real and Personal Property Assessed Values (in thousands)*

Assessment Date October 1	Residential/ Corporate	Public Utilities	Motor Vehicles	Exemptions	Total
2023	\$905,636	\$278	\$18,928	(\$539,752)	\$385,090
2022	952,240	280	17,371	(655,292)	314,599
2021	736,404	280	13,567	(544,491)	205,760
2020	532,687	274	10,436	(377,511)	165,886
2019	199,543	243	8,732	(57,406)	150,752

Morgan County. The following table shows the estimated assessed values, by category, of properties within the corporate limits of the City located within Morgan County as of the indicated assessment dates (*i.e.*, for the tax year commencing as of the date indicated):

Real and Personal Property Assessed Values (in thousands)*

Assessment Date October 1	Residential/ Corporate	Public Utilities	Motor Vehicles	Exemptions	Total
2023	\$340	\$0.00	N/A	(\$60)	\$280
2022	328	0.00	N/A	(55)	273
2021	306	0.00	N/A	(50)	256
2020	256	0.00	N/A	(0.00)	256
2019	257	0.00	N/A	(0.00)	257

PENSION AND OTHER POST-EMPLOYMENT BENEFITS

Defined Benefit Pension Plan

The City participates in the Employees' Retirement System of Alabama (the "State System") which is operated by the State of Alabama. Contributions are made by employees and the City to the State System. Membership is compulsory for all employees of the City and the State System acts only in an administrative capacity with respect to the City plan. The information given below respecting the participation of the City in the State System relates only to the administration of the local plan by the State System and should not be interpreted as indicating that the State System is in any way responsible for the funding of any benefits payable to employees of the City.

In general, employees of the City participating in the State System are entitled to the same benefits provided for State employees as though those local employees were State employees having comparable years of covered service. Upon such election, the State System administers the local plan and the rates of contributions to be made by the City are determined by the actuary for the State System. The cost of providing benefits is borne by the City and no part of such cost is paid by the State System.

Employees of Huntsville Utilities are subject to separate contribution rates established by the Water, Electric and Natural Gas Boards, respectively, and the Employees' Retirement System. Funding for such retirement plans is derived from revenues of Huntsville Utilities and not from general funds of the City.

See Note #12 - "Pension Plans" to the audited financial statements of the City attached as APPENDIX G hereto for more information about the City's participation in the State System and the City's pension plans, pension liability and related information.

Retirement plans for teachers in the City's school system are funded by the State Teachers' Retirement System (the "Teachers' System"), maintained by the State of Alabama. Because the State of Alabama has assumed responsibility for providing retirement plans for public school teachers, the City historically has had no direct responsibility in this area.

Unlike the Teachers' System, the State System does not undertake to fund the retirement plans of participating local governments and acts only in an administrative capacity, and then only upon the election of local governments. The statute permitting such election provides that the "retirement system shall not be liable for the payment of any pensions or other benefits on account of the employees or pensioners of any employers under this section, for which reserves have not been previously created from funds contributed by such employer or its employees for such benefits." The statute further provides that the agreement of the City to contribute to the Employees' System on account of its employees is irrevocable, but should it become financially unable to make the normal and accrued liability contribution, the City would be deemed to be in default under the State System.

Other Post-Employment Benefits

The City provides certain post-retirement health insurance benefits (the "OPEB Plan") to qualifying retired employees (generally, those employees age 55 or older with 25 years of consecutive service or those employees with 30 consecutive years of service, regardless of age).

See Note #13 "Other Post-Employment Benefits (OPEB)" to the audited financial statements of the City attached as APPENDIX G hereto for more information about the OPEB Plan.

LITIGATION AND OTHER MATTERS

The City is a defendant in various lawsuits, and there are various other claims pending or threatened against the City with respect to which lawsuits may be filed, including several under Section 1983 of Title 42 of the United States Code. The City does not, on account of availability, costs and coverages offered, carry any general or professional liability insurance (though the City does carry general liability insurance for public transit vehicles and drivers). Except as stated in the last paragraph under this heading, in the opinion of the City Attorney, the maximum probable liability of the City with respect to all the lawsuits and claims that are pending or threatened against the City, taken together, will not have a material adverse effect on the financial condition of the City.

Court decisions have substantially eroded the immunity from tort liability formerly enjoyed by local governmental units in Alabama. However, Chapter 93 of Title 11 of the Code of Alabama 1975, as amended, now prescribes certain maximum limits on the liability of local governmental units (such as the City) for bodily injury, sickness, disease or death sustained by a person and for injury or destruction of tangible property. These limits are presently \$100,000 in the case of bodily injury or death of one person in any single occurrence, \$300,000 in aggregate where more than two persons have claims or judgments on account of bodily injury or death arising out of any single occurrence, and \$100,000 in the case of property damage arising out of a single occurrence. Applicable decisions of the Supreme Court of Alabama have upheld the constitutionality of Chapter 93 (although indicating that there is no statutory "aggregate limit" with respect to property damage arising out of a single occurrence comparable to that specified for personal injury or death claims) and have limited the applicability of Chapter 93 to causes of action arising after its effective date, May 23, 1977. While the matter may not be free from doubt, it should be assumed that the liability limitations of Chapter 93 are not applicable to causes of action under Section 1983 of Title 42 of the United States Code.

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APPENDIX D
PROPOSED FORM OF APPROVAL OPINION OF BOND COUNSEL TO THE AUTHORITY

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APPENDIX D
PROPOSED FORM OF APPROVAL OPINION OF BOND COUNSEL TO THE AUTHORITY

We have examined certified copies of proceedings and other documents showing the organization under the laws of Alabama of **THE PUBLIC BUILDING AUTHORITY OF THE CITY OF HUNTSVILLE** (herein sometimes called the "Authority"), together with certified copies of proceedings of the Authority and other documents submitted to us pertaining to the issuance and validity of

§ _____
THE PUBLIC BUILDING AUTHORITY
OF THE CITY OF HUNTSVILLE
Lease Revenue Bonds
Series 2025

(herein called the "Series 2025 Bonds"). We have not examined the title of the Authority to the real property hereinafter referred to, but we have, for purposes of this opinion, assumed that the Authority has good and marketable title to said real property subject only to Permitted Encumbrances (as defined in the Indenture hereinafter referred to and herein called "Permitted Encumbrances"). The statements hereinafter made and the opinions hereinafter expressed are based upon our examination of said proceedings, documents and said assumption of title.

The documents submitted to us show as follows:

(a) that the Authority has heretofore issued its \$74,285,000 initial principal amount Lease Revenue Bonds, Series 2022, dated March 3, 2022 (herein called the "Series 2022 Bonds") under and pursuant to that certain Mortgage Indenture and Deed of Trust dated March 3, 2022 (herein called the "Base Indenture"), between the Authority and Regions Bank, as trustee (herein called the "Trustee"); and

(b) that the Series 2025 Bonds have been issued as Additional Parity Bonds under and pursuant to the Base Indenture, as supplemented and amended by a First Supplemental Mortgage Indenture and Deed of Trust dated the date of the Series 2025 Bonds (herein called the "First Supplemental Indenture" and, together with the Base Indenture, the "Indenture"), between the Authority and the Trustee; and

(c) that the Authority and the City of Huntsville (herein called the "City") have entered into a Lease Agreement dated March 3, 2022 (herein called the "Base Lease"), as supplemented and amended by a First Supplemental Lease dated the date of the Series 2025 Bonds (herein called the "First Supplemental Lease" and, together with the Base Lease, herein called the "Lease"), wherein the Authority has leased to the City certain real property (herein called the "Real Property") and the city hall facility, parking facility, and related improvements and facilities to be located thereon (herein called the "Facility" and, together with the Real Property, the "Leased Property"); and

(d) that the Lease provides for the lease of the Leased Property by the City for a current term ending September 30, 2025, and further provides for the renewal of the Lease thereafter, at the sole option of the City, for the successive annual terms coinciding with the fiscal year of the City (such fiscal year being a period of twelve consecutive months beginning on each October 1 and continuing until the next succeeding September 30 and being herein called a "Fiscal Year") until and including the Fiscal Year (or part thereof) during which the Series 2022 Bonds and the Series 2025 Bonds shall be paid in full; and

(e) that the Lease provides that, during each Fiscal Year for which it shall be in effect, the City will pay to the Authority certain amounts, including such amount as shall equal debt service on the Series 2022 Bonds and the Series 2025 Bonds coming due in such Fiscal Year, all such payments by the City for each Fiscal Year to be made solely from current revenues of the City for the same Fiscal Year; and

(f) that in the Indenture the Authority has reserved the right to issue Additional Bonds (herein called the "Additional Parity Bonds"), without express limit as to principal amount, on a parity with the Series 2022

Bonds and the Series 2025 Bonds as respects the security afforded by the Indenture, but only upon compliance with the applicable conditions specified in the Indenture.

We are of the following opinion:

(1) that the Authority has been duly organized as and is a validly existing public corporation pursuant to and under the laws of Alabama and has corporate power to issue the Series 2025 Bonds, to execute and deliver the Lease and the Indenture and to perform the agreements on its part contained in each of said instruments;

(2) that the Series 2025 Bonds have been duly authorized, sold, executed, authenticated and issued in the manner provided by the applicable provisions of the constitution and laws of Alabama, are in due and legal form and evidence valid and binding limited obligations of the Authority payable, as to principal, interest and premium (if any), solely out of revenues to be derived by the Authority from the Leased Property, as it may at any time exist;

(3) that the Indenture and the Lease have been duly authorized by the Authority and constitute valid and binding obligations of the Authority;

(4) that payment of the principal of and the interest (and premium, if any) on the Series 2025 Bonds is secured, pro rata and without preference or priority of one over another or of any of the Series 2025 Bonds over any of the Series 2022 Bonds or any Additional Parity Bonds hereafter issued, by the lien of the Indenture and by a valid pledge of payments of Basic Rent, as defined in the Lease, which the Lease requires the City to pay directly to the Trustee for the benefit of the Series 2022 Bonds, the Series 2025 Bonds and any Additional Parity Bonds hereafter issued;

(5) that the aforesaid pledge for the benefit of the Series 2025 Bonds is a valid pledge of said revenues;

(6) that the Lease has been duly authorized, executed and delivered on behalf of the City;

(7) that for each Fiscal Year in which it shall be renewed by the City, the Lease will constitute a valid, binding and enforceable agreement of the City, except to the extent that the enforceability thereof may be limited by bankruptcy, insolvency, reorganization and other similar laws affecting creditors' rights generally; and

(8) that the interest on the Series 2025 Bonds is, under existing statutes, exempt from Alabama income taxation.

We are further of the opinion that, under the Internal Revenue Code of 1986, as amended (herein called the "Code"), as presently construed and administered, and assuming compliance by each of the Authority and the City with its covenants pertaining to certain requirements of federal tax law that are set forth in the proceedings authorizing the issuance of the Series 2025 Bonds and in the tax compliance agreement and certificate executed by the Authority and the City in connection with the Series 2025 Bonds, the interest on the Series 2025 Bonds will be excludable from gross income of the recipients thereof for federal income tax purposes pursuant to the provisions of Section 103(a) of the Code, and the interest on the Series 2025 Bonds will not be an item of tax preference included in alternative minimum taxable income for the purpose of computing the minimum tax imposed by Section 55 of the Code. We express no opinion with respect to the federal tax consequences to the recipients of the interest on the Series 2025 Bonds under any provision of the Code not referred to above.

The Indenture provides that in the event the Authority should default in any of the provisions thereof in the manner and for the time therein provided, the Trustee may declare all the bonds secured thereby and then outstanding thereunder forthwith due and payable, and the Trustee shall be entitled to exercise the rights specified in the Indenture. The mortgage lien of the Indenture, however, is not foreclosable, and the remedies available to the Trustee and the holders of the bonds issued under the Indenture will not include foreclosure or sale of the Leased Property or any part thereof.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Series 2025 Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

The rights of the holders of the Series 2025 Bonds and the enforceability thereof and of the Indenture and the Lease may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and the exercise of judicial discretion in appropriate cases.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Series 2025 Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Series 2025 Bonds other than as expressly set forth herein.

The rights of the holders of the Series 2025 Bonds and the enforceability thereof and of the Indenture and the Lease may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and the exercise of judicial discretion in appropriate cases.

This opinion is given as of the date hereof and we assume no obligation to or update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Yours very truly,

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APPENDIX E
SUMMARY OF CONTINUING DISCLOSURE AGREEMENT

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APPENDIX E
SUMMARY OF CONTINUING DISCLOSURE AGREEMENT

General. The following is a summary of the Continuing Disclosure Agreement (the "Agreement") entered into by the City for the benefit of the holders of the Series 2025 Bonds, in order to assist the Underwriter in complying with the provisions of Rule 15c2-12 (the "Rule"), promulgated by the Securities and Exchange Commission of the United States of America (the "Commission") pursuant to the Securities Exchange Act of 1934. Except where otherwise defined in this Appendix, all capitalized terms have the meaning assigned in the front portion of this Official Statement.

Annual Report of the City. The City agrees, in accordance with the provisions of the Rule, to provide or cause to be provided through EMMA (or such other system as may be subsequently authorized by the MSRB), not later than 270 days after the close of each fiscal year of the City (October 1 – September 30), commencing with the fiscal year ending September 30, 2025, a report (the "City's Annual Report") containing:

(i) the audited general purpose financial statements of the City, prepared in accordance with accounting principles generally accepted in the United States of America, and the notes thereto, and

(ii) if not otherwise contained in the Annual Report, the following information for the fiscal year being reported:

(a) receipts of (i) the 6.5 mill general purpose ad valorem tax levied by the City, (ii) TVA Payments in Lieu of Property Taxes and (iii) Huntsville Utilities Electric Payments in Lieu of Property Taxes, in format substantially similar to the table shown under the heading "SOURCES OF REVENUES – Property Taxes and Payments in Lieu of Taxes" in APPENDIX C;

(b) collections of sales and use taxes levied by the City, in format substantially similar to the table shown under the heading "SOURCES OF REVENUES – Sales Taxes and License Fees – Sales and Use Taxes" in APPENDIX C;

(c) collections of privilege license taxes levied by the City, in format substantially similar to the table shown under the heading "SOURCES OF REVENUES – Sales Taxes and License Fees – Licenses and Permits" in APPENDIX C; and

(d) to the extent available from applicable taxing authorities, the assessed value of real property in the City, or, to the extent actual assessed values are not available, estimated assessed values of such real property, in format substantially similar (with respect to such real property) to the tables shown under the heading "AD VALOREM TAXES – Assessed Valuations" in APPENDIX C.

The City reserves the right to modify from time to time the specific types of information provided or the format of the presentation of the City's Annual Report, to the extent necessary or appropriate in the judgment of the City; provided, that the City agrees that any such modification will be done in a manner consistent with the Rule.

Notice of Certain Events. The City agrees to provide or cause to be provided, in a timely manner not in excess of ten (10) business days after the occurrence of the event, through EMMA (or such other system subsequently authorized by the MSRB), notice of the occurrence of any of the following events with respect to the Series 2025 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 Series 2025 Bonds, or other material events affecting the tax status of the Series 2025 Bonds;
7. modifications to rights of security holders, if material;
8. bond calls, if material, and tender offers;
9. defeasances;
10. release, substitution or sale of property securing repayment of the Series 2025 Bonds, if material;
11. rating change;
12. bankruptcy, insolvency, receivership or similar event of the obligated person;
13. the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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;
14. appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. failure of the City to timely file its Annual Report;
16. incurrence of a financial obligation of the City or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City or obligated person, any of which affect security holders, if material; or
17. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the City or obligated person, any of which reflect financial difficulties.

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 Agreement 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 Agreement and any provision of the Agreement 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 Agreement are intended to be for the benefit of the holders of the Series 2025 Bonds and shall be enforceable by such holders. No failure by the City to comply with its obligations under the Agreement shall constitute an event of default under the Indenture or under the Lease.

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APPENDIX F
BOOK-ENTRY ONLY SYSTEM

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APPENDIX F
BOOK-ENTRY ONLY SYSTEM

Portions of the following information concerning The Depository Trust Company ("DTC") and DTC's book-entry system have been obtained from DTC. The Authority and the Underwriter make no representation as to the accuracy of such information. There can be no assurance that DTC will abide by its procedures or that such procedures will not be changed from time to time.

Initially, DTC will act as securities depository for the Series 2025 Bonds. The Series 2025 Bonds initially will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. Initially, one fully-registered bond certificate for each maturity will be issued for the Series 2025 Bonds, in the aggregate principal amount of the Series 2025 Bonds 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 Trusteeing Law, a "Trusteeing organization" within the meaning of the New York Trusteeing 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 3.5 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 the 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, Trustees, 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, Trustees, 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 about DTC can be found at www.dtcc.com and www.dtc.org. So long as the Series 2025 Bonds are maintained in book-entry form with DTC, the following procedures will be applicable with respect to the Series 2025 Bonds.

Purchases of the Series 2025 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2025 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2025 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 Series 2025 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 the Series 2025 Bonds, except in the event that use of the book-entry system for the Series 2025 Bonds is discontinued.

To facilitate subsequent transfers, all the Series 2025 Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2025 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2025 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2025 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.

As long as the book-entry system is used for the Series 2025 Bonds, redemption notices will be sent to DTC. If less than all of the Series 2025 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

As long as the book-entry system is used for the Series 2025 Bonds, principal, premium, if any, and interest payments on the Series 2025 Bonds will be made to Cede & Co., 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 Trustee, on the payable 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 Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, and disbursement of such payments to the Participants or the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2025 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 Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2025 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

DTC may discontinue providing its services as securities depository with respect to the Series 2025 Bonds at any time by giving reasonable notice to the Authority or the Trustee. In addition, the Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Under either of such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

The Authority and the Trustee will have no responsibility or obligation to any securities depository, any Participants in the book-entry system, or the Beneficial Owners with respect to (i) the accuracy of any records maintained by the securities depository or any Participant; (ii) the payment by the securities depository or by any Participant of any amount due to any Participant or Beneficial Owner, respectively, in respect of the principal amount or redemption or purchase price of, or interest on, any of the Series 2025 Bonds; (iii) the delivery of any notice by the securities depository or any Participant; (iv) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2025 Bonds; or (v) any other action taken by the securities depository or any Participant.

APPENDIX G
AUDITED FINANCIAL STATEMENTS OF THE CITY
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

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2023

ANNUAL COMPREHENSIVE FINANCIAL REPORT

City of Huntsville, Alabama
Tommy Battle, Mayor



FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2023

CITY OF HUNTSVILLE, ALABAMA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30, 2023

[Prepared by the City of Huntsville Finance Department](#)

Penny L. Smith, CPA, CGFM, CGMA, Finance Director

Rachel Biggs, MAcc, CPA, Deputy Finance Director

Sharon P. Frost, CPA, Principal Financial Analyst



CITY OF HUNTSVILLE, ALABAMA

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

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CITY OF HUNTSVILLE, ALABAMA

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

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INTRODUCTORY SECTION

Annual Comprehensive Financial Report

The City of Huntsville, Alabama

For the Fiscal Year Ended September 30, 2023

Elected Officials

Thomas “Tommy” Battle, Jr., Mayor

David Little, District 2, Council President

Devyn Keith, District 1

Jennie Robinson, District 3

Bill Kling, Jr., District 4

John Meredith, District 5

City Administration and Departments

John Hamilton, City Administrator

Shane Davis, Urban and Economic Development

Virgie Graham, Animal Services

Randy Cunningham, Inspection

Tara Sloan, Cemetery

Brian Walker, Landscape Management

Shaundrika Edwards, City Clerk

Trey Riley, Legal

Kelly Schrimsher, Communications

Lonzo Robinson, Municipal Court

Scott Erwin, Community Development

Darlene Duerr, Natural Resources

Kenny Anderson, Diversity, Equity & Inclusion

Quisha Bryant, Parking and Public Transit

Jeffrey Birdwell, Emergency Management

James Gossett, Parks and Recreation

Kathy Martin, Engineering

Thomas Nuñez, Planning

Penny Smith, Finance

Dennis Madsen, Planning

Howard McFarlen, Fire and Rescue

Kirk Giles, Police

Ricky Wilkinson, General Services

Chris McNeese, Public Works

Byron Thomas, Human Resources

Nicholas Nene, Traffic Engineering

Bill Steiner, Information Technology Services

Randall Stewart, Water Pollution Control

Prepared by the City of Huntsville Finance Department

Penny L. Smith, CPA, CGFM, CGMA, Finance Director

Rachel Biggs, MAcc, CPA, Deputy Finance Director

Sharon P. Frost, CPA, Principal Financial Analyst



Letter of Transmittal

July 25, 2024

To the Honorable Tommy Battle, Mayor, Members of the City Council, and Citizens of Huntsville:

This Annual Comprehensive Financial Report (Annual Report) of the City of Huntsville, Alabama, for the fiscal year ended September 30, 2023, is hereby transmitted. This report has been prepared to summarize the financial results of the City's operations in fiscal year 2023, and to help you understand its financial condition.

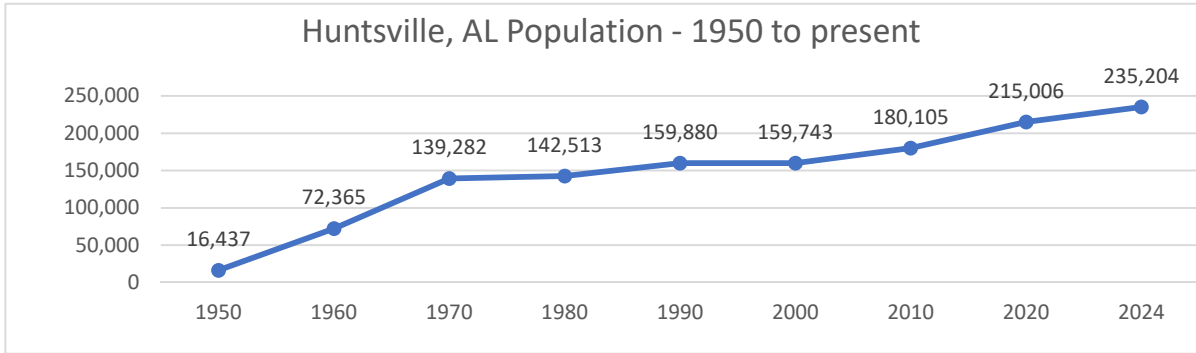
City management, primarily the Finance Department, are responsible for this report as it is based on the information they have provided about City finances. To help ensure this information is reasonable and reliable, management has established a system of controls designed to protect the City's assets from loss, theft, or misuse, and to produce reliable financial information. Because the cost of such controls should not outweigh their benefits, the City's system is intended to provide reasonable, not absolute, confidence that the City's financial statements are materially accurate. The information is reported in a manner designed to present fairly the financial position and results of operations of the various funds and component units of the City in accordance with generally accepted accounting principles (GAAP).

State law requires an annual audit of the City's financial statements by independent certified public accountants who must conduct the audit in accordance with established standards. Mauldin and Jenkins, LLC, a certified public accounting firm, conducted the audit and their report on the City's basic financial statements is included herein. Also, the City is required by federal law to conduct a "Single Audit," or audit of the City's compliance with the requirements of federal grants it has received. The auditors are required to report on the City's system of controls and the City's compliance with legal requirements, and they have issued their reports to City management.

To assist users of this report, accounting standards require management to provide a narrative introduction, overview, and analysis with the financial statements in the form of Management's Discussion and Analysis (MD&A), which can be found in the financial section.

Profile of the Government

The City was incorporated on December 9, 1811, under an act of the Mississippi Territorial Legislature, first as Twickenham, and then in 1812, as Huntsville. Situated in the beautiful Tennessee Valley, the City has grown in land area to more than 227 square miles, incorporated in three counties: Madison, Morgan, and Limestone. Huntsville is one of the fastest growing communities in Alabama with the current population at 235,204 citizens. The Federal Army Base Redstone Arsenal is a large employer and a major presence in the area, which has led to Huntsville being considered the leader in aerospace engineering.



Since the space race of the 1960's, Huntsville has well over doubled in population and quadrupled in square miles. The past two decades alone have produced double-digit growth in population, increasing the number of residents by close to 50,000.

Huntsville is operated under a Mayor-Council form of government. Policy making and legislative authority are vested in a five-member City Council who are, among other things, responsible for passing local ordinances, adopting budgets, appointing committees, and board members of related organizations, and approving the appointment of department heads. The Mayor and City Council members are elected to four-year staggered terms with elections every two years for three of the six positions. While the Mayor is elected in a city-wide election, City Council members are elected from within their respective districts. The Mayor is responsible for carrying out the policies and ordinances of the City Council, supervising the operations of the City, and appointing department heads. Departments have been restructured over the years to meet the growing demands of public services and infrastructure. The following departments and divisions are represented in the current financial reporting structure:

Administration, City Council, Clerk, Finance, General Services, Fleet Services, Human Resources, Information Technology Services, Legal, Parks and Recreation, Police, Fire and Rescue, Municipal Court, Emergency Management Agency, Animal Services, Cemetery, Landscape Management, Parking, Public Transit, Public Works, Community Development, Engineering, Inspection, Natural Resources, Planning, Traffic Engineering, Sanitation and Water Pollution Control.

The City provides a full range of services through its various departments. Closely associated with the departments are several organizations established by the City to be managed by separate boards. These entities provide important public services and are considered part of the primary government: The Alabama Constitution Village Museums, Benton H. Wilcoxon Municipal Ice Complex, Burritt on the Mountain, Huntsville-Madison County Public Library, Huntsville Museum of Art, Huntsville Tennis Center, and the Von Braun Center. Although legally separate, the Public Building Authority of the City of Huntsville is a blended component unit which only serves the primary government, and therefore, whose financials are integrated into the City. Also, the Huntsville Utilities Electric, Gas and Water Systems and the Huntsville/Madison County Convention & Visitors' Bureau are included in the City's financial statements as discretely presented component units.

The annual budget serves as the foundation for the City's financial planning and control. The Mayor is required to submit a budget proposal to the City Council for most of the City's departments and funds. City Council, after public comment and evaluation, must adopt a balanced operating budget by the beginning of the fiscal year (October 1). The budget is adopted by fund and department. City Council must also approve transfers between certain activities and funds. Comparisons of department and fund budgets to actual amounts are provided in this report.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates. Many factors affect the City's financial strength and operations, including the national economy, spending by the large federal agencies based in Huntsville, local economic development, quality of local education systems, and the effectiveness of City management in its use of resources.

Local Economy

Over the last five years, Huntsville has and continues to experience double-digit percentage population growth. Based on 2023 Census data, Huntsville remains the fastest growing city in Alabama. The community has experienced moderate increases over the last two decades. With well-established economic sectors in our community, such as Redstone Arsenal, Huntsville Hospital Systems, and NASA Marshall Space Flight Center, along with growth in advanced manufacturing, the City remains poised to continue strong growth in all economic sectors. Such growth not only brings financial stimulus and increased revenues, but also expands the need for public services provided by the City. With all these opportunities and challenges, the City has seen financial stability through sound fiscal policy, conservative fiscal practices, and strong economic activities.



The City continues to experience new and expanding industry, increased federal funding for Redstone Arsenal and NASA, and commercial enterprises locating in the market, while also raising the standard in quality-of-life resources. Recreation and transportation projects, which attracted people to live in the City, were prioritized. This has resulted in population expansion, increased revenue, and created the energy that drives economic expansion. The Huntsville Metro population in 2023 stands at 527,000 people and has increased 13.8% over the past five years for a 2.8% annual growth rate, while employment for the metro has also increased 15.8% for a rate of 3.2% per year. In Fiscal year 2023, Huntsville set new records for residential and commercial building permits with 5,317 issued. This data illustrates the continued population and economic growth for Huntsville market.

It is due to this effort that the following significant economic expansion projects have developed over the past few years:

- HudsonAlpha Institute for Biotechnology, which opened in 2008, is a nonprofit institute dedicated to innovating in the field of genomic technology and sciences across a spectrum of biological problems. Its 270,000 square-foot facility is the cornerstone of the 152-acre Cummings Research Park Biotechnology Campus. Currently, 47 biotechnology businesses reside within the nonprofit institute on the campus and together these organizations employ over 1600 individuals. This synergistic cluster of life sciences talent promises collaborative innovation to turn knowledge and ideas into commercial products and services for improving human life and strengthening Alabama's progressively diverse economy. The biotech campus currently features three other facilities: the Jackson Center, a full-service conference facility, 701 McMillian Way, which provides an additional 88,000 square feet of lab and office space, and the Paul Propst Center, totaling more than 100,000 square feet and houses the institute's growing education and research programs and its growing biotech companies. McMillian Park, the central green space connecting current facilities and future growth, boasts intertwining walkways that create

a double-helix — the structure of DNA and the path to understanding living organisms. Two water features and hundreds of plantings are also contained in the park.

In 2023, HudsonAlpha celebrated its 15th anniversary and continues to grow into new areas of influence. The newly opened 14,000-square-foot glass greenhouse is a highly sophisticated facility equipped with two lab spaces, seven grow rooms with fifteen-foot ceilings, and several technologically advanced features rarely found in other greenhouses. The facility will help researchers in the HudsonAlpha Center for Plant Science and Sustainable Agriculture advance their mission to use genomics to help sustainably feed and fuel our planet. The Hudson Alpha campus now also includes the global headquarters for Discovery Life Sciences, an international market leader in biospecimen analysis, procurement, and distribution for the pharmaceutical, biotechnology, and diagnostics industries. This global headquarters consists of 90,000 square feet and house DLS's research and development, laboratory, and business operations.

- In 2022, Amazon opened the first of two fulfillment centers in Huntsville. The first one opened in April 2022, consisting of 1.5 million square feet and providing an estimated 750 jobs. The second center opened in 2023 as an Amazon XL Warehouse delivering large and oversized items and will provide another estimated 750 jobs.



- In 2023, Flint Development Incorporated broke ground on a 132-acre class A industrial development comprised of four buildings totaling up to 2.2 million square feet available for lease. The new industrial park is conveniently located with easy access to I-565, the Mazda Toyota Manufacturing campus, and the Huntsville International Airport. In February 2024, the Huntsville Logistics Center completed construction on the first three (3) logistic buildings totaling 750,000 square feet of the overall master plan.

- In 2016, work began on a mixed-use project called MidCity, an amenity-rich, walkable, mixed-use development replacing a declining regional mall. Phase I includes hotels (130-room Aloft, 120-room Hotel Indigo, and an additional property to be announced), multiple restaurants, 500 multifamily units, 100,000 square feet of office space, and family and culture entertainment such as TopGolf, Dave and Busters, and outdoor event venue, the Camp. REI and Trader Joe's opened in 2021 and in Spring of 2022 the Orion, an 8,000 capacity Amphitheater opened within the park. This has created more energy and commercial development around the MidCity area. In 2023, the MidCity District broke ground on Phase II of the 100-acre Master Planned Development. Phase II includes an additional 440 multi-family units, 45,000 square feet of retail space, and 35,000 square feet of Class A office space. Phase III is in the planning stage with construction slated for the fourth quarter of 2024.

- Other areas with existing projects include those in downtown Huntsville, with more than 400 apartment units planned, four hotels – of which two have opened, a 120,000 square-foot federal courthouse currently in construction, a 375,000 square foot surgical and medical tower, and a recently-opened 1,500 person capacity music hall. South Huntsville will see 250 units of multifamily housing, nine acres of retail development, and 400 single-family homes added, while north Huntsville will add over 100 single-family homes, the \$3.8 billion Facebook-Meta Data Center, the recently completed Aerojet Rocketdyne Rocket Shop, and the redevelopment of a

multifamily housing, nine acres of retail development, and 400 single-family homes added, while north Huntsville will add over 100 single-family homes, the \$3.8 billion Facebook-Meta Data Center, the recently completed Aerojet Rocketdyne Rocket Shop, and the redevelopment of a closed high school into a community and recreation center featuring an indoor climbing wall and gym. Historic west Huntsville, was awarded a U.S. Housing and Urban Development Choice Neighborhood Planning Grant that will support planning for the \$400 million Mill Creek Redevelopment Project, a mixed-use development focused on revitalizing the west Huntsville neighborhoods. The Huntsville Pedestrian Access and Redevelopment Corridor (PARC) is another planned project which will connect west Huntsville and Lowe Mill to downtown Huntsville. This \$62 million signature transportation project will create a pedestrian bridge to connect the downtown core with surrounding neighborhoods to generate an influx of new investment.

- Established in 2018, the new joint-venture company from Mazda Motor Corporation and Toyota Motor Corporation, "Mazda Toyota Manufacturing, U.S.A., Inc.," began producing vehicles in Huntsville in 2021, with the second line opening in 2022. At the close of 2023, the project has invested \$2.6 billion and created 4,400 new jobs. Eight suppliers are located on or near the site, bringing in more than 1,600 jobs and \$542 million in CAPEX. This is in addition to the now more than \$1 billion Toyota Motor Manufacturing Alabama engine plant in North Huntsville, which opened in the early 2000s. In 2023, a new state of the art workforce training center was completed in the Greenbrier Corridor (adjacent to Mazda Toyota campus) to support Mazda-Toyota, Polaris, GE Aviation, and others that have chosen Huntsville to expand their business.

Economic development in 2023 saw a continuation of growth in both the industrial and commercial sectors, with 597 announced industrial jobs and more than \$228 million of investment from new and expanding industries. Highlights for the year include:

- Applied Research Associates expanded in the Jetplex with 100 jobs and nearly \$57 million in investment.
- Blue Origin expanded in Cummings Research Park with \$16 million in investment.
- Bocar US, Inc expansion in Southpoint Industrial Park with 55 new jobs and \$26 million in capital investment
- LG Electronics expansion consists of 100 new jobs and a \$6 million investment for household appliances and electric housewares.
- The Boeing Company with space vehicle manufacturing expansion with \$15 million investment.
- Saint Gobain's relocation of operations from Canada to the Huntsville facility totaling 75 new jobs and a \$17 million investment.

All of this equates to financial stability for Huntsville residents. Continued economic development efforts, transportation projects, and recreational activities ensure the growth of the Huntsville metropolitan area and financial resources.

In summary, the local economic outlook is positive, though some financial challenges remain. The City has experienced labor shortages and inflationary pressures along with the rest of the nation. Increasing demands from an aging workforce, including pension contributions and the rising cost of health care benefits, will remain a concern and need vigilance over trends and reserves. Growth in the demand for public services will exert pressure on spending requirements; however, we are confident that due to Huntsville's high-quality workforce, exceptional business climate, attractive leisure amenities, and collaboration with its valuable state and local government partners, the City will continue to see increased financial performance.

Management of City Resources

Long-term capital planning. Much of the City's growth and vitality depend on public infrastructure, and the Mayor and City Council continue to plan comprehensively for development and maintenance of this expensive asset. The ten-year capital improvement plans establish spending priorities and identify funding needs, including long-term debt, and are updated every year along with the annual budget.

Long-term debt management. Most of the City's capital and school construction projects are financed with long-term debt. The major issuance for new debt within fiscal year 2023 was for infrastructure, expansion of Water Pollution Control facilities and a new administrative building for Huntsville City Schools. Managing debt size and complexity within available revenues requires careful long-term planning. The ten-year capital plans provide the framework for managing existing debt for current and upcoming capital projects.

An important factor in assessing the economic health of the City of Huntsville, and the City's finances, is the credit rating assigned by credit rating agencies, due to their in-depth review of economic conditions and City financial performance. The City was reaffirmed with a Aaa rating from Moody's Investors Service, Inc., and a AAA rating from Standard & Poor's Rating Services in March of 2023. This makes the fifteenth year the City has achieved this highly regarded accomplishment.

General Fund reserves. City ordinance generally requires that at least 11.5 percent of the General Fund revenue budget be kept in unassigned fund balance to ensure the City has adequate working capital and can respond to unexpected financial shocks. The City exceeded this requirement in 2023.

Cash management. The City utilizes idle cash for liquidity at the beginning of capital projects intended to be debt funded, enabling the City to 'right size' projects, ensure appropriate borrowing amounts, and save interest payments on idle cash. Appropriate cash reserves are invested conservatively in accordance with policy and State law. The City's investment policy intends to maximize earnings while protecting cash assets.

Operational efficiency. Mayor Battle has always challenged all City departments to improve their operations and the quality of citizen services while minimally increasing the general fund budget. Departments are mindful of their budgets, as personnel and operating costs are generally lower than budget plans. Financial challenges remain as the City continues to grow at a rapid pace. Though an increasing demand for public services and new infrastructure challenges the City, strong revenues matched with cautious increases in departments' operational budgets continue to enable smart financial growth in the City.

Financial and risk management. Sound financial management practices are a very important part of the City meeting its obligation for public services. The City is regarded for conservative financial management amidst its financial challenges. Maintaining these practices will require careful prioritization of spending desires.

Pension and other postemployment benefits. The cost of providing benefits to City retirees is a significant commitment of current and future resources. There is a misperception that the State of Alabama provides financial assistance for these pension benefits through the Retirement Systems of Alabama. In truth, the City pays 100 percent of benefit costs after employee contributions and plan earnings. The City has met all its obligations and continues to incorporate the effect of expected benefit

employees eligible to retire, management of retiree benefits must be very intentional and consider all issues to help provide balance between retiree benefits and other financial obligations of the City.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2022. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

The preparation of this report could not have been accomplished without the dedicated efforts of the staff of the City's Finance Department and the City's independent public accountants, Mauldin and Jenkins, LLC. We appreciate their hard work and the support of the Mayor and City Council members, whose commitment to good financial stewardship makes our financial success possible.

Respectfully,



Penny L. Smith, CPA, CGFM, CGMA
Director of Finance



Government Finance Officers Association

Certificate of
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Presented to

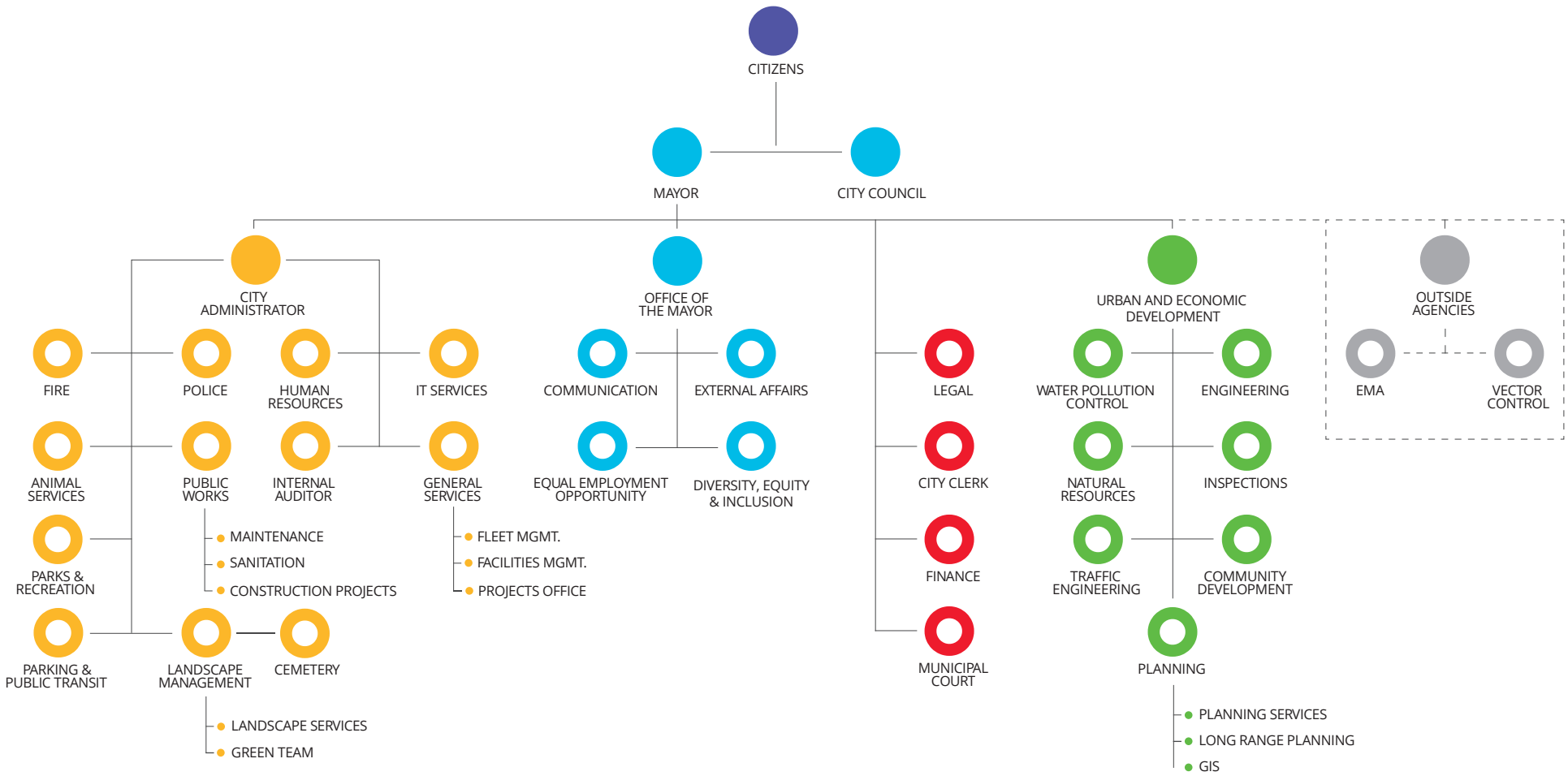
**City of Huntsville
Alabama**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

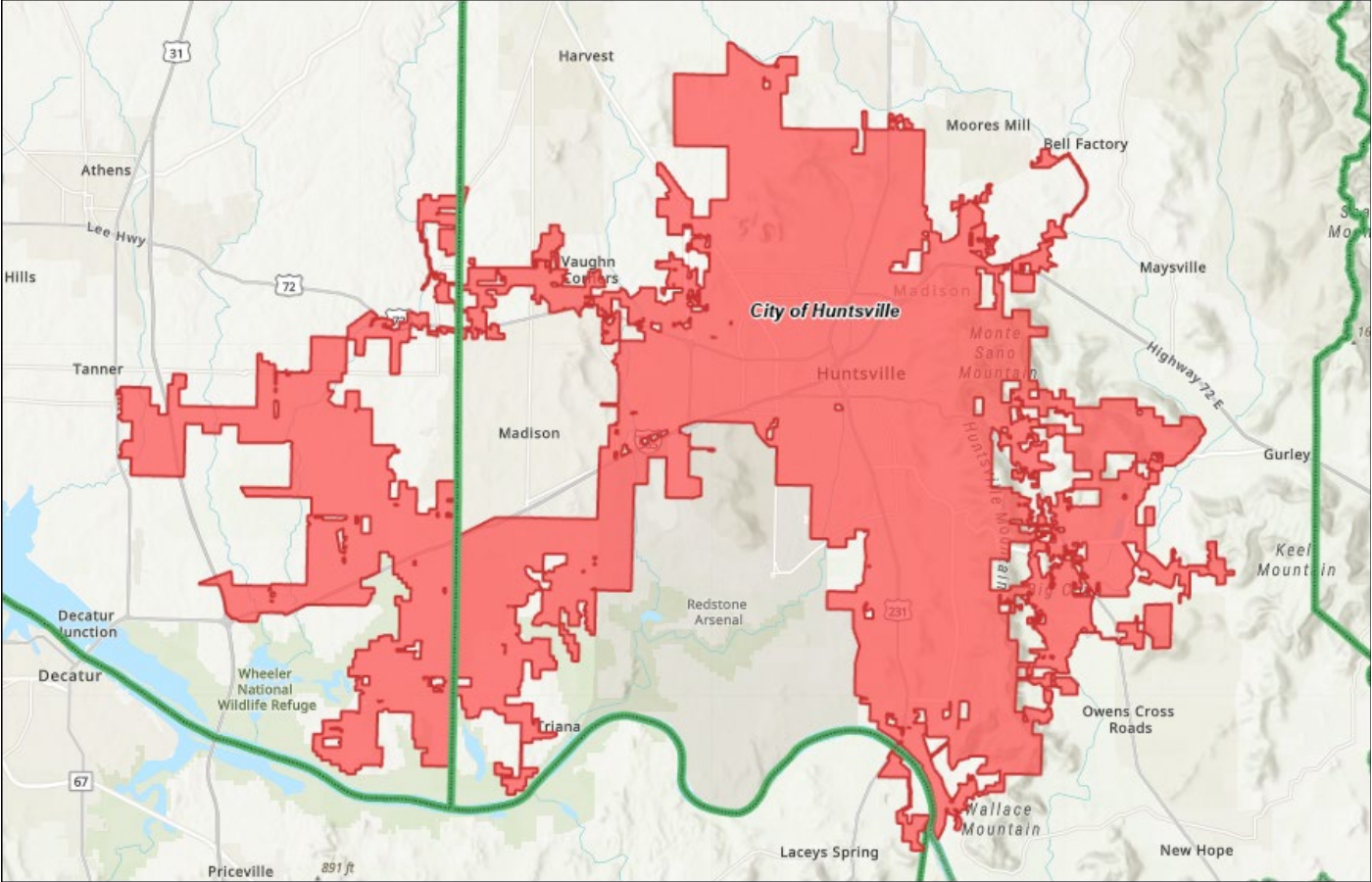
September 30, 2022

Christopher P. Morill

Executive Director/CEO



City of Huntsville, Alabama



Map of the city limits of Huntsville, AL

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

**The Honorable Mayor and Members
of the City Council of the
City of Huntsville, Alabama**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Huntsville, Alabama** (the "City"), as of and for the year ended September 30, 2023 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, 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, and the aggregate remaining fund information of the City of Huntsville, Alabama as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statement of the Huntsville/Madison County Convention and Visitors Bureau, which is a component unit of the City. Those financial statements represent less than 1% of the total assets and net position, and 1% of revenues of the discretely presented component units. We did not audit the financial statements of the Burritt Museum, the Public Library, and the Art Museum, special revenue funds. Those funds represent 7% of the total assets, 6% of the fund balance, and 4% of the revenues of the other nonmajor governmental funds. We did not audit the financial statements of the Municipal IcePlex and Von Braun Center, enterprise funds. Those financial statements represent 21% of the total assets, 24% of the net position, and 23% of the operating revenues of the enterprise funds. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these entities are based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Change in Accounting Principle

As described in Note 7 to the financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, as of October 1, 2022. This standard significantly changed the accounting for the City's subscription-based information technology arrangements. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 6 through 21) the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget (GAAP Basis) and Actual – General Fund – General Fund (on pages 99 through 102), and the schedules of pension and other post-employment benefits information (on pages 103 through 107), as listed in the table of contents, 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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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.



Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Huntsville, Alabama’s basic financial statements. The combining and individual fund financial statements and schedules as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor’s report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2024, on our consideration of the City of Huntsville, Alabama'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 solely 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 the effectiveness of the City of Huntsville, Alabama's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Huntsville, Alabama
July 25, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Huntsville's Annual Comprehensive Financial Report (Annual Report) presents City management's discussion and analysis (MD&A) of the City's financial performance during the fiscal year that ended on September 30, 2023. Please read this in conjunction with the City's financial statements and the accompanying notes, which follow this section, and the additional information furnished in the letter of transmittal in the introductory section of the Annual Report.

FINANCIAL HIGHLIGHTS

- ❖ The assets and deferred outflows of resources of the City of Huntsville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$1.2 billion (net position). Of this amount, the City had a deficit unrestricted net position of \$433.7 million offset by \$250.9 million in restricted net position and \$1.4 billion in net investment in capital assets.
- ❖ The primary government experienced a 12.8% increase in net position from \$1.1 billion on September 30, 2022 to \$1.2 billion on September 30, 2023.
- ❖ At the close of fiscal 2023, the City's governmental funds reported a combined fund balance of \$545.9 million. This was an increase of \$113.3 million (26.2%) from the prior year, consisting of the following significant amounts and changes:
 - Ending fund balance for the General Fund was \$171.0 million, an increase of \$11.6 million (7.3%) from fiscal year 2022 fund balance.
 - The Capital Improvements Fund ending fund balance was \$175.5 million, an increase of \$29.9 million (20.5%) from fiscal year 2022.
 - With the addition of proceeds from debt borrows 2023A, 2023B, 2023D and 2023E the Capital Projects fund went from a non-major fund to a major fund with a fund balance of \$97.2 million.

More detailed information for each of the above is provided under the Governmental Funds subheading later in the MD&A.

- ❖ Of the \$545.9 million fund balance, \$383.2 million is restricted or has been allocated for certain purposes by the City Council, leaving a \$162.6 million balance.
- ❖ Sales and use tax, the City's single largest revenue source, totaled \$325.5 million across all funds. This increased by \$22.4 million (7.4%) during the 2023 fiscal year as compared to the prior fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements consist of three parts: management's discussion and analysis (this section), the basic financial statements, and the narrative notes to the financial statements. The basic financial statements include two kinds of statements that present different views of the City's finances.

- ❖ The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.

- ❖ The remaining statements are fund financial statements that focus on individual elements of the City government, reporting the City’s operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services like police, administration, and engineering were financed in the short-term, as well as what remains for future spending.
 - Proprietary funds statements offer short- and long-term financial information about the activities the government operates like businesses, such as the water pollution control system.
 - Fiduciary funds statements convey information about financial relationships in which the City acts solely as a trustee for the benefit of others. For this financial report, the City is trustee, or “fiduciary” for its retirees’ post-retirement healthcare benefits. The City is responsible for ensuring that the assets reported in this fund are used for their intended purposes.

The financial statements also include narrative notes that explain some of the information in the financial statements and provide more details. Figure A shows how the required parts of this annual report are arranged and relate to one another.

Figure A

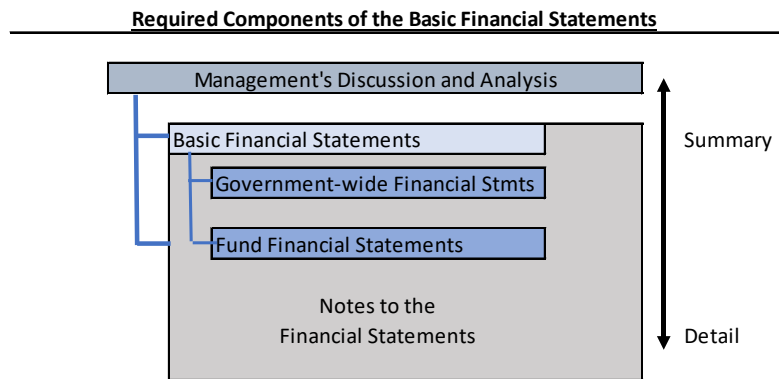


Figure B (on the following page) summarizes the major elements of the financial statements, explaining the portions of the City government included in each and the types of information contained therein. The remainder of this overview explains the structure and contents of each of the financial statements.

Government-wide Statements

The government-wide financial statements report information about the City as a whole, using accounting methods similar to those used by private-sector companies.

- ❖ The statement of net position includes all of the government’s assets, deferred outflows, liabilities, and deferred inflows with the difference reported as net position.
- ❖ All of the fiscal year’s revenues and expenses are accounted for in the statement of activities, presenting the change in net position for the most recently completed fiscal year. All changes in net position (revenues and expenses) are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

To assess the overall economic health of the City, additional non-financial factors, such as changes in the City's tax base, planning and zoning actions, the condition of the City's roads, and other infrastructure and utility systems, should also be considered.

Figure B

Major Elements of Huntsville's Government-wide and Fund Financial Statements				
	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Primary Government (Entire City Government) and component units	The activities of the City that are not proprietary such as police, fire, and parks and recreation	Activities the City operates similar to private businesses such as sewer treatment activities (Water Pollution Control)	Instances in which the City is the trustee or agent for someone else's resources: Retiree OPEB Trust
Required Financial Statements	Statement of net position Statement of activities	Balance Sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net position Statement of revenue, expenses and changes in fund net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resource focus	Accrual accounting and economic resource focus
Type of asset/liability	All assets, deferred inflows, liabilities and deferred outflows, both financial and capital, short-term and long-term	Only assets and deferred inflows expected to be used up and liabilities and deferred outflows that come due during the year or soon thereafter; no capital assets or long-term debt included	All assets, deferred inflows, liabilities and deferred outflows, both financial and capital, short-term and long-term	All assets, deferred inflows, liabilities and deferred outflows, both financial and capital, short-term and long-term
Type of inflow/outflow	All revenue and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year and 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 it is received or paid	All revenues and expenses during the year regardless of when it is received or paid

The government-wide financial statements of the City are divided into three categories:

- ❖ **Governmental activities.** Most of the City's basic services are included in this category, such as the services provided by the Police, Public Transit, General Services, Parks and Recreation, Human Resources, and Finance departments. In addition, the Alabama Constitution Village Museums, Burritt on the Mountain, Huntsville-Madison County Public Library, Huntsville Museum of Art, and the Huntsville Tennis Center are part of the primary government and included with governmental activities. As a blended component unit, the Public Building Authority of the City of Huntsville is also in this section. General revenues from sales and use taxes, property taxes, charges for services, and state and federal grants finance most of these activities.
- ❖ **Business-type activities.** The City charges fees to customers to help cover the costs of certain services it provides to the public. The City's Water Pollution Control Fund, the Von Braun Center, the Benton H. Wilcox Municipal Ice Complex, and Orion Amphitheater are included in this category as enterprise funds.

- ❖ Discretely Presented Component Units. The City includes two other entities in this report. These entities include Huntsville Utilities and the Huntsville/Madison County Convention and Visitors Bureau. Please refer to Note 1 within the Notes to the Basic Financial Statements regarding the availability of separately issued agency and component unit financial statements.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's significant funds. Funds are groupings of related accounts that the City uses to keep track of specific revenues and spending for particular activities or objectives. Examples include:

- ❖ State law requires gasoline tax funds to be accounted for separately, because the expenditures are restricted for specific uses.
- ❖ The City Council establishes other funds to control the use of monies for particular purposes, such as property taxes that are legally assigned to tax financing districts or dedicated for support of the City school system.
- ❖ The City also establishes funds to demonstrate compliance with certain legally restricted revenue sources, such as tracking debt-financed capital projects and the spending of grant revenues.

The City has three kinds of funds:

- ❖ Governmental funds. Most of the City's basic services are accounted for in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flows in and out, and (2) the balances left at year-end that are available for spending in subsequent years. Consequently, the governmental fund statements provide a detailed, short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs following the completion of a fiscal year.

Because governmental fund information does not encompass the additional long-term focus of the government-wide 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. Doing so provides a better understanding of the long-term impact of the government's short-term funding decisions. Both the balance sheet and the statement of revenues, expenditures, and changes in fund balances for governmental funds provide a reconciliation to facilitate this comparison between governmental fund statements and government-wide statements on governmental activities.

- ❖ Proprietary funds. Services provided to the public for which customers pay a fee are generally reported in enterprise funds, which are a type of proprietary fund. Proprietary fund financial statements, like the government-wide statements, provide both long- and short-term financial information. Proprietary funds function like a business activity; therefore, the financial statements provide additional information, such as depreciation expense and cash flows, which are not presented for governmental funds.

- ❖ **Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs. The Post-Retirement Benefits Trust fund accounts for the additions and deductions of the independent trust of the City's single employer, defined benefit retiree healthcare plan.

The City adopts an annual budget for its General Fund and most other governmental funds, for legal compliance, comparison, and reporting purposes. To show legal compliance, a comparison of budget to actual by activity (i.e. personnel, operating, capital, and other) is provided for the applicable funds.

Notes to the basic financial statements: The notes are an integral and essential part of the basic financial statements. They provide additional information that is important if the reader is to have a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.

FINANCIAL ANALYSIS OF THE CITY (PRIMARY GOVERNMENT)

The City's *combined* net position on September 30, 2023, totaled \$1.2 billion (see Table 1). Governmental Activities' net position increased by \$112.5 million (15.9%) to \$819.0 million, while Business-type Activities' net position increased \$27.3 million (7.0%) to \$415.1 million during the year.

	Governmental Activities		Business-Type Activities		Total	
	2023 - Restated	2022	2023	2022	2023	2022
Current and noncurrent assets	\$ 657,088,028	\$ 528,036,362	\$ 90,057,745	\$ 48,247,520	\$ 747,145,773	\$ 576,283,882
Capital assets	1,644,295,172	1,500,631,537	453,413,444	415,028,580	2,097,708,616	1,915,660,117
Total assets	<u>2,301,383,200</u>	<u>2,028,667,899</u>	<u>543,471,189</u>	<u>463,276,100</u>	<u>2,844,854,389</u>	<u>2,491,943,999</u>
Deferred outflows of resources	<u>120,621,856</u>	<u>65,599,627</u>	<u>13,965,318</u>	<u>6,200,513</u>	<u>134,587,174</u>	<u>71,800,140</u>
Current liabilities	135,342,569	140,896,069	23,039,694	15,128,013	158,382,263	156,024,082
Noncurrent liabilities	1,409,201,892	1,175,549,865	117,612,299	60,547,206	1,526,814,191	1,236,097,071
Total liabilities	<u>1,544,544,461</u>	<u>1,316,445,934</u>	<u>140,651,993</u>	<u>75,675,219</u>	<u>1,685,196,454</u>	<u>1,392,121,153</u>
Deferred inflows of resources	<u>58,481,310</u>	<u>71,354,609</u>	<u>1,658,951</u>	<u>6,014,349</u>	<u>60,140,261</u>	<u>77,368,958</u>
Net Position						
Net investment in capital assets	1,020,697,968	971,385,266	396,163,618	376,602,521	1,416,861,586	1,347,987,787
Restricted	250,934,326	261,388,672	6,560	6,560	250,940,886	261,395,232
Unrestricted	(452,653,009)	(526,306,955)	18,955,385	11,177,964	(433,697,624)	(515,128,991)
Total net position	<u>\$ 818,979,285</u>	<u>\$ 706,466,983</u>	<u>\$ 415,125,563</u>	<u>\$ 387,787,045</u>	<u>\$ 1,234,104,848</u>	<u>\$ 1,094,254,028</u>

The primary government's total net position increase of \$139.9 million (12.8%) in fiscal 2023 includes the following major changes: 1) a decrease in the deficit in unrestricted net position of \$81.4 million, 2) decrease in restricted net position of \$10.5 million, and 3) an increase in net investment in capital assets of \$68.9 million.

Net investment in capital assets (buildings, equipment, roads, etc.) is the primary component of Governmental Activities' net position. The net investment in capital assets on September 30, 2023 was \$1.0 billion, which is an increase of \$49.3 million over the prior year. Generally, the amount consists of governmental capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowing attributable to these assets. A majority of the increase in the net investment in capital asset value at year-end is due to an increase in net capital assets of \$143.7 million, offset with an increase in the warrants outstanding related to the capital assets of \$87.8 million. More information on this calculation can be found in Note 1 - Summary of Significant Accounting Policies.

The large negative unrestricted net position in governmental activities for FY2022 (\$526.3 million) and FY2023 (\$452.6 million) is partially the result of a common financing circumstance in Alabama. The City of Huntsville issues debt (repaid with legally dedicated ad valorem taxes) in the City's name for the benefit of Huntsville City Schools (HCS). HCS is not considered a component unit of the City and therefore not included in this financial presentation. The City must report the debt in its financial statements. However, the City typically does not have a legal right (title) to the assets associated with the debt (which are owned by HCS); hence, the large negative unrestricted net position balances. Total debt outstanding for school issues was \$213.8 million as of September 30, 2023. The last debt the City issued on behalf of the Board of Education was \$45.4 million in general Obligation Warrants in March 2023 of this fiscal year. This issuance was to fund the construction of a new Central Office, along with other capital improvements. Assets are not currently on hand to pay these liabilities; however, the City expects to pay the debt from annually recurring 6.5 mills property tax restricted for school purposes.

Table 2 displays detail of debt issued by the City to acquire or construct capital assets owned or accounted for by the schools, affecting the City's governmental unrestricted net position. Total City debt for the benefit of Huntsville City Schools outstanding on September 30, 2023, was \$213.8 million, an increase of \$32.1 million (17.7%) from the prior year. This increase results from the issuance of new debt offset by principal payments on existing debt during the year. Governmental Activities' unrestricted net position (excluding the effects of HCS debt) decreased by \$105.7 million to negative \$238.9 million at the end of fiscal 2023.

Table 2

Net Position	<u>2023 - Restated</u>	<u>2022</u>
Net investment in capital assets	1,020,697,968	971,385,266
Restricted for:		
Capital projects	185,155,510	215,411,267
City Schools	811,327	606,139
Debt Service	28,787,279	14,772,776
Other	36,180,210	30,598,490
Unrestricted(deficit)		
Governmental Activities	(238,868,009)	(344,616,955)
City School	<u>(213,785,000)</u>	<u>(181,690,000)</u>
Total Net Position-Governmental	\$ 818,979,285	\$ 706,466,983

The City's governmental activities had an overall positive net position of \$819.0 million at the end of the 2023 fiscal year, an increase of \$112.5 million or 15.9%. This is the combination of the increase in cash and capital assets that produced the slight upward change.

Business-type activities increased the City's overall net position by \$27.3 million, bringing total net position for business-type activities to \$415.1 million. The change to net position was driven by investment of cash on hand and the 2023 bond proceeds over the course of the spenddown schedule.

Change in Net Position

The City's net position increased by \$139.9 million during the 2023 fiscal year. This overall increase is a combined makeup of 1) an increase in governmental activities at \$112.5 million or 15.9% over the prior year net position due to revenues outperforming expectations and receipt of operating and capital grants from federal programs, and 2) an increase in the net position for business-type activities of \$27.3 million or 7.0 % over the prior year. Key elements of these changes in net position are shown in Table 3.

Table 3
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program Revenues						
Charges for services	\$ 60,397,374	\$ 58,383,798	\$ 82,372,325	\$ 74,853,797	\$ 142,769,699	\$ 133,237,595
Operating grants and contrib.	23,082,758	13,957,957	191,909	-	23,274,667	13,957,957
Capital grants and contrib.	49,462,479	19,249,286	-	-	49,462,479	19,249,286
General Revenue						
Sales and use taxes	325,482,003	303,110,209	-	-	325,482,003	303,110,209
Property taxes	107,999,976	93,161,853	-	-	107,999,976	93,161,853
Payments in Lieu of taxes	22,380,421	21,191,296	-	-	22,380,421	21,191,296
Alcohol taxes	8,773,186	8,339,371	-	-	8,773,186	8,339,371
Lodging taxes	19,554,483	16,624,765	-	-	19,554,483	16,624,765
Gas Taxes	6,673,247	6,624,096	-	-	6,673,247	6,624,096
Other taxes	10,555,426	10,515,250	-	-	10,555,426	10,515,250
Interest on investments	12,915,912	926,861	1,196,950	9,395	14,112,862	936,256
Gain on forgiveness	1,167,219	-	-	-	1,167,219	-
Other	3,126,390	1,233,294	294,998	46,287	3,421,388	1,279,581
Total revenues	651,570,874	553,318,036	84,056,182	74,909,479	735,627,056	628,227,515
Expenses						
General Government	84,932,962	55,705,093	-	-	84,932,962	55,705,093
Public safety	146,502,727	115,538,086	-	-	146,502,727	115,538,086
Public services	132,620,177	125,740,396	-	-	132,620,177	125,740,396
Urban development	106,356,819	98,559,656	-	-	106,356,819	98,559,656
Interest on long-term debt	38,805,895	34,680,965	-	-	38,805,895	34,680,965
Water Pollution Control	-	-	41,396,798	40,698,051	41,396,798	40,698,051
Sanitation Fund	-	-	18,254,100	16,017,962	18,254,100	16,017,962
Von Braun Center fund	-	-	21,873,218	18,688,646	21,873,218	18,688,646
Municipal Iceplex	-	-	1,920,028	1,694,172	1,920,028	1,694,172
Amphitheater	-	-	3,134,092	4,399,511	3,134,092	4,399,511
Total expenses	509,218,580	430,224,196	86,578,236	81,498,342	595,796,816	511,722,538
Net change	142,352,294	123,093,840	(2,522,054)	(6,588,863)	139,830,240	116,504,977
Transfers	(29,860,572)	(11,818,122)	29,860,572	11,818,122	-	-
Change in net position	112,491,722	111,275,718	27,338,518	5,229,259	139,830,240	116,504,977
Net position, beginning-restated	706,487,563	595,191,265	387,787,045	382,557,786	1,094,274,608	977,749,051
Net position, ending	\$818,979,285	\$ 706,466,983	\$415,125,563	\$ 387,787,045	\$1,234,104,848	\$ 1,094,254,028

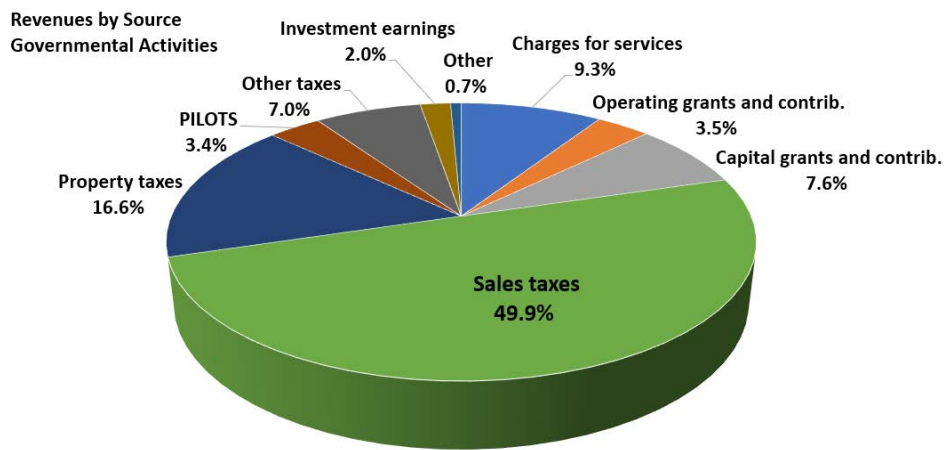
Governmental Activities

Program Revenues increased by 45.1% or \$41.4 million and General Revenues in governmental activities increased by \$56.9 million or 12.3% over the prior year, resulting in an increase of 17.8% or \$98.3 million overall. Continued reimbursement of spent funds under the American Rescue Plan Act (ARPA) played a significant part in the overall increase in Program Revenues. During fiscal year 2023 the City received \$28.7 million which reimbursed investments in local tourism, outdoor recreational areas and public safety fleet replacement. This injection of funding back into the community made a significant difference in the recovery of the City’s economy from the effect of the pandemic.

Sales and Use taxes led the increase under General Revenues with total revenues of \$325.5 million, an increase of \$22.4 million or 7.4% over the prior year. Graph 1 shows Sales and Use taxes are the largest revenue stream of the City. Assessed

at a rate of 4.5% on taxable sales within revenue, limits and earmarked for multiple purposes, Sales and Use taxes fund almost half of all governmental activities. Property taxes also contributed to the increase in revenue; rising \$14.8 million or 15.9% to \$108.0

Graph 1



million. The expansion in ad valorem tax collection reflected the strength in the Huntsville property market and demand for housing as the City’s population continued to grow. Investment earnings made up an increase in the General Revenues this year with \$12.9 million of gains, an increase over FY22 of \$12 million. The City moved outstanding cash balances to securities and other investments to take advantage of the recent market improvements. The City also invested the unspent proceeds from the current year debt borrows into treasuries based on the estimated draw down schedules.

Governmental expenses in Table 3 increased by \$79.0 million or 18.4% to \$509.2 million. The biggest contributors to this increase were General Government expenses, which increased by 52.5% to \$84.9 million and Public Safety, which increased to \$146.5 million, an increase of 26.8%. Outside of routine increases in personnel, the largest cause of increased expenses to the General Government is pension cost. The City is a part of the Employers Retirement System of Alabama (ERS); changes in the Net Pension Liability are recorded at the fiscal year end. The swings in investment income, which is a component of liability calculation, have been dramatic over the past two years. Calculated on 2021 and 2022 fiscal years for the entity plan, the changes were an increase of 295.7% and decrease of 168.3% respectively. This is one part of a larger calculation disclosed in more detail in Note 12 of the Notes to the Financial Statements. This change increased expenses by approximately \$15 million. Another section that saw larger growth was Public Safety. Much of the increase in Public Safety was the result of a mid-year salary realignment in fiscal year 2022 (full annual increase included in fiscal 2023) to increase the starting salaries of our public Safety officers. This adjustment has enabled the City to competitively recruit and retain our public safety workforce.

Business-Type Activities

Charges for services of the City's business-type activities were \$82.4 million for the fiscal year ended September 30, 2023. These revenues increased approximately \$7.5 million or 10.0% as compared to the prior fiscal year. Expenses for the City's business-type activities increased by \$5.1 million or 6.2% to \$86.6 million. Because of the full accrual accounting of business-type activities, we can move directly into details that make up the business activities pulled from the individual proprietary funds.

Overall operating income (operating revenues over expenses) was negative \$2.3 million across all enterprise entities of the City. Adding in non-operating items such as interest expense and transfers, the net change in net position was positive in the amount of \$27.3 million. This was the result of several factors, including the following:

- ❖ Water Pollution Control charges for services increased by 7.1% to \$48.3million. Operating expenses increased by 1.7% to \$41.4 million; in addition to growth in personnel costs, the rise is attributed to an increase in materials and supplies needed due to the continued expansion of the sewer system. When totaled revenue and expenses produced an increase in fiscal 2023 net position of \$14.2 million overall.
- ❖ Sanitation charges for services remained consistent with prior years at \$14.3 million. Expenses incurred totaled \$18.3 million, which is an increase of \$2.2 million over fiscal 2022. With Huntsville's footprint expanded, additional sanitation routes were needed to satisfy the increased collection burden. Adding two new routes of service (20 employees) caused much of the increase in personnel and operational costs. This service is still supported by general revenues through transfers from the general fund.
- ❖ The Von Braun Center (VBC) revenues increased over the prior year by \$3.7 million or 27.5%. Operating expenses increased to \$21.9 million, 17.0% over the previous year. The majority of this increase was personnel costs. The combined effect was an increase in net position of \$10.6 million.
- ❖ The Benton H. Wilcoxon Municipal Ice Complex (Iceplex) revenues increased by 10.3% to \$2.0 million. Spending rose \$226 thousand or 13.3% The increase in revenues contributed to the rise in net position by \$243 thousand
- ❖ The City's Amphitheater increased revenues by 43.7% to \$780 thousand in the second year while expenses decreased by \$1.3 million or 28.8%. The City has provided support in the form of transfers of cash to support operations.

Financial Analysis of the City's Funds

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City’s governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. This information is useful in assessing the City’s financing requirements.

At the end of the fiscal year, the City’s governmental funds reported combined ending fund balances of \$545.9 million. As shown by percentage in Graph 2, within this total, \$8.0 million is nonspendable mainly in the form of prepaid items, \$359.0 million is restricted by specific legal requirements such contractual obligations, \$3.9 million has been committed to Cummings Research Park, and \$12.4 million assigned to specific types of expenditures, which include cemetery perpetual care and the public library. Unassigned fund balance is \$162.6 million and can be used for any lawful purpose.

Graph 2

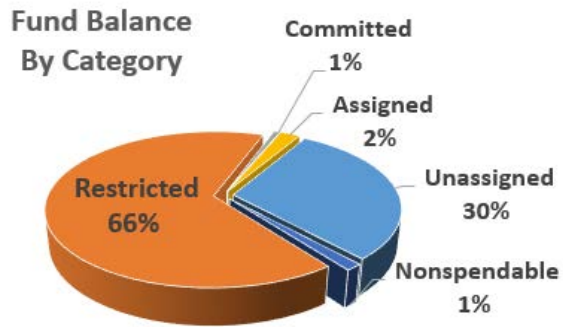


Table 4 describes the fund balance categories and provides the amounts associated with each.
Table 4

Fund Balance Categories

	<u>2023</u>
Nonspendable - Amounts that cannot be spent because they are not in spendable form or for which there are obligations to keep the amounts intact.	\$ 8,034,905
Restricted - Amounts that are restricted for specific purposes by federal or state law, or contractual obligations.	358,979,065
Committed - Amounts that can only be used for specific purposes enumerated in City Council ordinances related to the levying or earmarking of specific revenue sources.	3,856,778
Assigned - Amounts based on the City’s intent to use them for certain purposes, including positive fund balances of the entities managed by City Council-appointed boards.	12,360,659
Unassigned - Amounts that cannot be classified otherwise, including certain fund balances of the Board-managed entities and the 11.5% contingency reserve of the General Fund.	162,644,028
	<u>\$ 545,875,435</u>

Of all the Governmental Funds, the General Fund is the City’s chief operating fund; it accounts for almost all the departmental operations of the City. The fund balance of the City’s General Fund increased by \$11.6 million during the current fiscal year to \$171.0 million at year-end, which includes a \$164.1 million unassigned fund balance. The increase of the fund balance from the prior year contains some significant changes in components as noted below:

- ❖ Under Revenue the “Taxes” title includes many tax types, the largest of which is Sales and Use Taxes. These taxes fund close to half of all governmental functions. Increasing by \$13.3 million or 7.9% to \$181.2 million in the General Fund (GF) it remains a major contributor to the stability of City resources. Another important contributor to the GF under the title “Taxes” is Property Tax (6.5 Mills) which increased \$3.8 million or 16.7% to \$26.2 million. Most tax streams in the line item increased which carried the majority of the rise in revenues in the GF overall.
- ❖ Interest revenues increased by \$4.2 million. The City restructured banking relationships to move available cash balances into high interest earning accounts to take advantage of the current market.
- ❖ Expenditures increased by \$32.6 million or 14.2%. Salary adjustments were made mid-year in FY22 to increase the starting pay for Police and Fire. These adjustments were made in order to be competitive in our local market. The full year impact of these adjustments can be seen in the increased expenditures in public safety, \$19.5 million over the prior year.

The Grants Fund accounts for large federal grants received by the City. Included for this fiscal year are the Federal Transit Authority funding for Huntsville’s public transit system along with the Public Transit Station Grant, Community Development Block Grant Funds and Choice Housing Grant (managed by the Community Development Department), American Rescue Plan Act (ARPA) funding, and Opioid settlement funds. At the fiscal year end, the total fund balance was \$11.5 million, the majority of which is restricted by state or federal law for use specified by the applicable grant documents. This fund saw an increase in revenues and expenditures of approximately \$38 million as grant funds (mainly ARPA) were spent down, and revenues were realized. As a result of these and other transactions, cash and unearned revenue decreased by \$16.9 million and \$15 million respectively, as the grant funds were spent.

The Capital Improvement Fund encompasses both the 1990 and 2014 Capital Plans. At the end of the fiscal year the total fund balance was \$175.5 million, all of which is restricted. The balance increased by \$29.9 million mainly due to growth in Sales and Use taxes of 6.7%, or \$6.8 million over the prior year. Capital expenditures, including fleet as well as building and infrastructure, totaled over \$101.5 million, an increase of 9% from the prior year. Due to better-than-expected tax revenues and conservative spending, this fund saw the overall increase to the fund balance.

The Capital Projects fund grew to \$97.2 million this year, becoming a major fund. This is due to the additional proceeds from debt borrows 2023A, 2023B and 2023D and 2023E. More information about these borrowings can be found in the Long-Term Debt Note 8 found in the Notes to the Financial Statement section of this document.

The Debt Service Fund accounts for a large portion of principal and interest payments on long-term debt, made by the City. Through transfers made by other funds, the amounts are allocated to appropriate cost centers across the City. Ending fund balance remains negligible at \$12,943, which is restricted for payment of debt service.

Proprietary funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The net position of the enterprise funds increased \$27.3 million or 7.0% in 2023 to \$415.1 million.

The Water Pollution Control (Sewer service) net position increased by \$14.2 million to \$317.6 million; operating revenues increased by 7.1%, or \$3.2 million to \$48.3 million, due to growth in the system which is directly attributable to the population growth. Operating expenses decreased by \$550 thousand representing a decrease in personnel costs and supplies. This produced an operating income of \$8.8 million for the fiscal year. Nonoperating costs including debt issuance fees and interest, offset by interest income and intergovernmental grants, totaled \$1.0 million, producing an income before contributions and transfers of \$7.8 million. The City contributed capital funding for extended sewer lines related to economic development projects totaling \$6.4 million, which rounds out the total increase in net position.

Sanitation (Residential waste removal service) was moved from the general fund to an enterprise fund at the beginning of fiscal year 2022. As the enterprise continues to add appropriate expenses attributable to the service provided, the true cost of services can be understood in comparative statements. Charges for services increased by 1.4% to \$14.3 million due to increased customer accounts. As population and city limits continue to grow, the demand for services will increase as evidenced by the change in operational expenses of \$2.2 million or 14.0% to \$18.3 million. The increase is due almost entirely to personnel and operating expenses associated with 2 additional crews added to service the expanding number of households. Net loss of \$4.0 million is covered by operational and capital transfers from the General and Capital Improvement (1990 Capital Plan) Funds creating an overall increase in net position of \$1.1 million. This improved the net position to the current deficit of \$3.8 million.

The Von Braun Center (VBC) Fund net position increased by \$10.6 million. While operational revenue increased dramatically to \$17.1 million rising \$3.7 million or 27.5% over the prior year, associated expenses increased by \$3.2 million or 17.0% to \$21.9 million. The resulting loss is covered by operating and capital transfers in from the City of \$15.1 million. This transfer covers current approved capital construction and renovation as well as revenue true-up from the taxes appropriated to the VBC. This overall increase of \$10.6 million brings net position to \$99.3 million.

General Fund Budgetary Highlights

The final General Fund fiscal year 2023 budget projected \$288.0 million in revenues. Actual revenues totaled \$309.4 million or \$21.4 million over budget. A key component to the increase was sales and use taxes at \$11.0 million over final budget due to a continued rise in consumer spending through fiscal year 2023. Final appropriations were approved for \$280.7 million in expenditures. During the current year, the actual expenditures were \$263.1 million, which was \$17.6 million under the final budget. Labor shortages resulted in lower than anticipated personnel expenditures, which made up most of the savings.

Actual amounts in the General Fund resulted in an increase of \$11.3 million, bringing the ending fund balance to \$162.2 million. This variance was mainly the result of better-than-expected revenue collections and savings in departmental personnel spending.

The comparative statement for the General Fund is reconciled to the Governmental General Fund presented in the Required Financial Statements. A reconciliation is presented on the last page of the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual to reconcile actual balances for budget presentation to actual balances included on the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Fund (General Fund).

Capital Asset and Debt Administration

Capital Assets

A summary of the City's capital assets is as follows:

Table 5

	City of Huntsville's Capital Assets (net of accumulated depreciation)					
	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 158,342,049	\$ 148,444,668	\$ 8,014,522	\$ 8,014,522	\$ 166,356,571	\$ 156,459,190
Construction -in-progress	149,809,756	138,276,130	39,167,953	17,543,998	188,977,709	155,820,128
Land improvements	119,544,096	64,253,027	-	-	119,544,096	64,253,027
Buildings and improvements	344,692,130	308,146,165	389,072,177	376,937,994	733,764,307	685,084,159
Infrastructure	797,626,452	799,713,639	-	-	797,626,452	799,713,639
Other	67,883,038	40,431,093	16,620,081	11,963,773	84,503,119	52,394,866
Lease Assets	1,339,712	1,366,815	491,886	568,293	1,831,598	1,935,108
Subscription Assets	5,057,939	-	46,825	-	5,104,764	-
	<u>\$ 1,644,295,172</u>	<u>\$ 1,500,631,537</u>	<u>\$453,413,444</u>	<u>\$415,028,580</u>	<u>\$ 2,097,708,616</u>	<u>\$ 1,915,660,117</u>

Note: For year over year consistency, Table 5 does not include the restated ending SBITA balances in FY22.

The City's capital assets for governmental and business-type activities as of September 30, 2023, totals \$2.1 billion (net of accumulated depreciation). This includes land, buildings, improvements, machinery and equipment, park facilities, roads, curbs and gutters, streets and sidewalks, greenways, drainage, and sewer systems. Total capital assets increased \$182.0 million in fiscal year 2023, including \$258.7 million of additions less \$72.2 million of depreciation. Leased assets added this year were \$850 thousand, net of amortization.

Subscription Assets added this year were \$3.6 million, net of amortization. This year the City implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. Beginning Net Position was adjusted as a part of this implementation. More information on the adjustment is available in Note 16, Restatement as a part of the Notes to the Financial Statements.

The largest capital acquisitions during the year were as follows:

Table 6

Largest Capital Asset Additions	
Fiscal Year 2023	Amount Capitalized
New City Hall <i>Construction in progress</i>	\$ 66,385,322
Public Safety Campus PH 2 <i>Construction in progress</i>	\$ 14,007,189
Greenbrier Road PH 5 <i>Infrastructure - Streets</i>	\$ 10,802,821
JHP Championship Soccer <i>Construction in progress</i>	\$ 9,484,491
Construction New Transit Facility <i>Construction in progress</i>	\$ 8,124,983
Land Purchase (TARCOG Building) <i>Land Purchase</i>	\$ 8,016,524
Urban Renewal Plan (CRP East) <i>Construction in progress</i>	\$ 5,054,133

More information on capital assets for the City of Huntsville can be found in the Notes to the Financial Statements under Note 5 - Capital Assets, Note 6 - Lease Assets and Note 7 - Subscription Assets.

Debt

At year-end, the City had \$1.1 billion in bonds, notes and warrants outstanding as compared to \$907.5 million at the end of the prior fiscal year, an increase of \$147.2 million or 16.2%.

Table 7

	Outstanding Debt at Year-End					
	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
General Obligation Warrants	\$ 730,928,152	\$ 613,473,962	\$ 72,112,177	\$ 31,900,079	\$ 803,040,329	\$ 645,374,041
Revenue Warrants	102,966,111	109,006,059	1,115,000	1,220,000	104,081,111	110,226,059
Lease Revenue Bonds	147,555,000	151,870,000	-	-	147,555,000	151,870,000
Lease Liabilities	1,363,443	1,384,224	498,431	571,889	1,861,874	1,956,113
Subscription Liabilities	4,755,654	-	37,968	-	4,793,622	-
	<u>\$ 987,568,360</u>	<u>\$ 875,734,245</u>	<u>\$ 73,763,576</u>	<u>\$ 33,691,968</u>	<u>\$ 1,061,331,936</u>	<u>\$ 909,426,213</u>

Note: For year over year consistency, Table 7 does not include the restated ending SBITA balances in FY22.

On November 17, 2022, the City issued its \$16,574,000 General Obligation Warrant. This warrant was used to refund portion of the Series 2010 A and 2010 B EUL. Per the EUL agreement, the City is required to redeem the outstanding balance, plus accrued interest, of any EUL warrant to the extent that TIF 5 tax revenue is sufficient to cover debt payments, as defined by a formula in the EUL agreement. This issuance is the third warrant the City has issued for the EUL for a total outstanding balance at year-end of \$27,519,000. TIF 5 expires in March of 2045.

On March 2, 2023, the City issued its 2023 ABCD warrants for a total par value of \$183,655,000. The warrants issued for 2023 A and B were issued for public capital improvements of the City. Series 2023 C was issued for capital improvements of the sanitary sewer system, including the expansion of the Western Area Wastewater Treatment Plant. Series 2023 D was issued for capital improvements for the Huntsville City School System, including the construction of a new central office facility.

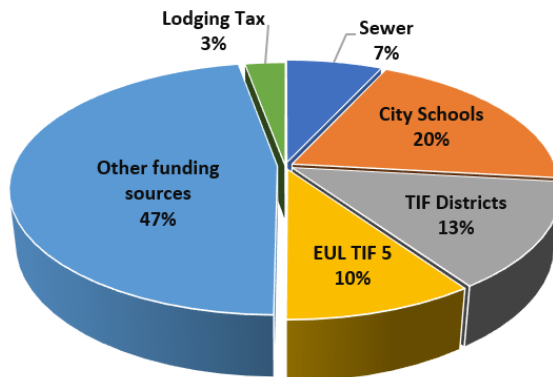
On June 1, 2023, the City acquired its Series 2020 A General Obligation Warrants, maturing September 1, 2031 and September 1, 2032. The City received this opportunity due to the entity who held those maturities going bankrupt, and the maturities were put out on the market at a discounted price. The City bought the maturities for \$5,527,781, which was \$1.2 million dollars less than their actual maturity payments. This \$1.3 million dollar gain is recorded as a gain on forgiveness in the financials. The aggregate cash flow savings related to this transaction was \$2.0 million.

On August 16, 2023, the City issued its \$11,000,0000 General Obligation Warrant to fund capital improvements to the North Hall and Playhouse facilities at the Von Braun Center.

Although much of the City’s debt is issued as General Obligation, considerable amounts of debt service and outstanding amounts have dedicated revenue sources. As shown in Graph 3, these sources include ad valorem taxes, which are separated and accounted for to pay debt service (principal and interest) of

Graph 3

Debt Outstanding - Funding Source



capital projects for Huntsville City Schools and TIF districts. Lodging Taxes are set aside to pay for the debt service of City owned entertainment venues, such as the Von Braun Center. Sewer charges and fees pay debt service associated with expansion and repair of the Water Pollution Control plant and intake system.

The City’s general obligation bond rating by Moody’s Investors Service, Inc. and Standard & Poor’s Corporation is Aaa and AAA, respectively.

Other than debt paid from proprietary fund revenue sources (e.g. sewer debt and revenue bonds), State of Alabama law limits the amount of general obligation debt cities can issue for purposes other than schools and drainage systems to 20% of the assessed value of real and personal property. As of September 30, 2023, the City's allocable debt outstanding was \$628.9 million less than the legal debt limit.

Additional information regarding the City’s long-term debt can be found in Note 8 accompanying these financial statements.

2024 Budget

The 2020 census placed Huntsville as the largest city in Alabama with a population over 215,000. With the current population at 235,204 the City continues its growth trend. The fiscal year 2024 budget reflects the growth in tax base, inflationary pressures and the demands from our community on City services. Trends showed sustained underlying growth in revenues, which were conservatively represented in the 2024 budget. The City also adopted a cost-of-living increase of 2.5% for employees. Other operating costs were conservatively budgeted with reasonable increases from the prior year.

The 2024 General Fund budget was adopted with \$312.8 million in projected revenues and expenditures. Huntsville's economic growth and continued expansion in the housing and commercial building markets should keep revenues growing at a sound pace. The fiscal year 2024 budget is designed to meet the expectations of a fast-paced progressive City with enough flexibility to react to economic uncertainties including, but not limited to labor shortages, supply chain disruptions, and inflation.

Request for Information

This financial report is designed with a general overview of the City's finances and to demonstrate accountability for the money it receives from taxpayers, customers, and creditors. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, P.O. Box 308, Huntsville, Alabama 35804, by calling (256) 427-5080, or by sending an email to HsvFinance@huntsvilleal.gov. This report and other City financial information is available on the City's website at www.huntsvilleal.gov/finance.



CITY OF HUNTSVILLE, ALABAMA

STATEMENT OF NET POSITION AS OF SEPTEMBER 30, 2023

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 403,606,467	\$ 55,290,276	\$ 458,896,743	\$ 92,834,399
Investments	122,587,152	22,817,388	145,404,540	30,592,958
Restricted Assets				
Cash and Cash Equivalents	1,616	-	1,616	21,033,309
Investments	-	-	-	34,566,101
Receivables (net of allowances for uncollectibles)	89,128,720	7,716,955	96,845,675	71,105,028
Other assets	-	-	-	7,220,268
Due from other governments	11,328,534	-	11,328,534	-
Prepaid Items	5,354,214	564,202	5,918,416	92,674
Inventories	677,810	1,623,189	2,300,999	32,856,699
Total Current Assets	<u>632,684,513</u>	<u>88,012,010</u>	<u>720,696,523</u>	<u>290,301,436</u>
Noncurrent Assets				
Restricted Assets				
Cash and Cash Equivalents	-	2,002,584	2,002,584	47,941,815
Investments	-	-	-	7,321,563
Capital contribution receivable	-	-	-	4,153,610
Other assets	-	4,195	4,195	799,614
Lease receivable	-	38,956	38,956	137,544,406
Land held for resale	24,403,515	-	24,403,515	-
Capital Assets				
Nondepreciable assets	308,151,805	47,182,475	355,334,280	79,001,053
Capital Assets, net of accumulated depreciation and amortization	<u>1,336,143,367</u>	<u>406,230,969</u>	<u>1,742,374,336</u>	<u>820,244,123</u>
Total Capital Assets, net	<u>1,644,295,172</u>	<u>453,413,444</u>	<u>2,097,708,616</u>	<u>899,245,176</u>
Total Noncurrent Assets	<u>1,668,698,687</u>	<u>455,459,179</u>	<u>2,124,157,866</u>	<u>1,097,006,184</u>
Total Assets	<u>2,301,383,200</u>	<u>543,471,189</u>	<u>2,844,854,389</u>	<u>1,387,307,620</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pension	94,887,094	12,236,115	107,123,209	41,396,920
Deferred outflows from OPEB	15,272,708	1,510,558	16,783,266	7,265,021
Deferred loss on debt refunding	10,462,054	218,645	10,680,699	4,730,810
Excess consideration provided for acquisition	-	-	-	4,459,389
Total Deferred Outflows of Resources	<u>120,621,856</u>	<u>13,965,318</u>	<u>134,587,174</u>	<u>57,852,140</u>

CITY OF HUNTSVILLE, ALABAMA

STATEMENT OF NET POSITION

AS OF SEPTEMBER 30, 2023

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 26,671,670	\$ 6,865,696	\$ 33,537,366	\$ 57,580,144
Accrued liabilities	10,804,526	2,113,126	12,917,652	11,214,200
Retainage payable	6,553,236	1,025,562	7,578,798	-
Other payables	1,332,112	36,487	1,368,599	6,708,636
Unearned Revenue	15,481,755	6,167,269	21,649,024	-
Interest payable	16,835,428	-	16,835,428	2,044,017
Current portion of long-term liabilities	57,663,842	6,831,554	64,495,396	22,176,415
Total Current Liabilities	135,342,569	23,039,694	158,382,263	99,723,412
Noncurrent Liabilities				
Net pension liability	279,860,185	34,589,462	314,449,647	120,642,400
Net OPEB liability	59,866,311	5,921,121	65,787,432	37,280,684
Long-term liability - Due in more than one year, net	1,069,475,396	77,101,716	1,146,577,112	229,409,783
Total Noncurrent Liabilities	1,409,201,892	117,612,299	1,526,814,191	387,332,867
Total Liabilities	1,544,544,461	140,651,993	1,685,196,454	487,056,279
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pension	161,514	19,961	181,475	974,617
Deferred inflows from OPEB	16,178,583	1,600,155	17,778,738	8,992,306
Deferred inflows from leases	42,141,213	38,835	42,180,048	135,473,618
Total Deferred Inflows of Resources	58,481,310	1,658,951	60,140,261	145,440,541
NET POSITION				
Net Investment in Capital Assets	1,020,697,968	396,163,618	1,416,861,586	710,010,040
Restricted for:				
Capital projects	185,155,510	-	185,155,510	-
General grants	11,965,796	-	11,965,796	-
Debt service	28,787,279	-	28,787,279	-
Culture and tourism	19,314,670	-	19,314,670	-
Public safety	2,246,665	-	2,246,665	-
Public service	157,870	6,560	164,430	-
Streets and highways	2,495,209	-	2,495,209	-
School support	811,327	-	811,327	-
Other	-	-	-	12,065,158
Unrestricted	(452,653,009)	18,955,385	(433,697,624)	90,587,742
Total Net Position	\$ 818,979,285	\$ 415,125,563	\$ 1,234,104,848	\$ 812,662,940

CITY OF HUNTSVILLE, ALABAMA

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2023

FUNCTIONS / PROGRAMS	Program Revenues				Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary Government								
Governmental Activities								
General government	\$ 84,932,962	\$ 34,878,772	\$ 2,656,513	\$ 3,317	\$ (47,394,360)	\$ -	\$ (47,394,360)	
Public safety	146,502,727	-	5,284,993	-	(141,217,734)	-	(141,217,734)	
Public services	132,620,177	11,458,894	15,141,252	9,222,026	(96,798,005)	-	(96,798,005)	
Urban development	106,356,819	14,059,708	-	40,237,136	(52,059,975)	-	(52,059,975)	
Interest on long-term debt	38,805,895	-	-	-	(38,805,895)	-	(38,805,895)	
Total Governmental Activities	<u>509,218,580</u>	<u>60,397,374</u>	<u>23,082,758</u>	<u>49,462,479</u>	<u>(376,275,969)</u>	<u>-</u>	<u>(376,275,969)</u>	
Business-Type Activities								
Water pollution control fund	41,396,798	48,254,242	191,909	-	-	7,049,353	7,049,353	
Sanitation fund	18,254,100	14,300,386	-	-	-	(3,953,714)	(3,953,714)	
Von Braun Center fund	21,873,218	17,072,122	-	-	-	(4,801,096)	(4,801,096)	
Municipal Iceplex	1,920,028	1,965,435	-	-	-	45,407	45,407	
Amphitheater	3,134,092	780,140	-	-	-	(2,353,952)	(2,353,952)	
Total Business-Type Activities	<u>86,578,236</u>	<u>82,372,325</u>	<u>191,909</u>	<u>-</u>	<u>-</u>	<u>(4,014,002)</u>	<u>(4,014,002)</u>	
Total Primary Government	<u>\$ 595,796,816</u>	<u>\$ 142,769,699</u>	<u>\$ 23,274,667</u>	<u>\$ 49,462,479</u>	<u>\$ (376,275,969)</u>	<u>\$ (4,014,002)</u>	<u>\$ (380,289,971)</u>	
Component Units								
All component units	\$ 692,169,706	\$ 723,968,118	\$ -	\$ 7,476,501				\$ 39,274,913
Total Component Units	<u>\$ 692,169,706</u>	<u>\$ 723,968,118</u>	<u>\$ -</u>	<u>\$ 7,476,501</u>				<u>\$ 39,274,913</u>

CITY OF HUNTSVILLE, ALABAMA

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Expenses	Program Revenues			Changes in Net Position			Component Units
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
				Governmental Activities	Business-Type Activities	Total	
General Revenues							
Taxes							
Sales and use tax				\$ 325,482,003	\$ -	\$ 325,482,003	\$ -
Property tax				107,999,976	-	107,999,976	-
Payments in lieu of taxes				22,380,421	-	22,380,421	-
Alcohol taxes				8,773,186	-	8,773,186	-
Lodging taxes				19,554,483	-	19,554,483	-
Gas taxes				6,673,247	-	6,673,247	-
Other taxes				10,555,426	-	10,555,426	2,198,412
Gain on disposal of capital assets				-	-	-	50,364
Investment earnings				12,915,912	1,196,950	14,112,862	10,025,905
Gain on forgiveness				1,167,219	-	1,167,219	-
Other income				3,126,390	294,998	3,421,388	4,521,324
Transfers				(29,860,572)	29,860,572	-	-
Total General Revenues and Transfers				<u>488,767,691</u>	<u>31,352,520</u>	<u>520,120,211</u>	<u>16,796,005</u>
Change in Net Position				112,491,722	27,338,518	139,830,240	56,070,918
Net Position, Beginning of Year, Restated				<u>706,487,563</u>	<u>387,787,045</u>	<u>1,094,274,608</u>	<u>756,592,022</u>
Net Position, End of Year				<u>\$ 818,979,285</u>	<u>\$ 415,125,563</u>	<u>\$ 1,234,104,848</u>	<u>\$ 812,662,940</u>

CITY OF HUNTSVILLE, ALABAMA

BALANCE SHEET GOVERNMENTAL FUNDS - SEPTEMBER 30, 2023

	General Fund	Grants Fund	Capital Improvements Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Current Assets							
Cash and cash equivalents	\$ 141,941,068	\$ 20,602,602	\$ 151,812,708	\$ 16,039,974	\$ 12,943	\$ 73,197,172	\$ 403,606,467
Investments	17,063,272	-	-	88,276,382	-	17,247,498	122,587,152
Restricted cash	-	-	1,616	-	-	-	1,616
Receivables, net							
Accounts	25,277,857	2,049,791	9,547,709	32,381	-	6,660,849	43,568,587
Leases	16,587,493	-	25,675,442	-	-	34,983	42,297,918
Notes	-	3,262,215	-	-	-	-	3,262,215
Due from other governments	356,149	5,269,616	5,416,199	-	-	286,570	11,328,534
Due from other funds	715,081	-	-	-	-	-	715,081
Advance to other funds	1,185,174	-	-	-	-	-	1,185,174
Prepaid items	2,319,585	113,078	-	-	-	2,921,551	5,354,214
Inventories	586,517	-	-	-	-	91,293	677,810
Total Current Assets	<u>206,032,196</u>	<u>31,297,302</u>	<u>192,453,674</u>	<u>104,348,737</u>	<u>12,943</u>	<u>100,439,916</u>	<u>634,584,768</u>
Noncurrent Assets							
Land held for resale	-	-	24,403,515	-	-	-	24,403,515
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>24,403,515</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,403,515</u>
Total assets	<u>\$ 206,032,196</u>	<u>\$ 31,297,302</u>	<u>\$ 216,857,189</u>	<u>\$ 104,348,737</u>	<u>\$ 12,943</u>	<u>\$ 100,439,916</u>	<u>\$ 658,988,283</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE							
Liabilities							
Accounts payable	\$ 6,483,887	\$ 2,467,366	\$ 8,019,161	\$ 5,376,762	\$ -	\$ 4,324,494	\$ 26,671,670
Accrued liabilities	10,074,121	232,740	-	-	-	497,665	10,804,526
Retainage payable	250	597,640	1,786,852	1,753,840	-	2,414,654	6,553,236
Unearned revenue	18,305	14,604,534	275,000	-	-	583,916	15,481,755
Due to other funds	-	-	-	-	-	715,081	715,081
Advance from other funds	-	-	-	-	-	1,185,174	1,185,174
Other payables	1,332,112	-	-	-	-	-	1,332,112
Total liabilities	<u>17,908,675</u>	<u>17,902,280</u>	<u>10,081,013</u>	<u>7,130,602</u>	<u>-</u>	<u>9,720,984</u>	<u>62,743,554</u>
Deferred Inflows of Resources							
Unavailable revenue - taxes	971,929	-	-	-	-	-	971,929
Unavailable revenue - int'gov	-	1,913,788	5,326,826	-	-	15,538	7,256,152
Deferred leases	16,164,963	-	25,942,369	-	-	33,881	42,141,213
Total deferred inflows of resources	<u>17,136,892</u>	<u>1,913,788</u>	<u>31,269,195</u>	<u>-</u>	<u>-</u>	<u>49,419</u>	<u>50,369,294</u>
Fund Balance							
Nonspendable	4,513,806	113,078	-	-	-	3,408,021	8,034,905
Restricted	-	11,368,156	175,506,981	97,218,135	12,943	74,872,850	358,979,065
Committed	-	-	-	-	-	3,856,778	3,856,778
Assigned	2,420,988	-	-	-	-	9,939,671	12,360,659
Unassigned	164,051,835	-	-	-	-	(1,407,807)	162,644,028
Total fund balances	<u>170,986,629</u>	<u>11,481,234</u>	<u>175,506,981</u>	<u>97,218,135</u>	<u>12,943</u>	<u>90,669,513</u>	<u>545,875,435</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 206,032,196</u>	<u>\$ 31,297,302</u>	<u>\$ 216,857,189</u>	<u>\$ 104,348,737</u>	<u>\$ 12,943</u>	<u>\$ 100,439,916</u>	<u>\$ 658,988,283</u>

CITY OF HUNTSVILLE, ALABAMA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION -
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

Amounts reported for governmental activities in the statement of net position are different because:	
Fund balance of governmental funds	\$ 545,875,435
Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds.	1,644,295,172
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.	8,228,081
Deferred outflows and inflows of resources as well as the net pension and OPEB liability related to the City's pension and OPEB plan are not expected to be liquidated with expendable, available financial resources, and, therefore, are not reported in the governmental funds.	
Deferred outflows related to the City's pension plan	\$ 94,887,094
Deferred inflows related to the City's pension plan	(161,514)
Deferred outflows related to the City's OPEB plan	15,272,708
Deferred inflows related to the City's OPEB plan	(16,178,583)
Net pension liability	(279,860,185)
OPEB liability	(59,866,311)
	<u>(245,906,791)</u>
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Bonds and warrants payable	\$ (981,449,263)
Plus unamortized bond issuance premiums	(89,013,715)
Subscription payable	(4,755,654)
Lease payable	(1,363,443)
Accrued interest payable	(16,835,428)
Deferred charges on refunding	10,462,054
Claims and judgements	(15,210,263)
Compensated absences	(35,346,900)
	<u>(1,133,512,612)</u>
Net position of governmental activities	<u>\$ 818,979,285</u>

CITY OF HUNTSVILLE, ALABAMA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	General Fund	Grants Fund	Capital Improvements Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 243,911,618	\$ -	\$ 108,401,164	\$ -	\$ -	\$ 149,202,785	\$ 501,515,567
Licenses and permits	43,051,868	-	-	-	-	-	43,051,868
Fines and forfeitures	2,290,763	66,491	-	-	-	1,540,088	3,897,342
Charges for services	11,715,473	567,199	114,720	-	-	834,510	13,231,902
Intergovernmental	1,313,166	52,272,338	3,001,916	-	-	5,774,599	62,362,019
Interest	4,688,544	471,904	2,428,806	2,360,438	10,431	2,955,789	12,915,912
Miscellaneous revenues	2,898,085	341,034	3,379,755	-	-	2,343,513	8,962,387
Total Revenues	<u>309,869,517</u>	<u>53,718,966</u>	<u>117,326,361</u>	<u>2,360,438</u>	<u>10,431</u>	<u>162,651,284</u>	<u>645,936,997</u>
EXPENDITURES							
Current:							
General government	50,900,105	17,686,608	365	112	-	42,712	68,629,902
Public safety	125,243,066	-	-	-	-	1,673,576	126,916,642
Public services	64,689,868	27,517,869	19,938,002	5,267,297	-	24,347,102	141,760,138
Urban development	18,284,468	11,110,386	112,444	-	-	5,046,430	34,553,728
Intergovernmental assist.	-	904,229	-	-	-	35,653,029	36,557,258
Capital Outlay	-	146,945	79,215,587	62,587,812	-	54,125,568	196,075,912
Debt Service							
Principal	2,717,383	107,866	-	-	47,031,276	19,012,264	68,868,789
Interest and fiscal charges	44,615	8,111	2,236,597	-	25,757,951	11,941,055	39,988,329
Issuance costs	-	-	-	805,341	-	80,500	885,841
Total Expenditures	<u>261,879,505</u>	<u>57,482,014</u>	<u>101,502,995</u>	<u>68,660,562</u>	<u>72,789,227</u>	<u>151,922,236</u>	<u>714,236,539</u>
Excess (deficiency) of revenues over expenditures	47,990,012	(3,763,048)	15,823,366	(66,300,124)	(72,778,796)	10,729,048	(68,299,542)
OTHER FINANCING SOURCES (USES)							
Proceeds from sale of capital assets	66,994	-	2,030,603	-	-	1,095,001	3,192,598
Debt issuance	-	-	-	150,050,000	-	17,427,258	167,477,258
Premiums from bonds	-	-	-	16,712,054	-	-	16,712,054
Transfers in	474,742	4,815,678	31,559,008	93,090	72,778,796	21,716,546	131,437,860
Transfers out	(42,661,537)	-	(19,535,084)	(443,219)	-	(80,572,822)	(143,212,662)
Issuance of subscription payable	5,164,271	-	-	-	-	-	5,164,271
Issuance of leases payable	604,881	272,898	-	-	-	-	877,779
Total Other Financing Sources (Uses)	<u>(36,350,649)</u>	<u>5,088,576</u>	<u>14,054,527</u>	<u>166,411,925</u>	<u>72,778,796</u>	<u>(40,334,017)</u>	<u>181,649,158</u>
Net Change in Fund Balances	11,639,363	1,325,528	29,877,893	100,111,801	-	(29,604,969)	113,349,616
Fund Balances, Beginning of Year	159,347,266	10,155,706	145,629,088	(2,893,666)	12,943	120,274,482	432,525,819
Fund Balances, End of Year	<u>\$ 170,986,629</u>	<u>\$ 11,481,234</u>	<u>\$ 175,506,981</u>	<u>\$ 97,218,135</u>	<u>\$ 12,943</u>	<u>\$ 90,669,513</u>	<u>\$ 545,875,435</u>

CITY OF HUNTSVILLE, ALABAMA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Net change in Fund Balances - Total Governmental Funds \$ 113,349,616

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	\$ 205,676,263	
Depreciation/amortization expense	<u>(57,933,735)</u>	147,742,528

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, disposals, and donations) is to decrease net position. These are the net disposals of assets.

(5,638,611)

Revenues are reported in the funds when there is an established claim to the resources and the resources are available to finance current expenditures. Revenues are reported in the statement of activities when there is an established claim with no availability criterion. The funds report revenue unavailable in prior period as current year revenue.

4,466,658

The issuance of long-term debt (e.g., warrants, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This adjustment is the net effect of the differences in the treatment of long-term debt and related items.

Debt issued:

Lease agreements initiated	\$ (877,779)	
Subscription arrangements initiated	(5,164,271)	
Warrants issued	(166,624,000)	
Premium on warrants issued	(16,712,054)	
Installment notes	(853,258)	
Compounded interest rolled into installment notes	(6,811,677)	

Debt payments made:

Warrant payments	46,789,810	
Redemption of debt	20,399,883	
Subscription payments	1,947,755	
Lease payments	<u>898,560</u>	(127,007,031)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net of these:

Post-employment benefits other than pensions	\$ 342,407	
Pension	(15,218,577)	
Compensated absences	(4,832,800)	
Amortization of debt premium	10,167,873	
Change in claims payable	(9,592,420)	
Amortization of gain/loss on refunding	(1,452,994)	
Accrued interest payable	<u>165,073</u>	<u>(20,421,438)</u>

Change in net position of governmental activities \$ 112,491,722

CITY OF HUNTSVILLE, ALABAMA

STATEMENT OF NET POSITION -

PROPRIETARY FUNDS

SEPTEMBER 30, 2023

	Water Pollution Control Fund	Sanitation Fund	Von Braun Center Fund	Nonmajor Proprietary Funds	Total Business-Type Activity Funds
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 42,040,907	\$ 1,270,538	\$ 11,201,887	\$ 776,944	\$ 55,290,276
Investments	22,817,388	-	-	-	22,817,388
Accounts receivable (net of allowance for uncollectibles)	3,951,595	1,188,664	2,395,729	180,967	7,716,955
Inventory	1,245,712	-	359,363	18,114	1,623,189
Prepaid items	11,906	1,778	547,842	2,676	564,202
Total Current Assets	<u>70,067,508</u>	<u>2,460,980</u>	<u>14,504,821</u>	<u>978,701</u>	<u>88,012,010</u>
Noncurrent Assets					
Restricted cash	-	-	2,000,000	2,584	2,002,584
Other assets	-	-	-	4,195	4,195
Lease receivable	2,978	-	-	35,978	38,956
Capital Assets					
Nondepreciable	28,686,270	-	18,496,205	-	47,182,475
Buildings and improvements	611,061,455	15,281,822	131,976,721	4,472,639	762,792,637
Less: Accumulated depreciation/amortization	(292,520,490)	(8,533,458)	(52,410,666)	(3,097,054)	(356,561,668)
Total Capital Assets, net	<u>347,227,235</u>	<u>6,748,364</u>	<u>98,062,260</u>	<u>1,375,585</u>	<u>453,413,444</u>
Total Noncurrent Assets	<u>347,230,213</u>	<u>6,748,364</u>	<u>100,062,260</u>	<u>1,418,342</u>	<u>455,459,179</u>
Total Assets	<u>417,297,721</u>	<u>9,209,344</u>	<u>114,567,081</u>	<u>2,397,043</u>	<u>543,471,189</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows from pension	4,353,876	4,345,914	3,536,325	-	12,236,115
Deferred outflows from OPEB	758,493	752,065	-	-	1,510,558
Deferred loss on debt refunding	218,645	-	-	-	218,645
Total Deferred Outflows of Resources	<u>5,331,014</u>	<u>5,097,979</u>	<u>3,536,325</u>	<u>-</u>	<u>13,965,318</u>
LIABILITIES					
Current Liabilities					
Accounts payable	4,398,739	414,243	1,874,229	178,485	6,865,696
Accrued liabilities	1,034,645	264,001	791,747	22,733	2,113,126
Accrued payroll liabilities	-	-	-	36,487	36,487
Retainage payable	1,025,562	-	-	-	1,025,562
Unearned revenue	-	-	6,045,476	121,793	6,167,269
Current portion of lease liability	70,005	-	-	3,291	73,296
Current portion of subscription-based liability	-	-	18,568	-	18,568
Current portion of revenue warrants payable	110,000	-	-	-	110,000
Current portion of general obligation warrants payable	5,919,116	-	-	-	5,919,116
Compensated absences	133,650	113,270	453,210	10,444	710,574
Total Current Liabilities	<u>12,691,717</u>	<u>791,514</u>	<u>9,183,230</u>	<u>373,233</u>	<u>23,039,694</u>
Noncurrent Liabilities					
Revenue warrants payable	1,005,000	-	-	-	1,005,000
General obligation warrants payable, net	73,314,759	-	-	-	73,314,759
Compensated absences	1,202,850	1,019,430	115,142	-	2,337,422
OPEB liability	2,973,159	2,947,962	-	-	5,921,121
Lease liability	420,869	-	-	4,266	425,135
Subscription liability	-	-	19,400	-	19,400
Net pension liability	12,577,986	12,577,986	9,433,490	-	34,589,462
Total Noncurrent Liabilities	<u>91,494,623</u>	<u>16,545,378</u>	<u>9,568,032</u>	<u>4,266</u>	<u>117,612,299</u>
Total Liabilities	<u>104,186,340</u>	<u>17,336,892</u>	<u>18,751,262</u>	<u>377,499</u>	<u>140,651,993</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows from pension	7,259	7,259	5,443	-	19,961
Deferred inflows from OPEB	803,482	796,673	-	-	1,600,155
Deferred inflows from leases	2,857	-	-	35,978	38,835
Total Deferred Inflows of Resources	<u>813,598</u>	<u>803,932</u>	<u>5,443</u>	<u>35,978</u>	<u>1,658,951</u>
NET POSITION					
Net investment in capital assets	290,437,177	6,334,121	98,024,292	1,368,028	396,163,618
Restricted	-	-	-	6,560	6,560
Unrestricted	27,191,620	(10,167,622)	1,322,409	608,978	18,955,385
Total Net Position	<u>\$ 317,628,797</u>	<u>\$ (3,833,501)</u>	<u>\$ 99,346,701</u>	<u>\$ 1,983,566</u>	<u>\$ 415,125,563</u>

CITY OF HUNTSVILLE, ALABAMA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Water Pollution Control Fund	Sanitation Fund	Von Braun Center Fund	Nonmajor Proprietary Funds	Total Business-Type Activity Funds
Operating Revenues					
Charges for services	\$ 45,935,647	\$ 14,294,986	\$ 17,072,122	\$ 2,745,575	\$ 80,048,330
Other	2,318,595	5,400	-	-	2,323,995
Total Operating Revenues	48,254,242	14,300,386	17,072,122	2,745,575	82,372,325
Operating Expenses					
Personnel, operations & maintenance	24,726,942	17,031,552	16,544,014	4,314,273	62,616,781
Utilities	2,885,171	-	1,664,688	344,055	4,893,914
Depreciation and amortization	11,858,177	1,222,548	3,664,516	139,143	16,884,384
Other	-	-	-	256,097	256,097
Total Operating Expenses	39,470,290	18,254,100	21,873,218	5,053,568	84,651,176
Operating Income (Loss)	8,783,952	(3,953,714)	(4,801,096)	(2,307,993)	(2,278,851)
Non-Operating Revenues (Expenses)					
Intergovernmental	191,909	-	-	-	191,909
Interest income	915,398	-	278,166	3,386	1,196,950
Rental income	10,264	-	-	-	10,264
Interest and fiscal charges	(1,610,310)	-	-	(552)	(1,610,862)
Issuance costs	(316,198)	-	-	-	(316,198)
Loss on disposals	(183,248)	-	-	(6,157)	(189,405)
Other income	-	-	26,703	447,436	474,139
Total Non-Operating Revenues (Expenses)	(992,185)	-	304,869	444,113	(243,203)
Income (Loss) Before Contributions and Transfers	7,791,767	(3,953,714)	(4,496,227)	(1,863,880)	(2,522,054)
Capital contributions	6,444,397	2,135,501	9,505,872	-	18,085,770
Transfers in	-	2,912,810	5,630,212	5,684,331	14,227,353
Transfers out	-	-	-	(2,452,551)	(2,452,551)
Change in Net Position	14,236,164	1,094,597	10,639,857	1,367,900	27,338,518
Total Net Position, Beginning of Year	303,392,633	(4,928,098)	88,706,844	615,666	387,787,045
Total Net Position, End of Year	\$ 317,628,797	\$ (3,833,501)	\$ 99,346,701	\$ 1,983,566	\$ 415,125,563

CITY OF HUNTSVILLE, ALABAMA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Water Pollution Control Fund	Sanitation Fund	Von Braun Center Fund	Non-Major Proprietary Funds	Total Business-Type Activity Funds
Cash flows from operating activities					
Receipts from customers and users	\$ 49,335,522	\$ 14,255,647	\$ 22,430,297	\$ 1,997,085	\$ 88,018,551
Payments to suppliers	(14,673,624)	(25,550,295)	(15,095,922)	(4,734,332)	(60,054,173)
Payments to employees	(10,170,198)	9,650,050	(5,147,121)	(939,073)	(6,606,342)
Net cash provided by (used in) operating activities	24,491,700	(1,644,598)	2,187,254	(3,676,320)	21,358,036
Cash flows from noncapital financing activities					
Interest and fiscal charges paid	-	-	-	(552)	(552)
Transfers in	11,226,611	2,912,810	5,630,212	5,484,331	25,253,964
Transfers out	-	-	-	(2,452,551)	(2,452,551)
Contributions	-	-	-	447,436	447,436
Nonoperating revenue	202,116	-	26,703	-	228,819
Net cash provided by noncapital financing activities	11,428,727	2,912,810	5,656,915	3,478,664	23,477,116
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(38,081,306)	(2,288,180)	(4,330,378)	(193,160)	(44,893,024)
Proceeds from notes and warrants	44,605,000	-	-	-	44,605,000
Proceeds from premiums	5,725,228	-	-	-	5,725,228
Issuance costs paid	(316,198)	-	-	-	(316,198)
Interest and fiscal charges paid	(2,515,359)	-	-	-	(2,515,359)
Principal payments on notes and warrants	(4,497,902)	-	-	-	(4,497,902)
Lease payments	(69,726)	-	-	(3,732)	(73,458)
Capital grant reimbursements	6,444,397	2,135,501	-	200,000	8,779,898
Net cash provided by (used in) capital and related financing activities	11,294,134	(152,679)	(4,330,378)	3,108	6,814,185
Cash flows from investing activities					
Purchases of investments	(22,817,388)	-	-	-	(22,817,388)
Interest earned	915,398	-	278,166	3,386	1,196,950
Net cash provided by (used in) investing activities	(21,901,990)	-	278,166	3,386	(21,620,438)
Net increase (decrease) in cash and cash equivalents	25,312,571	1,115,533	3,791,957	(191,162)	30,028,899
Cash and cash equivalents, beginning of year	16,728,336	155,005	9,409,930	970,690	27,263,961
Cash and cash equivalents, end of year	\$ 42,040,907	\$ 1,270,538	\$ 13,201,887	\$ 779,528	\$ 57,292,860
Reconciliation of cash and cash equivalents					
Cash and cash equivalents	\$ 42,040,907	\$ 1,270,538	\$ 11,201,887	\$ 776,944	\$ 55,290,276
Restricted cash	-	-	2,000,000	2,584	2,002,584
	\$ 42,040,907	\$ 1,270,538	\$ 13,201,887	\$ 779,528	\$ 57,292,860
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating income (loss)	\$ 8,783,952	\$ (3,953,714)	\$ (4,801,096)	\$ (2,307,993)	\$ (2,278,851)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	11,858,177	1,222,548	3,664,516	139,143	16,884,384
Change in assets, deferred outflows and inflows of resources, and liabilities:					
Accounts receivable	388,531	(44,739)	(1,006,631)	(45,616)	(708,455)
Due from other governments	692,749	-	-	-	692,749
Inventory	40,769	-	(52,119)	(2,347)	(13,697)
Prepaid items	162	(108)	(198,382)	217	(198,111)
Deferred outflows - pensions	(2,623,607)	(2,717,852)	-	-	(5,341,459)
Deferred outflows - OPEB	85,305	(14,691)	-	-	70,614
Accounts payable	2,153,492	48,269	1,053,924	(1,510,772)	1,744,913
Accrued payables	129,758	46,380	258,576	3,040	437,754
Customer deposits	-	-	3,069,185	-	3,069,185
Other deposits and accrued expenses	-	-	99,262	-	99,262
Compensated absences	(256,700)	77,190	-	-	(179,510)
Net pension liabilities	4,770,101	4,770,102	97,210	-	9,637,413
Total OPEB liability	148,841	479,865	-	-	628,706
Unearned revenue	-	-	2,809	48,008	50,817
Deferred inflows - pensions	(1,462,185)	(1,462,185)	-	-	(2,924,370)
Deferred inflows - OPEB	(217,645)	(95,663)	-	-	(313,308)
Net cash provided by (used in) operating activities	\$ 24,491,700	\$ (1,644,598)	\$ 2,187,254	\$ (3,676,320)	\$ 21,358,036
Non-cash capital and financing activities					
Capital assets from governmental activities	\$ -	\$ 2,288,180	\$ 9,505,872	\$ -	\$ 11,794,052
Net non-cash capital and financing activities	\$ -	\$ 2,288,180	\$ 9,505,872	\$ -	\$ 11,794,052

CITY OF HUNTSVILLE, ALABAMA

STATEMENT OF FIDUCIARY NET POSITION -
FIDUCIARY FUNDS
SEPTEMBER 30, 2023

	Post-Retirement Benefits Trust Fund
ASSETS	
Cash and cash equivalents	\$ 875,004
Investments, at fair value:	
Equity securities:	
Domestic large cap	3,743,759
Domestic small-mid cap	319,891
International	263,255
Debt securities:	
U.S. Treasuries	2,485,722
Corporate bonds	4,362,712
Mortgage-back securities	3,196,812
Total investments	<u>14,372,151</u>
Total Assets	<u>15,247,155</u>
LIABILITIES	
Accounts payable	<u>171,509</u>
Total Liabilities	<u>171,509</u>
NET POSITION	
Restricted for Benefits	<u>\$ 15,075,646</u>

CITY OF HUNTSVILLE, ALABAMA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Post-Retirement Benefits Trust Fund
Additions:	
Contributions:	
Employer contributions	\$ 4,872,111
Plan member contributions	<u>2,584,705</u>
Contributions	<u>7,456,816</u>
Investment income:	
Investment earnings	428,630
Net change in fair value	219,745
Less investment expenses	<u>(46,817)</u>
Net investment income	<u>601,558</u>
Total Additions	<u>8,058,374</u>
Deductions:	
Benefits paid	5,662,405
Other charges	<u>525,862</u>
Total Deductions	<u>6,188,267</u>
Change in Net Position	1,870,107
Net Position, Beginning of Year	<u>13,205,539</u>
Net Position, End of Year	<u>\$ 15,075,646</u>

COMPONENT UNITS

CITY OF HUNTSVILLE, ALABAMA

COMBINING STATEMENT OF NET POSITION - DISCRETELY PRESENTED COMPONENT UNITS SEPTEMBER 30, 2023

ASSETS	Business-Type Activities			Governmental Activities	
	Huntsville Utilities			Huntsville / Madison County Convention & Visitors Bureau	Total
	Electric	Gas	Water		
Current Assets					
Cash and cash equivalents	\$ 80,049,772	\$ 5,072,548	\$ 4,762,239	\$ 2,949,840	\$ 92,834,399
Investments	5,603,415	2,734,133	22,255,410	-	30,592,958
Restricted assets					
Cash and cash equivalents	14,714,227	3,622,758	2,696,324	-	21,033,309
Investments	15,105,449	11,902,315	7,558,337	-	34,566,101
Receivables (net of allowances for uncollectibles)	59,091,195	3,523,814	8,477,166	12,853	71,105,028
Other assets	5,387,724	1,198,248	634,296	-	7,220,268
Prepaid items	3,657	3,620	1,241	84,156	92,674
Inventories	20,656,728	7,254,167	4,938,630	7,174	32,856,699
Total Current Assets	<u>200,612,167</u>	<u>35,311,603</u>	<u>51,323,643</u>	<u>3,054,023</u>	<u>290,301,436</u>
Noncurrent Assets					
Restricted assets					
Cash and cash equivalents	39,529,817	3,414,677	4,997,321	-	47,941,815
Investments	-	281,523	7,040,040	-	7,321,563
Capital contribution receivable	-	4,153,610	-	-	4,153,610
Lease receivable	137,544,406	-	-	-	137,544,406
Other assets	312,582	-	487,032	-	799,614
Net pension asset	-	-	-	-	-
Capital Assets					
Nondepreciable assets	27,953,281	14,382,953	36,664,819	-	79,001,053
Capital asset, net of accumulated depreciation and amortization	<u>376,497,347</u>	<u>140,106,458</u>	<u>303,048,294</u>	<u>592,024</u>	<u>820,244,123</u>
Total Capital Assets (net of accumulated depreciation and amortization)	<u>404,450,628</u>	<u>154,489,411</u>	<u>339,713,113</u>	<u>592,024</u>	<u>899,245,176</u>
Total Noncurrent Assets	<u>581,837,433</u>	<u>162,339,221</u>	<u>352,237,506</u>	<u>592,024</u>	<u>1,097,006,184</u>
Total Assets	<u>782,449,600</u>	<u>197,650,824</u>	<u>403,561,149</u>	<u>3,646,047</u>	<u>1,387,307,620</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows from pension	12,078,133	21,456,641	7,226,549	635,597	41,396,920
Deferred outflows from OPEB	3,958,768	1,670,885	1,635,368	-	7,265,021
Excess consideration provided for acquisition	-	-	4,459,389	-	4,459,389
Deferred loss on debt refunding	<u>426,698</u>	<u>-</u>	<u>4,304,112</u>	<u>-</u>	<u>4,730,810</u>
Total Deferred Outflows of Resources	<u>16,463,599</u>	<u>23,127,526</u>	<u>17,625,418</u>	<u>635,597</u>	<u>57,852,140</u>
LIABILITIES					
Current Liabilities					
Accounts payable	47,007,292	3,007,529	7,426,578	138,745	57,580,144
Accrued liabilities	6,320,703	1,807,180	2,985,785	100,532	11,214,200
Lease liability	-	-	-	83,678	83,678
Subscription-based liabilities, current portion	158,068	49,916	83,923	-	291,907
Other payables	5,473,218	516,545	718,873	-	6,708,636
Interest payable	1,087,200	6,688	950,129	-	2,044,017
Current portion of long-term debt	<u>10,801,831</u>	<u>2,211,072</u>	<u>8,787,927</u>	<u>-</u>	<u>21,800,830</u>
Total Current Liabilities	<u>70,848,312</u>	<u>7,598,930</u>	<u>20,953,215</u>	<u>322,955</u>	<u>99,723,412</u>
Noncurrent Liabilities					
Lease liability	-	-	-	21,572	21,572
Net pension liability	43,491,561	54,477,192	22,133,825	539,822	120,642,400
Net OPEB liability	20,313,889	8,574,458	8,392,337	-	37,280,684
Subscription-based liabilities, long term	173,922	56,784	93,154	-	323,860
Long-term debt - due in more than one year, net	<u>109,640,943</u>	<u>5,794,274</u>	<u>113,629,134</u>	<u>-</u>	<u>229,064,351</u>
Total Noncurrent Liabilities	<u>173,620,315</u>	<u>68,902,708</u>	<u>144,248,450</u>	<u>561,394</u>	<u>387,332,867</u>
Total Liabilities	<u>244,468,627</u>	<u>76,501,638</u>	<u>165,201,665</u>	<u>884,349</u>	<u>487,056,279</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows from pension	475,921	314,660	-	184,036	974,617
Deferred inflows from OPEB	4,899,979	2,068,144	2,024,183	-	8,992,306
Deferred inflows from leases	<u>135,473,618</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>135,473,618</u>
Total Deferred Inflows of Resources	<u>140,849,518</u>	<u>2,382,804</u>	<u>2,024,183</u>	<u>184,036</u>	<u>145,440,541</u>
NET POSITION					
Net investment in capital assets	331,159,387	150,572,069	227,791,810	486,774	710,010,040
Restricted	-	-	12,065,158	-	12,065,158
Unrestricted	<u>82,435,667</u>	<u>(8,678,161)</u>	<u>14,103,751</u>	<u>2,726,485</u>	<u>90,587,742</u>
Total Net Position	<u>\$ 413,595,054</u>	<u>\$ 141,893,908</u>	<u>\$ 253,960,719</u>	<u>\$ 3,213,259</u>	<u>\$ 812,662,940</u>

CITY OF HUNTSVILLE, ALABAMA

COMBINING STATEMENT OF ACTIVITIES -
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

FUNCTIONS / PROGRAMS	Program Revenues			Changes in Net Position				
	Expenses	Charges for Services	Capital Grants and Contributions	Business-Type Activities			Governmental Activities	Total
				Electric	Huntsville Utilities		Huntsville / Madison County Convention & Visitors Bureau	
					Gas	Water		
Component Units								
Huntsville Utilities Electric System	\$ 566,660,997	\$ 602,461,359	\$ -	\$ 35,800,362	\$ -	\$ -	\$ -	\$ 35,800,362
Huntsville Utilities Gas System	62,251,858	64,141,567	1,011,712	-	2,901,421	-	-	2,901,421
Huntsville Utilities Water System	57,457,537	57,356,869	6,464,789	-	-	6,364,121	-	6,364,121
Huntsville / Madison County Convention & Visitors Bureau	5,799,314	8,323	-	-	-	-	(5,790,991)	(5,790,991)
Total Component Units	<u>\$ 692,169,706</u>	<u>\$ 723,968,118</u>	<u>\$ 7,476,501</u>	<u>\$ 35,800,362</u>	<u>\$ 2,901,421</u>	<u>\$ 6,364,121</u>	<u>\$ (5,790,991)</u>	<u>\$ 39,274,913</u>
General Revenues								
Taxes				\$ -	\$ -	\$ -	\$ 2,198,412	\$ 2,198,412
Gain on disposal of capital assets				16,060	15,475	18,829	-	50,364
Unrestricted investment earnings				6,125,338	1,359,338	2,539,685	1,544	10,025,905
Unrestricted intergovernmental revenues				-	-	-	4,521,324	4,521,324
Total General Revenues				<u>6,141,398</u>	<u>1,374,813</u>	<u>2,558,514</u>	<u>6,721,280</u>	<u>16,796,005</u>
Change in Net Position				41,941,760	4,276,234	8,922,635	930,289	56,070,918
Net Position, Beginning of Year				<u>371,653,294</u>	<u>137,617,674</u>	<u>245,038,084</u>	<u>2,282,970</u>	<u>756,592,022</u>
Net Position, End of Year				<u>\$ 413,595,054</u>	<u>\$ 141,893,908</u>	<u>\$ 253,960,719</u>	<u>\$ 3,213,259</u>	<u>\$ 812,662,940</u>

NOTES TO THE FINANCIAL STATEMENTS

City of Huntsville, Alabama

Notes to Financial Statements
September 30, 2023

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CITY OF HUNTSVILLE, ALABAMA

Notes to Financial Statements September 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Huntsville, Alabama (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. The Financial Reporting Entity

The City was incorporated on December 9, 1811 under an act of the Mississippi Territorial Legislature and is operated under a Mayor-Council form of government. As required by GAAP, the financial statements of the reporting entity include those of the City (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational and financial relationship with the City.

In conformity with GAAP, as set forth in GASB No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, the component units' financial statements have been included as either blended or discretely presented. All of the City's component units have a September 30 year-end.

Blended Component Units

Public Building Authority of the City of Huntsville (PBA)

The PBA was originally organized for the purpose of constructing a public safety and municipal court facility, including the city/county jail, for lease to and use by the City. The PBA was utilized in 2021 for the purpose of constructing the Amphitheater, for lease and use by the City. The PBA is governed by a three-member board which is appointed by the City Council, and is financially dependent on the City. The City, through lease agreements, is responsible for all the debt issued by the PBA. The PBA is reported as a special revenue fund or governmental-type activity.

Discretely Presented Component Units

Huntsville Utilities (Utilities)

The Utilities is governed by three legally separate boards which are appointed by the City Council: the Huntsville Electric Utility Board, the Huntsville Water Utility Board, and the Huntsville Natural Gas Utility Board. The City is not considered financially accountable for the Utilities; however, the Utilities are presented as a discretely presented component unit because of the nature and significance of its relationship with the City. The financial statements related to the three boards have been stated separately. The Utility Systems are presented as a proprietary fund or business-type activity.

Separate financial statements for the Huntsville Utilities can be obtained from the Huntsville Utilities office at 112 Spragins St. NW, Huntsville, Alabama 35801.

CITY OF HUNTSVILLE, ALABAMA

Notes to Financial Statements September 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Financial Reporting Entity (Continued)

Huntsville/Madison County Convention and Visitors Bureau (HMC CVB)

The HMC CVB provides advertising and promotional activities to help promote tourism and economic development in the Huntsville/Madison County area. The HMC CVB is governed by a seven-member board. Four members are appointed by the City government and three are appointed by the County government. Although the City is obligated to provide significant financial assistance to the HMC CVB in the form of liquor and lodging tax receipts, the City is not considered to meet the financially accountable criterion. The HMC CVB is presented as a discretely presented component unit based upon the nature and significance of its relationship with the City. The HMC CVB is presented as a governmental fund type.

Separate financial statements for the HMC CVB can be obtained at their office located at 500 Church Street, Huntsville, Alabama 35801.

Related Organizations

The following organizations are legally separate entities which the City appoints a voting majority of the governing board but has no financial relationship or obligations to the entities and has no control or influence over the entities' operations.

Huntsville Housing Authority

The Huntsville Housing Authority is governed by a five-member board appointed by the City Council. The City has no ability to influence the operations of the Authority nor has any financial relationship or obligations related to the Authority.

Solid Waste Disposal Authority

The Solid Waste Disposal Authority is governed by a five-member board appointed by the City. The City has no ability to influence the operations of the Authority nor has any financial obligations related to the Authority. The City is obligated to use the Authority for its waste disposal through a contract with the Authority. However, this is considered to be an exchange transaction between two entities and is not considered a manifestation of a financial benefit or burden relationship between the entities. Fees paid to the Authority by the City in fiscal year 2023 were \$4,051,219.

Health Care Authority

The Health Care Authority manages a local public hospital. The Authority is governed by a five-member board appointed by the City Council. The City has no ability to influence the operations of the Authority nor has any financial relationship or obligations related to the Authority.

CITY OF HUNTSVILLE, ALABAMA

**Notes to Financial Statements
September 30, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Financial Reporting Entity (Continued)

Jointly Governed Organizations

The following organizations are separate legal entities which are jointly governed by the City and Madison County in which neither government appoints a voting majority of the Board. The organizations were created for the benefit of city and county residents and generally receive financial assistance from both governments.

Huntsville-Madison County Marina and Port Authority

The Marina and Port Authority is governed by a five-member board to operate the marina and port facilities on the Tennessee River. The City and Madison County each appoint two of the members with one member jointly appointed. The City is partially responsible for funding the deficits of the Authority but did not appropriate funds or provide financial assistance to the Authority during 2023.

Huntsville-Madison County Railroad Authority

The Railroad Authority is governed by a five-member board to operate rail service to certain industry concerns in Madison County. The City and Madison County each appoint two of the members with one member jointly appointed. The City is partially responsible for funding deficits of the Authority but did not appropriate funds or provide financial assistance to the Authority during 2023.

Huntsville-Madison County Airport Authority

The Airport Authority is governed by a five-member board to operate the Huntsville International Airport. The City and Madison County each appoint two of the members with one member jointly appointed. The City is not responsible for funding any deficits of the Authority and does not provide an annual appropriation to the Authority.

Madison County Communications District

The District is governed by a seven-member board to operate the Enhanced 911 Emergency Communication System for Huntsville and Madison County. The City and Madison County each appoint three of the members with one member jointly appointed. The City is not responsible for funding any deficits of the District and does not provide an annual appropriation to the District.

CITY OF HUNTSVILLE, ALABAMA

Notes to Financial Statements
September 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period for which they are levied. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, including lease and subscription liabilities, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF HUNTSVILLE, ALABAMA

Notes to Financial Statements
September 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Certain taxes and fees associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Grants Fund** is used to account for various federal, state and local grant revenues and related expenditures.

The **Capital Improvements Fund** is the City's primary fund for accounting for a variety of capital projects of the City funded by internally generated revenues along with sales and use taxes and intergovernmental revenues.

The **Capital Projects Fund** is used to account for the construction and development of the City's capital projects.

The **Debt Service Fund** is used to account for the servicing of most long-term debt not being financed by proprietary funds. Sources of funds for the services of debt include but are not limited to property taxes restricted for debt service and a portion of sales taxes transferred from the General Fund and Capital Improvements fund.

CITY OF HUNTSVILLE, ALABAMA

Notes to Financial Statements
September 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

The City reports the following major proprietary funds:

The **Water Pollution Control Fund** accounts for sanitary sewer services provided to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing, and related debt service.

The **Sanitation Fund** accounts for garbage services provided to the residents of the City. These services include garbage collection, yard waste, and bulky collection for residential and commercial customers. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing, and related debt service.

The **Von Braun Center Fund** accounts for the operation and maintenance of a City-owned multipurpose facility that derives its revenues primarily from rents and fees charged for the use of the facilities.

Additionally, the City reports the following fund types:

The **Special Revenue Funds** account for revenue sources that are legally restricted or committed by the Council to expenditures for specific purposes.

The **Capital Projects Funds** account for the acquisition of capital assets and the construction or improvement of major capital projects.

The **Debt Service Funds** account for the servicing of other long-term debt not being financed in other major governmental or business-type funds.

The **Enterprise Funds** are used to account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability.

The **Fiduciary Fund** is used to account for the activities of the City's post-retirement medical benefits plan, which accumulates resources for post-employment benefit payments to qualified employees.

CITY OF HUNTSVILLE, ALABAMA

**Notes to Financial Statements
September 30, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services provided. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Cash and Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition.

E. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value except for money market investments which include short-term, highly liquid debt instruments which are reported at cost or amortized cost. Any differences between the fair value and cost of investments, other than short-term money market investments, are reflected in investment income.

CITY OF HUNTSVILLE, ALABAMA

**Notes to Financial Statements
September 30, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Inventory and Prepaid Items

Inventories for both governmental and proprietary funds, consisting principally of materials and supplies held for consumption, are valued at cost, using the average cost inventory method. The costs of governmental funds inventories are recorded as expenditures when consumed, rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. These prepaid items are recorded as expenditures when consumed, rather than when purchased.

G. Receivables and Payables

All outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade receivables are shown net of an allowance for uncollectible.

Amounts receivable from federal, state, county, and local governments are classified as “due from other governmental entities.” No individually significant amounts were due from any single entity as of September 30, 2023.

Noncurrent portions of long-term receivables due to Governmental Funds are reported on their balance sheets. Special reporting treatments are used to indicate, however, that they should not be considered “available spendable resources,” since they do not represent net current assets. Recognition of Governmental Fund type revenues represented by noncurrent receivables is deferred until they become current receivables.

Property taxes are assessed on October 1 and levied on the subsequent October 1 for the fiscal year beginning on the levy date, at which time a lien is attached. These taxes are due and payable on October 1 (levy date) and delinquent after December 31 in each year (except with respect to motor vehicles, which have varying due dates), after which a 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. Revenue is recognized in the year when the taxes are levied and collected. The taxes are assessed and collected by Madison County and remitted to the City net of a collection fee ranging from 1 – 5% for the different taxes.

CITY OF HUNTSVILLE, ALABAMA

**Notes to Financial Statements
September 30, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Restricted Assets

Cash and investments that must be used for restricted purposes, are reported as “Restricted Assets” in the government-wide statements of net position and fund financial statements balance sheets. Also, some restricted cash and investments are held by one fund but will be expended in other fund, which creates an interfund payable/receivable. These amounts are reported as “Restricted Assets” and “Liabilities Payable from Restricted Assets” in the affected fund financial statements. These interfund transactions are eliminated in the government wide statements.

I. Capital Assets and Right-to-Use Assets

Capital assets purchased or acquired and the right-to-use leased and subscription assets include property, plant, equipment, infrastructure, and subscription-based information technology and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as having an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year, recorded at historical cost or estimated historical cost if purchased or constructed, and donated capital assets are recorded at estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives, including entering into contracts giving the City the right-to-use assets, are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of the capital assets of business-type activities is reflected in the capitalized value of the asset constructed.

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

	<u>Years</u>
Utility plants	40 - 50
Sewer systems	40 - 50
Infrastructure	25 - 50
Right-to-use leased infrastructure	25 - 50
Buildings and improvements	25 - 50
Right-to-use leased buildings and improvements	25 - 50
Greenways	15
Traffic signals	10 - 20
Surface lots	10
Furniture and equipment	5 - 12
Right-to-use leased furniture and equipment	5 - 12
Right-to-use subscription asset	2 - 7

CITY OF HUNTSVILLE, ALABAMA

**Notes to Financial Statements
September 30, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Leases and Subscription-Based Information Technology Arrangements

Lessee

The City is a lessee for noncancellable leases of infrastructure, buildings and improvements, and furniture and equipment and other. The City recognizes a lease and subscription liability and an intangible right-to-use lease and subscription asset in the government-wide financial statements. The City recognizes these liabilities with an initial, individual value of \$5,000 or more.

At the commencement of an agreement, the City initially measures the liability at the present value of payments expected to be made during the term. Subsequently, the liability is reduced by the principal portion of payments made. The asset is initially measured as the initial amount of the liability, adjusted for payments made at or before the commencement date, plus certain initial direct costs. Subsequently, the asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to the agreements include how the City determines: 1) the discount rate it uses to discount the expected payments to present value, 2) term, and 3) payments:

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for the liabilities.
- The lease term includes the noncancellable period of the agreement. Payments included in the measurement of the liability are composed of fixed payments and purchase option prices that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its agreement and will remeasure the asset and liability if certain changes occur that are expected to significantly affect the amount of the liability.

Assets are reported with other capital assets and liabilities are reported with long-term liabilities on the Statement of Net Position.

Lessor

The City is a lessor for noncancellable leases of infrastructure, buildings and improvements, and furniture and equipment and other. The lease receivable and a deferred inflow is recognized in the fund financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Leases and Subscription-Based Information Technology Arrangements (Continued)

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments:

- The City uses the interest rate charged by the City as the discount rate. When the interest rate is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option prices that the City is reasonably certain will be exercised.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and deferred inflow if certain changes occur that are expected to significantly affect the amount of the lease asset.

K. Compensated Absences

The City grants a specific number of vacation and sick leave hours with pay to its employees. Upon termination or retirement, an employee is paid for accumulated vacation leave subject to certain limitations. Upon retirement, an employee is paid fifty percent of unused sick leave hours. There is no cap or limit to the total hours which can be accrued for sick leave.

The cost of accumulated vacation and sick leave is recorded when earned by employees in the government-wide and proprietary funds financial statements for both the current and long-term portions. Expenditures for accumulated compensated absences are recorded in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense or expenditure) until then. The City has three items that qualify for reporting in this category; deferred outflows related to refunding, deferred outflows related to pensions, and deferred outflows related to other postemployment benefits. All of these are reported in the government-wide statement of net position and the statement of net position for proprietary funds. These items result from the differences in the carrying value of refunded debt and its reacquisition price and from the requirements recognized under GASB 68 for pensions and GASB 75 for OPEB.

CITY OF HUNTSVILLE, ALABAMA

Notes to Financial Statements September 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Deferred Outflows/Inflows of Resources (Continued)

The deferred outflows related to refunding amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows related to pensions reflect payments made by the City not currently recognized by the pension plans and other changes in the net pension liability and are disclosed more in Note 12. The deferred outflows related to other postemployment benefits reflects payments made by the City not currently recognized by the OPEB plans and other changes in the net OPEB liability and are disclosed more in Note 13.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources, represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has four types of deferred inflows. One of these items arises only under a modified accrual basis of accounting. This item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue for receivables not collected within 60 days of year-end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item relates to the recognition of employee pensions as required under GASB 68. This item is a deferred inflow in both the enterprise fund and the entity wide statement of net position and are discussed more in Note 12. The third item relates to the recognition of other postemployment benefits as required under GASB 75. This item is a deferred inflow in both the enterprise fund and the entity wide statement of net position and is discussed more in Note 13. The fourth item relates to deferred inflows from lease receivables as required by GASB 87.

M. Long-Term Liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds and warrants payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF HUNTSVILLE, ALABAMA

Notes to Financial Statements September 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Pensions

The Employees' Retirement System of Alabama (the Plan or ERS) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the Plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with the requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

O. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Fund Balance – Generally, fund balance represents the difference between the assets, deferred outflows of resources, deferred inflows of resources, and liabilities, under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- **Nonspendable** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either: a) not in spendable form (i.e., items that are not expected to be converted to cash), or (b) legally or contractually required to be maintained intact.
- **Restricted** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- **Committed** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of an ordinance. Only the City Council may modify or rescind the commitment.
- **Assigned** – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through Council ordinance, the City Council has retained the authority to assign fund balances.

CITY OF HUNTSVILLE, ALABAMA

Notes to Financial Statements
September 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Equity (Continued)

- **Unassigned** – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City’s policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City’s policy to use fund balance in the following order: 1) committed, 2) assigned, and 3) unassigned.

Below are the fund balance classifications for the governmental funds at September 30, 2023:

	General Fund	Grants Fund	Capital Improvements Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Govt Funds	Total Govt Funds
FUND BALANCE							
Nonspendable:							
Prepaid items	\$ 2,319,585	\$ 113,078	\$ -	\$ -	\$ -	\$ 2,921,551	\$ 5,354,214
Inventory	586,517	-	-	-	-	91,293	677,810
Advances	1,185,174	-	-	-	-	-	1,185,174
Leases	422,530	-	-	-	-	1,102	423,632
Endowments	-	-	-	-	-	394,075	394,075
Restricted:							
Capital projects	-	-	175,506,981	97,218,135	-	21,154,075	293,879,191
General grants	-	11,368,156	-	-	-	-	11,368,156
Debt service	-	-	-	-	12,943	28,774,336	28,787,279
Culture and tourism	-	-	-	-	-	19,233,368	19,233,368
Public safety	-	-	-	-	-	2,246,665	2,246,665
Public service	-	-	-	-	-	157,870	157,870
Streets and highways	-	-	-	-	-	2,495,209	2,495,209
School support	-	-	-	-	-	811,327	811,327
Committed:							
Cummings Research Park	-	-	-	-	-	3,856,778	3,856,778
Assigned:							
General government	1,000,793	-	-	-	-	-	1,000,793
Public safety	62,395	-	-	-	-	-	62,395
Public service	317,439	-	-	-	-	-	317,439
Urban development	40,361	-	-	-	-	-	40,361
Public library	-	-	-	-	-	4,550,161	4,550,161
Huntsville tennis center	-	-	-	-	-	289,951	289,951
Cemetery perpetual care	-	-	-	-	-	5,099,559	5,099,559
Jail maintenance	1,000,000	-	-	-	-	-	1,000,000
Unassigned	164,051,835	-	-	-	-	(1,407,807)	162,644,028
Total	\$ 170,986,629	\$ 11,481,234	\$ 175,506,981	\$ 97,218,135	\$ 12,943	\$ 90,669,513	\$ 545,875,435

CITY OF HUNTSVILLE, ALABAMA

Notes to Financial Statements
September 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Equity (Continued)

Net Position – Net position represents the difference between assets, deferred inflow and outflows of resources, and liabilities in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

The following is the calculation of the City’s net investment in capital assets as of September 30, 2023:

	Governmental Activities	Water Pollution Control Fund	Sanitation Fund	Von Braun Center Fund	Nonmajor Proprietary Funds	Business-type Activities
Capital assets, net	\$ 1,644,295,172	\$ 347,227,235	\$ 6,748,364	\$ 98,062,260	\$ 1,375,585	\$ 453,413,444
Related construction liabilities	(20,686,781)	(5,424,301)	(414,243)	-	-	(5,838,544)
Warrants payable	(819,941,867)	(79,233,875)	-	-	-	(79,233,875)
Deferred charges on refunding	10,462,054	218,645	-	-	-	218,645
Revenue warrants payable	(147,555,000)	(1,115,000)	-	-	-	(1,115,000)
Lease payable	(1,363,443)	(490,874)	-	-	(7,557)	(498,431)
SBITA liability	(4,755,654)	-	-	(37,968)	-	(37,968)
Notes payable	(102,966,111)	-	-	-	-	-
EUL warrants	102,966,111	-	-	-	-	-
Unspent proceeds	82,156,270	29,255,347	-	-	-	29,255,347
Warrants for the School District	231,512,217	-	-	-	-	-
Warrants for non-City assets	46,575,000	-	-	-	-	-
	<u>\$ 1,020,697,968</u>	<u>\$ 290,437,177</u>	<u>\$ 6,334,121</u>	<u>\$ 98,024,292</u>	<u>\$ 1,368,028</u>	<u>\$ 396,163,618</u>

CITY OF HUNTSVILLE, ALABAMA

**Notes to Financial Statements
September 30, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Equity (Continued)

The City's discretely presented component units' net investment in capital assets as of September 30, 2023 is calculated as follows:

	<u>Huntsville Utilities</u>			<u>Huntsville/ Madison Co. CVB</u>
	<u>Electric System</u>	<u>Gas System</u>	<u>Water System</u>	
Capital assets, net	\$ 404,450,628	\$ 154,489,411	\$ 339,713,113	\$ 592,024
Related construction liabilities	(177,405)	(61,592)	(93,557)	-
Revenue warrants payable	(65,505,000)	(3,749,050)	(114,770,000)	-
Deferred charges on refunding	426,698	-	4,304,112	-
Lease payable	-	-	-	(105,250)
SBITA liability	(331,990)	(106,700)	(177,077)	-
Premium	(8,016,126)	-	(1,671,813)	-
Regulatory asset	312,582	-	487,032	-
	<u>\$ 331,159,387</u>	<u>\$ 150,572,069</u>	<u>\$ 227,791,810</u>	<u>\$ 486,774</u>

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

P. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred inflows of resources, deferred outflows of resources, and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF HUNTSVILLE, ALABAMA

**Notes to Financial Statements
September 30, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Sales and Use Tax Revenue Allocation

Certain City sales and use taxes (3.5% of 4.5%) which are General Fund revenues, are allocated by City Council ordinance, as follows:

18.0% is paid to the Capital Improvements Fund.

14.7% is paid to the Huntsville City Board of Education, allocated through the Special Revenue Fund.

These do not represent restrictions on the fund balance of the City at September 30, 2023, but represent designations of future revenue which will be considered in determining budget appropriations for future years.

In 2014 the City levied an additional one percent general rate sales and use tax. This revenue is reported in the 2014 Capital Improvements Fund, and is allocated within that fund for road improvements and economic development projects.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information and Deficit Fund Balance

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgetary control is maintained at the function, department level, and fund level. Transfers of appropriations between activity categories of departments or between funds require approval of the City Council.

CITY OF HUNTSVILLE, ALABAMA

Notes to Financial Statements September 30, 2023

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

The following funds have annual legally adopted budgets: General Fund, Lodging & Liquor Taxes Special Revenue Fund, and Debt Service Fund.

As of September 30, 2023, the following funds had deficit fund balances: PBA Amphitheater Borrow Fund and the Alabama Constitution Village which are expected to be funded by future transfers from the General Fund.

NOTE 3. DEPOSITS AND INVESTMENTS

Cash and Investment Policies

State law limits the kinds of investments that Alabama municipalities can make to: (1) accounts and certificates of deposits with banks or saving associations that are qualified public depositories; (2) direct obligations of the U.S. Department of the Treasury and certain federal agencies (collectively referred in this note as USTO); (3) certain qualified obligations of any state and its agencies; (4) common trust funds, collective investment funds maintained by qualified institutions, or any registered mutual funds, all of which must hold a prescribed amount of obligations meeting the requirements of 1 – 3 above; and (5) for post-employment benefit trusts, a broad investment portfolio is permitted, including government and corporate bonds, and corporate stocks.

City investment policy, which is established by ordinance, requires and permits the same investments as required by state law. City policy limits deposits in financial institutions to no more than 50% in a single institution, and the City was in compliance with this requirement at September 30, 2023.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The City manages its exposure to declines in fair values of investments due to market interest rate changes by limiting the maturity of its directly-held investments to less than one year, or by only purchasing obligations that it intends to hold to maturity. Directly-held investments having a maturity of more than one year are only purchased in connection with long-term construction projects, longer-term General Fund cash reserves, or long-term post-retirement benefit obligations, for which the risk of having to liquidate the investments prior to maturity and realize losses in fair value are minimized. Generally, the City limits its investments to mutual funds and US Treasuries for which the underlying obligations have a weighted-average maturity of 180 days or less.

CITY OF HUNTSVILLE, ALABAMA

**Notes to Financial Statements
September 30, 2023**

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

The maturities of the City’s debt securities are categorized as follows:

	<u>Fair Value</u>	<u>Percent of Total</u>
Less than one year	\$ 108,058,066	84%
One to five years	19,963,044	16%
Total	<u>\$ 128,021,110</u>	<u>100%</u>

The Post-Retirement Benefits Trust (OPEB Trust) manages interest rate risk over a longer-term, seeking to maximize return. The maturities of this fund’s debt securities are categorized as follows:

	<u>Fair Value</u>	<u>Percent of Total</u>
Less than one year	\$ 634,388	6%
One to five years	3,484,737	35%
Five to ten years	1,781,133	18%
More than ten years	4,144,988	41%
Total	<u>\$ 10,045,246</u>	<u>100%</u>

Credit Risk. Financial institutions utilized as depositories by the City must provide evidence of its designation under the Security of Alabama Funds Enhancement Act (“SAFE”). From time to time, the City may request that the depository provide evidence of its continuing designation as a qualified public depository. The enactment of the SAFE program changed the way all Alabama public deposits are collateralized. Each qualified public depository (“QPD”) is required to 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 that 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. Since all of the City’s deposits are held by a QPD under the SAFE program, its deposits are not subject to custodial credit risk.

Concentration of Credit Risk. Concentration risk is the risk of loss attributed to the magnitude of the government’s investment in a single issuer. Other than its investment in USTO or USTO mutual funds, the City entities, the governmental funds, and the OPEB Trust did not have any single investment (debt and equity investments) that had a value in excess of 5% of the respective total investments.

The concentration of credit risk related to the City’s investments are as follows:

<u>Investments</u>	<u>Amount</u>	<u>Portfolio</u>
Cash on hand and in banks	\$ 17,063,272	12%
Certificate of deposits	320,158	0%
Fixed income securities	34,166,614	23%
U.S. Treasury obligations	93,854,496	65%
	<u>\$ 145,404,540</u>	<u>100%</u>

CITY OF HUNTSVILLE, ALABAMA

**Notes to Financial Statements
September 30, 2023**

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

The concentration of credit risk of the OPEB Trust is as follows:

Investments	Amount	Portfolio
Cash on hand and in banks	\$ 875,004	6%
U.S. Treasury obligations	2,485,722	16%
Corporate bonds	4,362,712	29%
Corporate stocks	4,326,905	28%
Mortgage-backed securities	3,196,812	21%
	<u>\$ 15,247,155</u>	<u>100%</u>

Custodial Credit Risk – Deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of September 30, 2023, the City did not have any deposits which were uninsured and under collateralized as defined by GASB pronouncements.

Custodial Credit Risk – Investments. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require all investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities.

Fair Value Measurements. The City categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of September 30, 2023:

<u>Investments</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market	\$ 17,063,272	\$ 17,063,272	\$ -	\$ -
Fixed income securities	34,166,614	-	34,166,614	-
U.S. Treasury obligations	93,854,496	-	93,854,496	-
	<u>145,084,382</u>	<u>\$ 17,063,272</u>	<u>\$ 128,021,110</u>	<u>\$ -</u>
Certificate of deposits	320,158			
Total investments	<u>\$ 145,404,540</u>			

CITY OF HUNTSVILLE, ALABAMA

**Notes to Financial Statements
September 30, 2023**

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

The OPEB Trust has the following recurring fair value measurements as of September 30, 2023:

<u>Investments</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
US Treasury obligations	\$ 2,485,722	\$ 2,485,722	\$ -	\$ -
Corporate bonds	4,362,712	4,362,712	-	-
Mortgage-backed securities	3,196,812	-	3,196,812	-
Corporate stocks	4,326,905	4,326,905	-	-
	<u>\$ 14,372,151</u>	<u>\$ 11,175,339</u>	<u>\$ 3,196,812</u>	<u>\$ -</u>

The United States Treasuries, corporate stocks, and corporate bonds are classified in Level 1 of the fair value hierarchy and valued using prices quoted in active markets for those investments. Primary prices provided by a vendor or broker/dealer are classified as a Level 2. The mortgage-backed securities were valued using a matrix pricing model. The certificate of deposits or guaranteed investment contract is a nonparticipating interest-earning investment contract and, accordingly, is recorded at cost.

NOTE 4. RECEIVABLES

The City's Water Pollution Control Fund does not directly bill citizens of the City, those billings are handled through Huntsville Utilities. The City reports a receivable for the September collections which are remitted from Huntsville Utilities in October each year. Therefore, there is no associated allowance for the Water Pollution Control Fund.

CITY OF HUNTSVILLE, ALABAMA

**Notes to Financial Statements
September 30, 2023**

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023, was as follows:

	Restated Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 148,444,668	\$ 8,752,170	\$ -	\$ 1,145,211	\$ 158,342,049
Construction in progress	138,276,130	153,071,584	(4,921,091)	(136,616,867)	149,809,756
Total	<u>286,720,798</u>	<u>161,823,754</u>	<u>(4,921,091)</u>	<u>(135,471,656)</u>	<u>308,151,805</u>
Capital assets, being depreciated:					
Land improvements	101,200,573	-	(30,042)	58,517,697	159,688,228
Buildings and improvements	440,455,089	-	(3,011,343)	45,424,482	482,868,228
Furniture, equipment and other	126,906,742	37,811,157	(6,470,271)	774,868	159,022,496
Infrastructure	1,947,486,610	-	-	30,754,609	1,978,241,219
Total	<u>2,616,049,014</u>	<u>37,811,157</u>	<u>(9,511,656)</u>	<u>135,471,656</u>	<u>2,779,820,171</u>
Less accumulated depreciation for:					
Land improvements	(36,947,546)	(3,236,240)	39,654	-	(40,144,132)
Buildings and improvements	(132,308,924)	(8,472,349)	2,605,175	-	(138,176,098)
Furniture, equipment and other	(86,475,649)	(10,813,116)	6,149,307	-	(91,139,458)
Infrastructure	(1,147,772,971)	(32,841,796)	-	-	(1,180,614,767)
Total	<u>(1,403,505,090)</u>	<u>(55,363,501)</u>	<u>8,794,136</u>	<u>-</u>	<u>(1,450,074,455)</u>
Total capital assets, being depreciated, net	<u>1,212,543,924</u>	<u>(17,552,344)</u>	<u>(717,520)</u>	<u>135,471,656</u>	<u>1,329,745,716</u>
Right-to-use capital assets, net					
Lease Assets, net - Note 6					1,339,712
Subscription Assets, net - Note 7					5,057,939
Total					<u>6,397,651</u>
Governmental activities capital assets, net	<u>\$ 1,499,264,722</u>	<u>\$ 144,271,410</u>	<u>\$ (5,638,611)</u>	<u>\$ -</u>	<u>\$ 1,644,295,172</u>

CITY OF HUNTSVILLE, ALABAMA

Notes to Financial Statements
September 30, 2023

NOTE 5. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 8,014,522	\$ -	\$ -	\$ -	\$ 8,014,522
Construction in progress	17,543,998	50,021,910	(2,447,031)	(25,950,924)	39,167,953
Total	<u>25,558,520</u>	<u>50,021,910</u>	<u>(2,447,031)</u>	<u>(25,950,924)</u>	<u>47,182,475</u>
Capital assets, being depreciated:					
Buildings and improvements	693,767,452	864,991	(7,547)	25,949,385	720,574,281
Furniture, equipment and other	37,705,004	8,222,747	(4,415,429)	1,539	41,513,861
Total	<u>731,472,456</u>	<u>9,087,738</u>	<u>(4,422,976)</u>	<u>25,950,924</u>	<u>762,088,142</u>
Less accumulated depreciation for:					
Buildings and improvements	(316,829,458)	(14,675,539)	2,893	-	(331,502,104)
Furniture, equipment and other	(25,741,231)	(2,121,015)	2,968,466	-	(24,893,780)
Total	<u>(342,570,689)</u>	<u>(16,796,554)</u>	<u>2,971,359</u>	<u>-</u>	<u>(356,395,884)</u>
Total capital assets, being depreciated, net	<u>388,901,767</u>	<u>(7,708,816)</u>	<u>(1,451,617)</u>	<u>25,950,924</u>	<u>405,692,258</u>
Right-to-use capital assets, net					
Lease assets, net - Note 6					491,886
Subscription assets, net - Note 7					46,825
Total					<u>538,711</u>
Business-type activities capital assets, net	<u>\$ 414,460,287</u>	<u>\$ 42,313,094</u>	<u>\$ (3,898,648)</u>	<u>\$ -</u>	<u>\$ 453,413,444</u>

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:	
General government	\$ 7,926,953
Public safety	8,333,518
Public services	5,706,615
Urban development	<u>33,396,415</u>
Total depreciation expense - governmental activities	<u>\$ 55,363,501</u>
Business-type activities:	
Water pollution control	\$ 11,785,482
Von Braun Center	3,653,093
Municipal Iceplex	135,431
Sanitation	<u>1,222,548</u>
Total depreciation expense - business-type activities	<u>\$ 16,796,554</u>

CITY OF HUNTSVILLE, ALABAMA

**Notes to Financial Statements
September 30, 2023**

NOTE 6. LEASE ASSETS

Lease asset activity for the year ended September 30, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities:				
Leased Assets:				
Buildings and improvements	\$ 1,945,898	\$ 877,081	\$ -	\$ 2,822,979
Furniture, equipment, and other	106,031	-	-	106,031
Infrastructure	23,810	-	-	23,810
Total lease assets	<u>2,075,739</u>	<u>877,081</u>	<u>-</u>	<u>2,952,820</u>
Less accumulated amortization for:				
Buildings and improvements	(677,141)	(868,960)	-	(1,546,101)
Furniture, equipment, and other	(26,288)	(29,729)	-	(56,017)
Infrastructure	(5,495)	(5,495)	-	(10,990)
Total accumulated amortization	<u>(708,924)</u>	<u>(904,184)</u>	<u>-</u>	<u>(1,613,108)</u>
Governmental activities lease assets, net	<u>\$ 1,366,815</u>	<u>\$ (27,103)</u>	<u>\$ -</u>	<u>\$ 1,339,712</u>
Business-type activities:				
Leased Assets:				
Furniture, equipment, and other	\$ 16,223	\$ -	\$ -	\$ 16,223
Infrastructure	630,024	-	-	630,024
Total lease assets	<u>646,247</u>	<u>-</u>	<u>-</u>	<u>646,247</u>
Less accumulated amortization for:				
Furniture, equipment, and other	(5,259)	(3,712)	-	(8,971)
Infrastructure	(72,695)	(72,695)	-	(145,390)
Total accumulated amortization	<u>(77,954)</u>	<u>(76,407)</u>	<u>-</u>	<u>(154,361)</u>
Business-type activities lease assets, net	<u>\$ 568,293</u>	<u>\$ (76,407)</u>	<u>\$ -</u>	<u>\$ 491,886</u>

Amortization expense was charged to functions/programs of the City as follows:

Governmental activities:	
General government	\$ 883,119
Public services	<u>21,065</u>
Total amortization expense - governmental activities	<u>\$ 904,184</u>
Business-type activities:	
Water pollution control	\$ 72,695
Municipal Iceplex	<u>3,712</u>
Total amortization expense - business-type activities	<u>\$ 76,407</u>

CITY OF HUNTSVILLE, ALABAMA

**Notes to Financial Statements
September 30, 2023**

NOTE 7. SUBSCRIPTION ASSETS

Subscription asset activity for the year ended September 30, 2023, was as follows:

Governmental Activities:	Restated Beginning Balance	Increases	Decreases	Ending Balance
Subscription assets	\$ 1,559,718	\$ 5,164,271	\$ (100,289)	\$ 6,623,700
Total	<u>1,559,718</u>	<u>5,164,271</u>	<u>(100,289)</u>	<u>6,623,700</u>
Less accumulated amortization	-	(1,666,050)	100,289	(1,565,761)
Total	<u>-</u>	<u>(1,666,050)</u>	<u>100,289</u>	<u>(1,565,761)</u>
Total subscription assets, net	<u>\$ 1,559,718</u>	<u>\$ 3,498,221</u>	<u>\$ -</u>	<u>\$ 5,057,939</u>

Business-type Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Subscription assets	\$ -	\$ 58,248	\$ -	\$ 58,248
Total	<u>-</u>	<u>58,248</u>	<u>-</u>	<u>58,248</u>
Less accumulated amortization	-	(11,423)	-	(11,423)
Total	<u>-</u>	<u>(11,423)</u>	<u>-</u>	<u>(11,423)</u>
Total subscription assets, net	<u>\$ -</u>	<u>\$ 46,825</u>	<u>\$ -</u>	<u>\$ 46,825</u>

Beginning balances of governmental activities capital assets have been restated for the implementation by the City of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*.

Amortization expense was charged to functions/programs of the City as follows:

Governmental activities:	
General government	\$ <u>1,666,050</u>
Total amortization expense - governmental activities	<u>\$ 1,666,050</u>
Business-type activities:	
Von Braun Center	\$ <u>11,423</u>
Total amortization expense - business-type activities	<u>\$ 11,423</u>

CITY OF HUNTSVILLE, ALABAMA

**Notes to Financial Statements
September 30, 2023**

NOTE 8. LONG-TERM DEBT

The following is a summary of the long-term debt activity for the fiscal year ended September 30, 2023 is as follows:

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation warrants	\$ 613,473,962	\$ 166,624,000	\$ (49,169,810)	\$ 730,928,152	\$ 46,517,205
Lease revenue bonds	151,870,000	-	(4,315,000)	147,555,000	4,440,000
EUL revenue warrants	109,006,059	7,664,935	(13,704,883)	102,966,111	-
Issue discounts & premiums	82,469,534	16,712,054	(10,167,873)	89,013,715	-
Subscription liability	1,539,138	5,164,271	(1,947,755)	4,755,654	2,393,624
Lease liability	1,384,224	877,779	(898,560)	1,363,443	778,323
Total warrants, bonds & notes	<u>959,742,917</u>	<u>197,043,039</u>	<u>(80,203,881)</u>	<u>1,076,582,075</u>	<u>54,129,152</u>
Compensated absences	30,514,100	16,810,708	(11,977,908)	35,346,900	3,534,690
Net pension liability	173,725,434	129,732,683	(23,597,932)	279,860,185	-
Net OPEB liability	57,504,122	7,702,753	(5,340,564)	59,866,311	-
Claims & judgments	5,617,843	44,903,672	(35,311,252)	15,210,263	-
Governmental activities long-term liabilities	<u>\$ 1,227,104,416</u>	<u>\$ 396,192,855</u>	<u>\$ (156,431,537)</u>	<u>\$ 1,466,865,734</u>	<u>\$ 57,663,842</u>
Business-type activities:					
General obligation warrants	\$ 31,900,079	\$ 44,605,000	\$ (4,392,902)	\$ 72,112,177	\$ 5,919,116
Sewer revenue warrants	1,220,000	-	(105,000)	1,115,000	110,000
Issue discounts & premiums	2,191,288	5,725,225	(794,815)	7,121,698	-
Subscription liability	-	37,968	-	37,968	18,568
Lease liability	571,889	-	(73,458)	498,431	73,296
Total warrants	<u>35,883,256</u>	<u>50,368,193</u>	<u>(5,366,175)</u>	<u>80,885,274</u>	<u>6,120,980</u>
Compensated absences	3,120,100	994,478	(1,066,582)	3,047,996	710,574
Net pension liability	21,471,683	17,690,820	(4,573,041)	34,589,462	-
Net OPEB liability	5,292,415	761,811	(133,105)	5,921,121	-
Business-type activities long-term liabilities	<u>\$ 65,767,454</u>	<u>\$ 69,815,302</u>	<u>\$ (11,138,903)</u>	<u>\$ 124,443,853</u>	<u>\$ 6,831,554</u>

Beginning balances of governmental activities long-term debt have been restated for the implementation by the City of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*.

For the governmental funds, compensated absences, net pension liability, and net OPEB liability are liquidated primarily by the General Fund.

The increase in EUL revenue warrants of \$7,664,935 includes \$6,811,677 of interest accrued during the fiscal year ended September 30, 2023, as described in the EUL Revenue Warrants section.

During fiscal year ended September 30, 2023, \$1,167,219 was forgiven on the 2020A general obligation warrants as the City paid \$5,527,781 of previously outstanding \$6,695,000.

CITY OF HUNTSVILLE, ALABAMA

**Notes to Financial Statements
September 30, 2023**

NOTE 8. LONG-TERM DEBT (CONTINUED)

General Obligation Warrants

The City issues general obligation (G.O.) warrants, which are direct obligations and pledges of the full faith and credit of the City, for the acquisition and construction of capital facilities and equipment and to refund other G.O. warrants. The City also issues warrants on behalf of the Huntsville Board of Education. As of September 30, 2023, the City has \$213,785,000 of outstanding warrants, including \$17,727,217 of premiums, which were issued for construction of assets reported by the Huntsville Board of Education.

The City has the following outstanding G.O. Warrants as of September 30, 2023:

Series	Issue Date	Maturity Date	Interest Rates	Principal Issued	Principal Outstanding at 9/30/23
2013B					
<i>Refunding portions of Series 2010-A and other capital improvements</i>	5/23/2013	6/1/2037	3.5% - 4.0%	\$ 14,580,000	\$ 14,580,000
2013C					
<i>School capital building and renovations</i>	9/3/2014	11/1/2033	2.0% - 5.0%	77,050,000	3,985,000
2013D					
<i>Sports complex, roadways, new fire station, and other capital improvements</i>	9/3/2014	11/1/2033	2.0% - 5.0%	24,970,000	1,145,000
2014A					
<i>Refunding portions of Series 2005-A and C, Series 2007-A, and Series 2009-A</i>	9/3/2014	8/1/2037	3.0% - 5.0%	40,925,000	25,260,000
2014B					
<i>Redemption of PBA Series 2007 and other capital improvements</i>	9/3/2014	11/1/2033	2.0% - 5.0%	19,345,000	14,520,000
2014C					
<i>Refunding portions of Series 2009-A and school capital building and renovations</i>	9/3/2014	9/1/2029	2.0% - 5.0%	27,045,000	15,055,000
2015A					
<i>Roadway and bridge, parks and recreation, and other capital improvements</i>	6/30/2015	5/1/2035	5.0%	61,390,000	43,125,000
2015B					
<i>Refunding of Series 2010-A (TIF 5)</i>	5/4/2015	5/1/2045	0.66% - 4.19%	8,185,000	6,710,000
2016A					
<i>Roadway and bridge, parks and recreation, public safety, and other capital improvements</i>	6/14/2016	5/1/2036	1.5% - 5.0%	35,725,000	29,675,000

Continued

CITY OF HUNTSVILLE, ALABAMA

**Notes to Financial Statements
September 30, 2023**

NOTE 8. LONG-TERM DEBT (CONTINUED)

Series	Issue Date	Maturity Date	Interest Rates	Principal Issued	Principal Outstanding at 9/30/23
2016B <i>School capital building and renovations</i>	6/14/2016	5/1/2036	5.0%	29,890,000	29,890,000
2016C <i>Refunding portions of Series 2007-A, Series 2009-A, and Series 2011-A</i>	6/14/2016	5/1/2029	3.0% - 5.0%	23,963,063	13,978,214
2016D <i>Refunding portions of Series 2009-B and Series 2011-B</i>	6/14/2016	5/1/2030	3.0% - 5.0%	31,550,000	25,310,000
2017A <i>School capital building and renovations</i>	2/16/2017	5/1/2037	5.0%	17,355,000	13,885,000
2017B <i>Firetrucks, roadway, and other capital improvements</i>	2/16/2017	5/1/2037	3.0% - 5.0%	8,560,000	4,695,000
2017C <i>Roadway, utility, public safety, and other capital improvements</i>	2/16/2017	5/1/2037	2.6% - 5.0%	11,045,000	8,500,000
2017D <i>Refunding of Series 2011-A, Series 2012-A, and Series 2013-D</i>	8/24/2017	11/1/2031	2.0% - 5.0%	16,846,200	16,199,400
2017E <i>Refunding of school debt (Series 2011-B and Series 2013-C)</i>	8/24/2017	11/1/2032	3.0% - 5.0%	49,195,000	48,095,000
2018A <i>TIF 7 (Mazda Toyota) land acquisition</i>	2/28/2018	1/1/2038	5.0%	50,590,000	46,575,000
2018B <i>Public safety equipment, bridge, roadway, City and VBC facilities, and other capital improvements</i>	2/28/2018	1/1/2038	5.0%	61,985,000	52,055,000
2018C <i>Redemption of Series 2010-A (TIF 5)</i>	4/12/2018	1/1/2033	4.19%	5,385,000	4,785,000
2019A <i>Community center, parks, utility, parking, and other capital improvements</i>	5/30/2019	1/1/2033	4.19%	77,000,000	66,590,000

Continued

CITY OF HUNTSVILLE, ALABAMA

**Notes to Financial Statements
September 30, 2023**

NOTE 8. LONG-TERM DEBT (CONTINUED)

Series	Issue Date	Maturity Date	Interest Rates	Principal Issued	Principal Outstanding at 9/30/23
2020A <i>Refunding portions of Series 2010-A, B, and C</i>	11/3/2020	9/1/2032	1.5% - 5.0%	28,808,598	10,076,516
2020B <i>School capital building and renovations</i>	11/3/2020	9/1/2030	5.0%	13,265,000	8,470,000
2020C <i>Refunding portions of Series 2010-A, B, and C</i>	11/3/2020	9/1/2034	1.6% - 2.0%	24,721,505	18,998,695
2020D <i>School capital building and renovations</i>	11/3/2020	9/1/2034	1.6% - 2.0%	27,610,000	23,670,000
2020E <i>Roadway, utility, and other capital improvements</i>	12/22/2020	2/1/2036	1.56%	15,047,500	12,721,678
2021 <i>VBC facility improvements</i>	12/22/2021	12/1/2036	1.68%	7,000,000	6,304,649
2022 (TIF 5) <i>Partial redemption of series 2010-A and 2010-B (TIF 5)</i>	11/17/2022	3/1/2045	5.31%	16,574,000	16,024,000
2023A <i>Parks and Public Safety Improvements</i>	3/9/2023	3/1/2043	5.00%	66,835,000	66,835,000
2023B <i>Apollo Park and Economic Development</i>	3/9/2023	3/1/2043	5.00%	26,790,000	26,790,000
2023D <i>School capital improvements</i>	3/9/2023	3/1/2053	5.00%	45,425,000	45,425,000
2023E <i>VBC facility improvements</i>	8/16/2023	8/1/2038	4.08%	11,000,000	11,000,000
				<u>\$975,655,866</u>	<u>\$730,928,152</u>

On November 17, 2022, the City issued its \$16,574,000 General Obligation Warrant. The net proceeds of \$16,508,500 (after payment of \$65,500 in issuance costs) were used to refund (redeem) portions of Series 2010 A and 2010 B EUL. The Warrant bears an interest rate of 5.31%. Principal and interest payments are due semiannually beginning March 2023 and continuing through March 2045.

CITY OF HUNTSVILLE, ALABAMA

Notes to Financial Statements September 30, 2023

NOTE 8. LONG-TERM DEBT (CONTINUED)

2023A

On March 9, 2023, the City of Huntsville issued its \$66,835,000 General Obligation Warrants. The net proceeds of \$75,004,941.57 (after receiving an original issue premium of \$8,617,744.65 and payment of \$447,803.08 in issuance costs) were used to fund the expansion and renovations of the Sandra Moon Complex (a public facility containing a library, community facilities, a gymnasium and other public facilities), public safety training facility improvements and other public safety and protection facility improvements, public parking lots and facilities, athletic field and playground improvements, public roadway, drainage, infrastructure and utility improvements, and various other public capital improvements, equipment and assets for the City. The Warrants bear interest of 5%. Principal and interest payments are due semiannually beginning in September 2023 and continuing through March of 2043.

2023B

On March 9, 2023, the City of Huntsville issued its \$26,790,000 General Obligation Warrants. The net proceeds of \$30,000,829.48 (after receiving an original issue premium of \$3,340,945.00 and payment of \$130,115.52 in issuance costs) were used to fund public park improvements, land for public parking and public parking improvements, public roadway improvements and other public capital improvements, equipment, and assets for the City. The Warrants bear interest of 5%. Principal and interest payments are due semiannually beginning in September 2023 and continuing through March of 2043.

2023D

On March 9, 2023, the City of Huntsville issued its \$45,425,000 General Obligation School Warrants. The net proceeds of \$50,003,215.88 (after receiving an original issue premium of \$4,753,363.65 and payment of \$175,147.77 in issuance costs) were used to fund the designing, acquiring, providing, equipping, constructing and financing a new central office building and a new career and technical education academy, renovating existing public school facilities and making site improvements for other public school purposes, acquiring equipment, and various other infrastructure, improvements and assets for public school purposes within the city. The Warrants bear interest of 5%. Principal and interest payments are due semiannually beginning in September 2023 and continuing through March of 2053.

2023E

On August 16, 2023, the City of Huntsville issued its \$11,000,000 General Obligation Warrant. The net proceeds of \$10,947,725.00 (after payment of \$52,275.00 in issuance costs) were used to fund capital improvements to the North Hall and Playhouse facilities at the Von Braun Center, which is owned and operated by the City. The Warrant bears interest of 4.08%. Principal and interest payments are due monthly beginning in October 2023 and continuing through August of 2038.

CITY OF HUNTSVILLE, ALABAMA

**Notes to Financial Statements
September 30, 2023**

NOTE 8. LONG-TERM DEBT (CONTINUED)

On June 1, 2023, the City acquired the General Obligation Warrants, Series 2020-A, maturing on September 1, 2031 and September 1, 2032. These warrants in aggregate represented \$6,695,000 of the City's long-term debt. As the holder of these warrants, the City was able to terminate the warrants and thus forgive the principal and related interest payments. The City was able to acquire these warrants for \$5,555,119 which provides the City with an aggregate cash flow savings of \$2,046,800.

The annual requirements to amortize the warrants as of September 30, 2023, for the governmental activities are as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 46,517,205	\$ 32,159,426	\$ 78,676,631
2025	46,218,944	30,176,210	76,395,154
2026	49,360,763	28,076,274	77,437,037
2027	48,339,149	25,819,639	74,158,788
2028	49,767,921	23,534,671	73,302,592
2029-2033	241,678,851	87,135,579	328,814,430
2034-2038	169,580,319	40,363,567	209,943,886
2039-2043	53,241,000	13,049,168	66,290,168
2044-2048	13,294,000	4,723,143	18,017,143
2049-2053	12,930,000	1,680,500	14,610,500
	<u>\$ 730,928,152</u>	<u>\$ 286,718,177</u>	<u>\$ 1,017,646,329</u>

CITY OF HUNTSVILLE, ALABAMA

Notes to Financial Statements September 30, 2023

NOTE 8. LONG-TERM DEBT (CONTINUED)

Lease Revenue Bonds

The Public Building Authority (PBA), a blended component unit of the City, issued bonds in fiscal year 2017 for the construction and expansion of a public safety and municipal court facility, including the city jail, now operated as the Huntsville-Madison County Jail. Repayment of the bonds is secured solely by annual lease payments the City is required to make to the Authority. Pursuant to the trust indentures under which the bonds were issued, the Authority has deposited a surety bond having a value equal to the highest annual debt service on the bonds, in lieu of maintaining cash in the debt service reserves. The Authority was in compliance with bond covenants at year-end. The bonds do not constitute a direct obligation and pledge of the full faith and credit of the City. In the event of default of the agreement, all obligations outstanding shall immediately become due and payable. The mortgage lien of the indenture, however, is not foreclosable, and the remedies will not include foreclosure or sale of the property. Events of default of the funding agreement are considered failure to pay and noncompliance with any of the covenants and terms and conditions.

Similar in structure to the 2017 borrowing, the PBA issued taxable lease revenue bonds in principal of \$37,000,000 on March 4, 2021, for the construction of a City Amphitheater. The facility is secured by an annual lease equal to the debt service payments of the bonds. The City, through this lease, will operate the facility. The bonds do not constitute a direct obligation and pledge of the full faith credit of the City and are therefore removed when considering the debt limit of the City.

On March 3, 2022, the Public Building Authority of the City of Huntsville issued \$74,285,000 of Lease Revenue Warrants. The net proceeds of \$90,006,084 (after receiving an original issue premium of \$16,251,573 and payment of \$530,489 in issuance costs) were used to fund the construction and development of a new city hall and adjoining parking structure. The Warrants bear interest of 3% to 5%. Principal interest payments are due semiannually beginning in August 2022 and continuing through February of 2052.

The Public Building Authority is a public corporation organized and existing under and pursuant to the provisions of Chapter 56 of Title 11 of the Code of Alabama 1975, as amended, and a resolution adopted by the Huntsville City Council. The City of Huntsville is responsible for funding the repayment of the warrants through a lease revenue agreement with the Public Building Authority for the use of the facilities.

CITY OF HUNTSVILLE, ALABAMA

**Notes to Financial Statements
September 30, 2023**

NOTE 8. LONG-TERM DEBT (CONTINUED)

The City has the following outstanding Lease Revenue Bonds as of September 30, 2023:

<u>Series</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Principal Issued</u>	<u>Principal Outstanding at 9/30/23</u>
2017 <i>Construction of Public Safety Complex</i>	9/28/207	10/1/2036	3.0% - 5.0%	\$ 46,965,000	\$ 39,050,000
2021 <i>Amphitheater Construction</i>	3/4/2021	2/1/2041	0.39 - 3.039%	37,000,000	35,335,000
2022 <i>Construction of City Hall</i>	3/3/2022	2/1/2042	3.0% - 5.0%	74,285,000	73,170,000
				<u>\$158,250,000</u>	<u>\$147,555,000</u>

The annual requirements to amortize the lease revenue bonds as of September 30, 2023, for the governmental activities are as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 4,440,000	\$ 6,315,765	\$ 10,755,765
2025	4,595,000	6,166,080	10,761,080
2026	4,760,000	5,998,130	10,758,130
2027	4,940,000	5,817,964	10,757,964
2028	5,130,000	5,625,641	10,755,641
2029-2033	30,345,000	24,512,246	54,857,246
2034-2038	38,195,000	17,095,314	55,290,314
2039-2043	20,510,000	10,737,266	31,247,266
2044-2048	17,310,000	6,582,500	23,892,500
2049-2053	17,330,000	1,786,750	19,116,750
	<u>\$ 147,555,000</u>	<u>\$ 90,637,656</u>	<u>\$ 238,192,656</u>

EUL Revenue Warrants

Beginning in 2010, the City issued taxable revenue warrants for the construction of public improvements in the City's TIF District No. 5, an Enhanced Use Lease area within the U.S. Army's Redstone Arsenal (EUL Warrants). The EUL Warrants are issued on a private placement basis and structured as drawdown obligations, which permits drawdowns at the City's request to finance certain construction costs. The EUL Warrants are issued pursuant to an agreement (EUL Agreement) with a private entity for the development of an office park within TIF 5. Under the EUL Agreement, the City may issue EUL Warrants in two or more series up to an aggregate maximum principal amount not to exceed \$76 million. On March 1 of each year, the accrued and unpaid interest on each note is added to the principal balance. Unpaid interest is reported using the economic resources measurement focus and the accrual basis of accounting. As of September 30, 2023, the City had issued \$76 million. The EUL warrants do not constitute a direct obligation and pledge of the full faith and credit of the City. All unpaid principal, accrued interest, and capitalized interest outstanding at the end of the TIF, will be forgiven and no longer be a liability of the City. The TIF will expire March of 2045.

CITY OF HUNTSVILLE, ALABAMA

**Notes to Financial Statements
September 30, 2023**

NOTE 8. LONG-TERM DEBT (CONTINUED)

Below is a summary of the EUL warrants as of September 30, 2023:

Series	Issued	Drawn	Available	Refunded	Interest Rolled into Warrants	Total Liability
2010A EUL	\$ 10,000,000	\$ 9,948,850	\$ 51,150	\$ (9,940,350)	\$ -	\$ 8,500
2010B EUL	20,000,000	20,000,000	-	(13,704,883)	33,615,867	39,910,984
2012A EUL	3,000,000	2,997,386	2,614	-	5,370,237	8,367,623
2012B EUL	3,000,000	2,920,599	79,401	-	4,631,166	7,551,765
2013A EUL	1,500,000	1,500,000	-	-	2,200,875	3,700,875
2017A EUL	1,000,000	748,912	251,088	-	445,449	1,194,361
2017B EUL	4,000,000	3,587,278	412,722	-	1,552,272	5,139,550
2018A EUL	4,500,000	4,440,025	59,975	-	1,793,298	6,233,323
2019A EUL	1,700,000	1,657,539	42,461	-	490,401	2,147,940
2019B EUL	14,500,000	14,288,103	211,897	-	4,577,977	18,866,080
2020A EUL	2,000,000	1,608,143	391,857	-	306,695	1,914,838
2021A EUL	6,000,000	6,000,000	-	-	736,853	6,736,853
2021B EUL	2,500,000	912,943	1,587,057	-	39,085	952,028
2023 EUL	2,300,000	241,391	2,058,609	-	-	241,391
	<u>\$ 76,000,000</u>	<u>\$ 70,851,169</u>	<u>\$ 5,148,831</u>	<u>\$ (23,645,233)</u>	<u>\$ 55,760,175</u>	<u>\$ 102,966,111</u>

G.O. Warrants have been issued by the City with series 2015, 2018, and 2022. These series refunded portions of the 2010-A and 2010-B EUL warrants outstanding at the time of issuance.

During the fiscal year ended September 30, 2023, there were additional draws of \$853,258 on the outstanding EUL Warrants by the developer. Additionally, the outstanding EUL warrants accrue annual interest at 9.95%, which if unpaid, rolls into the total Warrant liability as of March 1 each year. For the year ended September 30, 2023, interest of \$6,811,677 accrued to the outstanding balance.

Repayment of the EUL Warrants is secured by a pledge of the TIF 5 tax revenue, which is reported in the TIF Special Revenue Fund. The EUL Agreement requires the City to redeem the outstanding balance, plus accrued interest, of any EUL Warrant, to the extent that TIF 5 tax revenue is sufficient as defined by a formula in the EUL Agreement. The minimum required redemption is \$5 million. When an EUL Warrant redemption is required, the City has issued taxable general obligation warrants. As of September 30, 2023, the City has issued three warrants with outstanding principal amounts of \$27,519,000.

CITY OF HUNTSVILLE, ALABAMA

**Notes to Financial Statements
September 30, 2023**

NOTE 8. LONG-TERM DEBT (CONTINUED)

Sewer Revenue Warrants

The Alabama Water Pollution Control Authority permits local governments to participate in a State Revolving Loan Fund (SRF) program, whereby the Authority issues debt (Authority Bonds) for the purpose of making loans to participating local governments to upgrade water and sewer treatment facilities and distribution systems. The repayment of such Authority Bonds is evidenced by securities issued by the participating governments. Pursuant to the SRF program, the City has issued several series of sewer revenue warrants (SRF warrants) since 1995. The SRF warrants are secured solely by a pledge of sewer system revenues, which are accounted for in the Water Pollution Control Enterprise Fund, a business-type activity of the City, and the City has covenanted that the revenues will be maintained at the levels required by the terms of the SRF warrants. The SRF warrants do not constitute a direct obligation and pledge of the full faith and credit of the City. In the event of default of the agreement, all obligations outstanding shall immediately become due and payable. Events of default of the agreements are failure to pay, noncompliance with any of the covenants and terms and conditions, and any deterioration of the financial condition of the City.

The outstanding sewer system liabilities as of September 30, 2023 were as follows:

Sewer General Obligation (GO) Warrants

Series	Issue Date	Maturity Date	Interest Rates	Principal Issued	Principal Outstanding at 9/30/23
2014A <i>Refunding portions of Series 2005-A and C, Series 2007-A, and Series 2009-A</i>	9/3/2014	8/1/2029	2.0% - 5.0%	\$ 13,185,000	\$ 7,705,000
2016C <i>Refunding portions of Series 2007-A, Series 2009-A, and Series 2011-A</i>	6/14/2016	5/1/2029	3.0% - 5.0%	12,066,937	7,621,786
2017D <i>Refunding of Series 2011-A, Series 2012-A, and Series 2013-D</i>	11/1/2017	11/1/2031	2.0% - 5.0%	3,208,800	3,085,600
2020A <i>Refunding portions of Series 2010-D, 2011-A, 2012-A, and 2013-D</i>	11/3/2020	9/1/2032	1.5% - 5.0%	5,821,402	4,323,484
2020C <i>Refunding portions of Series 2010-A, B, and C</i>	11/3/2020	9/1/2034	1.6% - 2.0%	6,488,495	4,771,307
2023C <i>Western Area Waste Water Treatment Plant Expansion, and other sewer improvements</i>	3/9/2023	3/1/2043	5.0%	44,605,000	44,605,000
				<u>\$ 85,375,634</u>	<u>\$ 72,112,177</u>

CITY OF HUNTSVILLE, ALABAMA

**Notes to Financial Statements
September 30, 2023**

NOTE 8. LONG-TERM DEBT (CONTINUED)

2023C

On March 9, 2023, the City of Huntsville issued its \$44,605,000 General Obligation Sewer Warrants. The net proceeds of \$50,000,292.73 (after receiving an original issue premium of \$5,711,490.25 and payment of \$316,197.52 in issuance costs) were used to fund public capital improvements to the sanitary sewer system of the City including, without limitation, intake lines and related assets, tanks, clarifiers, general infrastructure, equipment, and other public capital improvements for the expansion of the western area waste water treatment plant portion of the City sewer system, along with other public capital improvements, equipment and assets for the City sewer system. The Warrants bear interest of 5%. Principal and interest payments are due semiannually beginning in September 2023 and continuing through March of 2043.

Sewer Revenue Warrants

Series	Issue Date	Maturity Date	Interest Rates	Principal Issued	Principal Outstanding at 9/30/23
2011 <i>Spring Branch WWTP and other sanitary sewer system improvements</i>	11/11/2011	8/15/2032	3.0%	\$ 2,130,000	\$ 1,115,000

The annual requirements to amortize the sewer revenue warrants as of September 30, 2023, for the business-type activities are as follows:

September 30,	Principal	Interest	Total
2024	\$ 110,000	\$ 32,335	\$ 142,335
2025	115,000	29,145	144,145
2026	115,000	25,810	140,810
2027	120,000	22,475	142,475
2028	125,000	18,995	143,995
2029-2032	530,000	39,150	569,150
	<u>\$ 1,115,000</u>	<u>\$ 167,910</u>	<u>\$ 1,282,910</u>

CITY OF HUNTSVILLE, ALABAMA

**Notes to Financial Statements
September 30, 2023**

NOTE 8. LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize the G.O. warrants as of September 30, 2023, for the business-type activities are as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 5,919,116	\$ 3,277,035	\$ 9,196,151
2025	5,909,335	3,017,292	8,926,627
2026	6,395,828	2,743,160	9,138,988
2027	5,554,114	2,457,911	8,012,025
2028	5,165,378	2,187,862	7,353,240
2029-2033	15,403,406	8,455,148	23,858,554
2034-2038	12,155,000	5,482,625	17,637,625
2039-2043	15,610,000	2,029,000	17,639,000
	<u>\$ 72,112,177</u>	<u>\$ 29,650,033</u>	<u>\$ 101,762,210</u>

City Lease Liabilities

Governmental-type activities

As of October 1, 2021, the City entered into a 39 month lease as Lessee for the use of Drake and Harlan Properties, Inc. An initial lease liability was recorded in the amount of \$131,915. As of September 30, 2023, the value of the lease liability is \$58,425. The City is required to make monthly fixed payments of \$2,584. The lease has an interest rate of 0.1930%. The buildings estimated useful life was 60 months as of the contract commencement. The value of the right to use asset as of September 30, 2023 of \$131,915 with accumulated amortization of \$81,178 is included with buildings and improvements within capital assets. The City has 1 extension option(s), each for 24 months. The City had a termination period of 2 months as of the lease commencement.

On October 1, 2021, the City entered into a 30 month lease as Lessee for the use of Suite 700. An initial lease liability was recorded in the amount of \$297,780. As of September 30, 2023, the value of the lease liability is \$60,382. The City is required to make monthly fixed payments of \$9,521. The lease has an interest rate of 0.2980%. The buildings estimated useful life was 84 months as of the contract commencement. The value of the right to use asset as of September 30, 2023 of \$297,779 with accumulated amortization of \$238,224 is included with buildings and improvements within capital assets. The City has 1 extension option(s), each for 24 months.

CITY OF HUNTSVILLE, ALABAMA

Notes to Financial Statements September 30, 2023

NOTE 8. LONG-TERM DEBT (CONTINUED)

On February 24, 2022, the City entered into a 60 month lease as Lessee for the use of Postage Meters. An initial lease liability was recorded in the amount of \$43,323. As of September 30, 2023, the value of the lease liability is \$28,271. The City is required to make quarterly fixed payments of \$2,199. The lease has an interest rate of 0.6360%. The equipment estimated useful life was 60 months as of the contract commencement. The value of the right to use asset as of September 30, 2023 of \$43,323 with accumulated amortization of \$13,887 is included with furniture, equipment, and other within capital assets.

On March 1, 2022, the City entered into a 60 month lease as Lessee for the use of 620 Pearl Avenue. An initial lease liability was recorded in the amount of \$206,752. As of September 30, 2023, the value of the lease liability is \$141,915. The City is required to make monthly fixed payments of \$3,500. The lease has an interest rate of 0.6360%. The buildings estimated useful life was 60 months as of the contract commencement. The value of the right to use asset as of September 30, 2023 of \$206,752 with accumulated amortization of \$65,471 is included with buildings and improvements within capital assets. The City has 5 extension option(s), each for 12 months.

On October 1, 2021, the City entered into a 52 month lease as Lessee for the use of 999 Ledgeview Drive. An initial lease liability was recorded in the amount of \$23,810. As of September 30, 2023, the value of the lease liability is \$11,922. The City is required to make annual fixed payments of \$6,000. The lease has an interest rate of 0.4350%. The infrastructure estimated useful life was 60 months as of the contract commencement. The value of the right to use asset as of September 30, 2023 of \$23,810 with accumulated amortization of \$10,990 is included with infrastructure within capital assets. The City has 1 extension option(s), each for 60 months.

On October 1, 2021, the City entered into a 94 month lease as Lessee for the use of 2227 Drake Avenue - Suite 25 & 26. An initial lease liability was recorded in the amount of \$427,186. As of September 30, 2023, the value of the lease liability is \$318,795. The City is required to make monthly fixed payments of \$4,585. The lease has an interest rate of 0.2280%. The buildings estimated useful life was 36 months as of the contract commencement. The value of the right to use asset as of September 30, 2023 of \$427,186 with accumulated amortization of \$108,799 is included with buildings and improvements within capital assets.

On October 1, 2021, the City entered into a 35 month lease as Lessee for the use of 101 Church Street-Huntsville Utilities Copy. An initial lease liability was recorded in the amount of \$284,911. As of September 30, 2023, the value of the lease liability is \$130,721. The City is required to make monthly fixed payments of \$11,897. The lease has an interest rate of 0.2280%. The buildings estimated useful life was 48 months as of the contract commencement. The value of the right to use asset as of September 30, 2023 of \$415,628 with accumulated amortization of \$284,660 is included with buildings and improvements within capital assets.

CITY OF HUNTSVILLE, ALABAMA

Notes to Financial Statements September 30, 2023

NOTE 8. LONG-TERM DEBT (CONTINUED)

As of October 1, 2021, the City had a 39 month lease as Lessee for the use of 500 Church Street. An initial lease liability was recorded in the amount of \$230,846. As of September 30, 2023, the value of the lease liability is \$89,295. The City is required to make monthly fixed payments of \$5,735. The lease has an interest rate of 0.2980%. The buildings estimated useful life was 252 months as of the contract commencement. The value of the right to use asset as of September 30, 2023 of \$230,846 with accumulated amortization of \$142,059 is included with buildings and improvements within capital assets.

As of October 1, 2021, the City had a 31 month lease as Lessee for the use of Suite B - 807 Shoney Drive. An initial lease liability was recorded in the amount of \$154,424. As of September 30, 2023, the value of the lease liability is \$34,965. The City is required to make monthly fixed payments of \$5,000. The lease has an interest rate of 0.2980%. The buildings estimated useful life was 60 months as of the contract commencement. The value of the right to use asset as of September 30, 2023 of \$154,424 with accumulated amortization of \$119,554 is included with buildings and improvements within capital assets.

As of October 1, 2021, the City had a 39 month lease as Lessee for the use of Bailey Cove Shopping Center. An initial lease liability was recorded in the amount of \$538,606. As of September 30, 2023, the value of the lease liability is \$213,607. The City is required to make monthly fixed payments of \$13,135. The lease has an interest rate of 0.2980%. The buildings estimated useful life was 60 months as of the contract commencement. The value of the right to use asset as of September 30, 2023 of \$538,606 with accumulated amortization of \$331,450 is included with buildings and improvements within capital assets.

On July 1, 2022, the City entered into a 36 month lease as Lessee for the use of Yarbrough Partners, LLC. An initial lease liability was recorded in the amount of \$419,843. As of September 30, 2023, the value of the lease liability is \$253,897. The City is required to make monthly fixed payments of \$11,895. The lease has an interest rate of 3.1750%. The buildings estimated useful life was 36 months as of the contract commencement. The value of the right to use asset as of September 30, 2023 of \$419,843 with accumulated amortization of \$174,706 is included with buildings and improvements within capital assets. The Lessor had a termination period of 24 months as of the lease commencement.

As of October 1, 2021, the Public Library leases office equipment under various finance leases with terms ending from 2024 to 2027. An initial lease liability was recorded in the amount of \$62,708. As of September 30, 2023, the value of the lease liability is \$21,248. The Library used a discount rate of 3.25%, its incremental borrowing rate. The value of the right to use asset as of September 30, 2023 of \$62,708 with accumulated amortization of \$42,130 is included with furniture, equipment, and other within capital assets.

CITY OF HUNTSVILLE, ALABAMA

**Notes to Financial Statements
September 30, 2023**

NOTE 8. LONG-TERM DEBT (CONTINUED)

Business-type activities

As of October 1, 2021, the Iceplex had 36-60 month leases as Lessee for the use of office equipment. An initial lease liability was recorded in the amount of \$14,814. As of September 30, 2023, the value of the lease liability is \$7,557. The Iceplex is required to make monthly payments ranging from \$109-\$248. The Iceplex used a discount rate of 5.75%, its incremental borrowing rate. The Iceplex amortizes the right of use assets on a straight-line basis over the lease terms of 60-36 months. The value of the right to use asset as of September 30, 2023 of \$16,223 with accumulated amortization of \$8,971 is include with furniture, equipment, and other within capital assets.

On October 1, 2021, the City entered into a 104 month lease as Lessee for the use of 19-1 Capshaw Mountain Road. An initial lease liability was recorded in the amount of \$630,024. As of September 30, 2023, the value of the lease liability is \$490,874. The City is required to make monthly fixed payments of \$6,000. The lease has an interest rate of 0.4350%. The Infrastructure estimated useful life was 120 months as of the contract commencement. The value of the right to use asset as of September 30, 2023 of \$630,024 with accumulated amortization of \$145,390 is included with Infrastructure within capital assets. The City has 1 extension option(s), each for 60 months.

Annual Debt Service Requirements to Maturity for Lease Obligations for the City are as follows:

Fiscal Year	Governmental Activities		
	Principal Payments	Interest Payments	Total Payments
2024	\$ 778,323	\$ 9,011	\$ 787,334
2025	302,441	3,061	305,502
2026	107,120	779	107,899
2027	74,909	331	75,240
2028	54,848	172	55,020
2029 - 2030	45,802	48	45,850
	<u>\$ 1,363,443</u>	<u>\$ 13,402</u>	<u>\$ 1,376,845</u>

Fiscal Year	Business-Type Activities		
	Principal Payments	Interest Payments	Total Payments
2024	\$ 73,296	\$ 2,334	\$ 75,630
2025	74,315	1,861	76,176
2026	75,691	1,396	77,087
2027	74,553	1,048	75,601
2028	74,877	723	75,600
2029 - 2030	125,699	478	126,177
	<u>\$ 498,431</u>	<u>\$ 7,840</u>	<u>\$ 506,271</u>

CITY OF HUNTSVILLE, ALABAMA

**Notes to Financial Statements
September 30, 2023**

NOTE 8. LONG-TERM DEBT (CONTINUED)

City Subscription Liabilities

Governmental-type activities

As of September 30, 2023, the City had 23 active subscriptions. The subscriptions have payments that range from \$700 to \$393,870 and interest rates that range from 0.0000% to 3.1550%. As of September 30, 2023, the total combined value of the subscription liability is \$4,755,654. The combined value of the right to use asset, as of September 30, 2023 of \$6,623,700 with accumulated amortization of \$1,565,761 is included with subscription assets within capital assets.

Business-type activities

As of October 1, 2021, the Von Braun Center had 26 month agreement as Lessee for the use of subscription-based information technology. An initial liability was recorded in the amount of \$37,968. As of September 30, 2023, the value of the lease liability is \$37,968. The Von Braun Center is required to make annual payments of \$20,280 and bears interest at a rate of 4.51%. The Von Braun Center amortizes the right of use assets on a straight-line basis over the lease terms of 24 months. The value of the right to use asset as of September 30, 2023 of \$58,248 with accumulated amortization of \$11,423 is include with subscription assets within capital assets.

Annual Debt Service Requirements to Maturity for Subscription Obligations for the City are as follows:

Governmental Activities			
Fiscal Year	Principal Payments	Interest Payments	Total Payments
2024	\$ 2,393,624	\$ 95,709	\$ 2,489,333
2025	1,242,140	54,480	1,296,620
2026	780,922	22,653	803,575
2027	338,968	9,561	348,529
	<u>\$ 4,755,654</u>	<u>\$ 182,403</u>	<u>\$ 4,938,057</u>

Business-Type Activities			
Fiscal Year	Principal Payments	Interest Payments	Total Payments
2024	\$ 18,568	\$ 1,294	\$ 19,862
2025	19,400	437	19,837
	<u>\$ 37,968</u>	<u>\$ 1,731</u>	<u>\$ 39,699</u>

CITY OF HUNTSVILLE, ALABAMA

**Notes to Financial Statements
September 30, 2023**

NOTE 9. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of September 30, 2023, was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	<u>\$ 715,081</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and when payments between funds are made.

The composition of advances between the City's funds as of September 30, 2023, was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	<u>\$ 1,185,174</u>

The outstanding balances represent interfund borrowings between the General Fund and the AL Constitutional Village to help cover operating cost. These balances are not expected to be repaid within the next fiscal year and thus are reported as advances between the two funds.

CITY OF HUNTSVILLE, ALABAMA

**Notes to Financial Statements
September 30, 2023**

NOTE 9. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

The amounts transferred among the various funds for the year ended September 30, 2023, were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Capital Improvements Fund	\$ 274,742
General Fund	Nonmajor Governmental Funds	200,000
		<u>\$ 474,742</u>
Capital Improvements Fund	General Fund	\$ 23,312,807
Capital Improvements Fund	Capital Projects Fund	443,219
Capital Improvements Fund	Nonmajor Governmental Funds	7,802,982
		<u>\$ 31,559,008</u>
Debt Service Fund	General Fund	\$ 1,844,174
Debt Service Fund	Capital Improvements Fund	15,679,774
Debt Service Fund	Nonmajor Governmental Funds	55,254,848
		<u>\$ 72,778,796</u>
Grants Fund	General Fund	\$ 4,133,340
Grants Fund	Capital Improvements Fund	682,338
		<u>\$ 4,815,678</u>
Capital Projects Fund	Capital Improvements Fund	93,090
		<u>\$ 93,090</u>
Nonmajor Governmental Funds	General Fund	\$ 8,258,406
Nonmajor Governmental Funds	Capital Improvements Fund	352,043
Nonmajor Governmental Funds	Nonmajor Enterprise Funds	2,452,551
Nonmajor Governmental Funds	Nonmajor Governmental Funds	10,653,546
		<u>\$ 21,716,546</u>
Nonmajor Enterprise Funds	Capital Improvements Fund	\$ 2,453,097
Nonmajor Enterprise Funds	General Fund	2,200,000
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	1,031,234
		<u>\$ 5,684,331</u>
Sanitation	General Fund	\$ 2,912,810
Von Braun Center	Nonmajor Governmental Funds	<u>\$ 5,630,212</u>

CITY OF HUNTSVILLE, ALABAMA

Notes to Financial Statements September 30, 2023

NOTE 9. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

In general, permanent transfers are used to (1) move revenues from the fund that collects the money to the fund that expends the money and (2) move resources appropriated for debt service to the Debt Service Fund as debt service payments become due. The receivable/payable balances result from the time lag between the dates that transactions are recorded in the accounting system and actual payments between the funds are made. In addition to permanent transfers, temporary transfers are made for cash management purposes, which are reflected in the receivable/payable balances.

Capital assets that are transferred between governmental and business-type activities are reported differently in the government-wide and fund financial statements, thus the net transfer amounts reported in each may not be the same. In the government-wide Statement of Activities, all transfers are reported in the same manner and will offset. Any difference resulting from such transfers are explained in the reconciliation appearing in the Statement of Revenues, Expenditures, and Changes in Fund Balance for governmental funds.

Transfers from the General Fund to the Grants Fund and Nonmajor Governmental Funds are the annual appropriations for operations, and to the Capital Improvements Fund is for capital outlay appropriations. Transfers to the Debt Service Fund are payment transfers for debt.

NOTE 10. TAX EQUIVALENTS

Huntsville Utilities, a discretely presented component unit of the City, is required to pay to the City tax equivalents which are determined through agreements between the Electric, Natural Gas and Water Boards of Huntsville Utilities and the City. The Electric System (which includes Fiber) pays the City of Huntsville a tax equivalent, which is determined by applying the current property tax rates to the net plant in service at the end of the preceding year. The Natural Gas and Water Systems each pay a tax equivalent, which is a predetermined (6%) percentage of sales revenue. The total amount of these tax equivalent payments made to the City for fiscal year 2023 was \$24.3 million, comprised of \$17.7 million by the Electric System, \$3.6 million by the Natural Gas System, and \$3 million by the Water System. These amounts are reported as payments in lieu of taxes in the General Fund of the City and as operating expenses in the financial statements of Huntsville Utilities.

NOTE 11. CONTINGENT LIABILITIES AND COMMITMENTS

Litigation. The City is a defendant in a number of claims and lawsuits. The outcome of these matters is uncertain as of the date of this report. The City Attorney estimates the total liability with respect to these claims and lawsuits that is not covered by insurance will not exceed \$1,605,037.

CITY OF HUNTSVILLE, ALABAMA

**Notes to Financial Statements
September 30, 2023**

NOTE 11. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

HUD Grant Review. During 2011, the Office of Inspector General (OIG) of the U.S. Department of Housing and Urban Development (HUD) conducted an audit review of the City's Community Development Department's (CDD) HOME Investment Partnerships (HOME) and Community Development Block Grant (CDBG) programs. The stated objectives of the OIG audit were to determine whether CDD's commitment to use HOME and CDBG funds for the acquisition and rehabilitation of an apartment complex in the City known as "Mirabeau" was an eligible activity, and whether CDD had adequate controls and procedures to ensure appropriate accountability and administration of that project in accordance with HUD's policies and guidelines.

On August 19, 2011, OIG issued a draft audit report (the Draft OIG Report) under which OIG provided, among other things, preliminary findings to the effect that CDD lacked adequate controls and procedures to ensure appropriate accountability for, and administration of, the Mirabeau apartment project in accordance with HUD policies and guidelines. The Draft OIG Report also contained preliminary recommendations that the City (i) repay approximately \$7.0 to \$7.6 million in CDBG, Urban Development Action Grant (UDAG), HOME, and Community Housing Development Organizations (CHDO) funds and loans, (ii) inspect the Mirabeau project to identify deficiencies and require owners to correct the same, (iii) review all City participation agreements to ensure compliance with applicable HUD requirements, and (iv) prepare a cost allocation plan and provide it to HUD for review.

In December of 2013, HUD followed up its Determination of Noncompliance with a proposed Voluntary Compliance Agreement (VCA) that it would like to enter with the City on Section 504 and Section 3 issues. There are no fines, penalties, or requests for reimbursement in the proposed VCA.

In 2014, OIG conducted its final exit interview, and the OIG issued its final determinations, which included some, but not all, of the City's responses on each issue. The OIG final determination is a recommendation to HUD that the City reimburse HUD for \$3.4 million in what OIG termed "ineligible" or "unsupported." The Birmingham HUD Field Office (Birmingham HUD) issued a letter to the City concurring with the OIG recommendation. Birmingham HUD gave the City 45 days to respond. The City responded to Birmingham HUD denying some of the reimbursement claims and seeking a meeting with HUD to reconcile any differences regarding the amount of reimbursement and to conclude these issues.

In January 2021, the City reached a settlement agreement with HUD regarding this matter. The City did not admit to any misuse of funds as part of the settlement. The settlement required the City to pay back to HUD \$3,429,362 from non-federal funds over the span of 5 years as broken out below between the CDBG and HOME programs. As of September 30, 2023 the City still owed \$1,371,746.

CITY OF HUNTSVILLE, ALABAMA

**Notes to Financial Statements
September 30, 2023**

NOTE 11. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

HUD Grant Review (Continued).

Repayment of \$541,888 to be deposited into the City's CDBG program account at the below installments:

<u>Date</u>	<u>Amount</u>
July 1, 2024	\$ 270,944
July 1, 2025	270,944
	<u>\$ 541,888</u>

Repayment of \$829,858 to be deposited into the City's HOME program account at the below installments:

<u>Date</u>	<u>Amount</u>
July 1, 2024	\$ 414,929
July 1, 2025	414,929
	<u>\$ 829,858</u>

Encumbrances. The City had outstanding purchase orders related to operating needs and contractual commitments as of September 30, 2023, which represent an encumbrance on resources at year-end, the most significant of which were as follows:

General Fund	\$ 1,420,988
Grants Fund	6,679,965
Capital Projects Fund	34,887,582
Capital Improvements Fund	35,019,622
Water Pollution Control Fund	25,070,959
Nonmajor Governmental funds	33,471,928
	<u>\$ 136,551,044</u>

These encumbrances are already included in the classifications of net position and fund balances in the financial statements as of September 30, 2023.

Joint Jail Annual Commitment. The City and Madison County Commission are parties to an Intergovernmental Jail Agreement (Agreement) by which they agreed to combine and consolidate jail facilities. The City, acting through the Public Building Authority, expanded the existing City jail so that City and County inmates could be housed in a single facility. The County operates the facility known as the Huntsville-Madison County Jail, and pays the cost of such operations.

Under the Agreement, the City must provide \$2.1 million to the County each year until 2040, to assist in the cost of jail operations. The City may also have to pay additional amounts based on City inmate capacity during a particular year.

CITY OF HUNTSVILLE, ALABAMA

**Notes to Financial Statements
September 30, 2023**

NOTE 11. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

State of Alabama Road Funding Agreement. In 2014, the City executed an agreement with the Alabama Department of Transportation under which the City and State each committed to provide \$125 million toward the cost of improving certain roadways in the City, most of which are state highways and will be constructed by the State. The City became obligated to provide its share of such commitment to the State as follows: \$50 million in September 2015, and \$25 million in September 2016, 2017, and 2018, less the cost of certain roads being constructed by the City under the agreement. The City increased its sales and use tax by one percent on March 1, 2014, to provide the funding for this commitment. Due to the success of the projects and partnership, the State and City are extending commitments under this plan to include other infrastructure items and lengthen the due dates, programming and funding of others included in the initial plan.

Outstanding Construction Commitments. The City has active construction projects as of September 30, 2023. The projects include street construction in areas with newly developed housing, widening of streets and bridges, and the construction of additional City facilities. At year end, the City's commitments with contractors amounted to \$114,590,259.

CITY OF HUNTSVILLE, ALABAMA

Notes to Financial Statements September 30, 2023

NOTE 12. PENSION PLAN

Plan Description. The Employees' Retirement System of Alabama (the Plan or ERS), an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the Code of Alabama 1975, Title 36, Chapter 27 (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for state employees, State Police, and, on an elective basis, to all cities, counties, towns, and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control which consists of 15 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

The ERS Board of Control consists of 15 trustees as follows:

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Eight members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
 - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
 - b. Two vested active state employees.
 - c. One full time employee of a participating municipality or city in ERS pursuant to the Code of Alabama 1975, Section 36-27-6.
 - d. One full time employee of a participating county in ERS pursuant to the Code of Alabama 1975, Section 36-27-6.
 - e. One full time employee or retiree of a participating employer in ERS pursuant to the Code of Alabama 1975, Section 36-27-6.
 - f. One full time employee of a participating employer other than a municipality, city or county in ERS pursuant to the Code of Alabama 1975, Section 36-27-6.

Benefits Provided. State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

CITY OF HUNTSVILLE, ALABAMA

Notes to Financial Statements September 30, 2023

NOTE 12. PENSION PLAN (CONTINUED)

Benefits (Continued).

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method.

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Pre-retirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30 are paid to the beneficiary.

Act 132 of the Legislature of 2019 allowed employers who participate in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* to provide Tier 1 retirement benefits to their Tier 2 members. Tier 2 members of employers adopting Act 2019-132 will contribute 7.5% of earnable compensation for regular employees and 8.5% for firefighters and law enforcement officers. A total of 608 employers adopted Act 2019-132 as of September 30, 2022. On March 11, 2021, the Huntsville City Council approved the implementation of Act 2019-132, which provides Tier 1 retirement benefits to Tier 2 members.

Act 316 of the Legislature of 2019 allows employees at the time of retirement to receive a partial lump sum (PLOP) distribution as a single payment not to exceed the sum of 24 months of the maximum monthly retirement allowance the member could receive. This option may be selected in addition to the election of another retirement allowance option at a reduced amount based upon the amount of partial lump sum distribution selected.

CITY OF HUNTSVILLE, ALABAMA

**Notes to Financial Statements
September 30, 2023**

NOTE 12. PENSION PLAN (CONTINUED)

Plan Membership. The ERS serves approximately 886 local participating employers. The ERS membership includes approximately 108,890 participants. As of September 30, 2022, the measurement date for the plan, the City of Huntsville’s membership consisted of:

	<u>ERS</u>	<u>City</u>
Retirees and beneficiaries currently receiving benefits	30,598	1,473
Vested inactive members	2,286	71
Non-vested inactive members	18,689	556
Active members	57,278	2,414
Post-DROP retired members still in active service	<u>39</u>	<u>4</u>
Total	<u><u>108,890</u></u>	<u><u>4,518</u></u>

Contributions. Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation.

Employers participating in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* were not required by statute to increase covered member contribution rates but were provided the opportunity to do so through Act 2011-676. By adopting Act 2011-676, Tier 1 regular members’ contribution rates increased from 5% to 7.5% of earnable compensation and Tier 1 certified law enforcement, correctional officers’, and firefighters’ member contribution rates increased from 6% to 8.5% of earnable compensation.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

CITY OF HUNTSVILLE, ALABAMA

Notes to Financial Statements
September 30, 2023

NOTE 12. PENSION PLAN (CONTINUED)

Contributions (Continued).

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit, and administrative expenses of the Plan. For the year ended September 30, 2023, the City's active employee contribution rate was 6.50% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 13.79% of pensionable payroll.

The City's contractually required contribution rate for the year ended September 30, 2023, was 14.50% of pensionable pay for Tier 1 employees, and 12.71% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2020, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the City were \$21,765,719 for the year ended September 30, 2023.

Net Pension Liability. The City of Huntsville's net pension liability was measured as of September 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2021 rolled forward to September 30, 2022 using standard roll-forward techniques.

Actuarial Assumptions. The total pension liability as of September 30, 2022 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2021. The key actuarial assumptions are summarized below:

Inflation	2.50%
Salary increases	3.25% to 6.00% for State and Local Employees 4.00% to 7.75% for State Police, including inflation
Investment rate of return*	7.45%, including inflation

*Net of pension plan investment expense

CITY OF HUNTSVILLE, ALABAMA

**Notes to Financial Statements
September 30, 2023**

NOTE 12. PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued).

Mortality rates were based on the Pub-2010 Below-Median Tables, projected generationally using the MP-2020 scale, which is adjusted by 66-2/3% beginning with year 2019:

<u>Group</u>	<u>Membership Table</u>	<u>Set Forward (+)/ Setback (-)</u>	<u>Adjustment to Rates</u>
Non-FLC Service Retirees	General Healthy Below Median	Male: +2, Female: +2	Male: 90% ages < 65, 96% ages >= 65 Female: 96% all ages
FLC/State Police Service Retirees	Public Safety Healthy Below Median	Male: +1, Female: none	None
Beneficiaries	Contingent Survivor Below Median	Male: +2, Female: +2	None
Non-FLC Disabled Retirees	General Disability	Male: +7, Female: +3	None
FLC/State Police Disabled Retirees	Public Safety Disability	Male: +7, Female: none	None

The actuarial assumptions used in the September 30, 2021 valuation were based on the results of an actuarial experience study for the period October 1, 2015 – September 30, 2020.

Investment Return Assumptions. The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return*</u>
Fixed Income	15.00%	2.80%
U.S. Large Stocks	32.00%	8.00%
U.S. Mid Stocks	9.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	9.00%
Real Estate	10.00%	6.50%
Cash Equivalents	5.00%	1.50%
Total	100.00%	

*Includes assumed rate of inflation of 2.00%

CITY OF HUNTSVILLE, ALABAMA

Notes to Financial Statements
September 30, 2023

NOTE 12. PENSION PLAN (CONTINUED)

Discount Rate. The discount rate used to measure the total pension liability was the long-term rate of return, 7.45%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan’s fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability of the City. The changes in the components of the net pension liability of the City for the year ended September 30, 2023, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 9/30/2022	\$ 698,529,150	\$ 503,332,033	\$ 195,197,117
Changes for the year:			
Service cost	12,948,245	-	12,948,245
Interest	50,430,110	-	50,430,110
Change of benefit terms	440,753	-	440,753
Differences between expected and actual experience	20,137,903	-	20,137,903
Contributions—employer	-	19,056,555	(19,056,555)
Contributions—employee	-	9,114,418	(9,114,418)
Net investment income	-	(63,466,492)	63,466,492
Benefit payments, including refunds of employee contributions	(43,229,852)	(43,229,852)	-
Other changes	916,864	916,864	-
Net changes	41,644,023	(77,608,507)	119,252,530
Balances at 9/30/2023	\$ 740,173,173	\$ 425,723,526	\$ 314,449,647

The required schedule of changes in the City’s net pension liability and related ratios immediately following the notes to the financial statements presents multi-year trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

CITY OF HUNTSVILLE, ALABAMA

Notes to Financial Statements
September 30, 2023

NOTE 12. PENSION PLAN (CONTINUED)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.45%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.45%) or 1-percentage-point higher (8.45%) than the current rate:

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
City's net pension liability	\$ 399,974,728	\$ 314,449,647	\$ 242,527,787

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2022 and the current sharing pattern of costs between employer and employee.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

For the year ended September 30, 2023, the City recognized pension expense of \$39,394,774. At September 30, 2023, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 17,276,495	\$ 181,475
Change of assumptions	16,654,274	-
Net difference between projected and actual earnings on plan investments	51,426,721	-
Employer contributions subsequent to measurement date	<u>21,765,719</u>	<u>-</u>
Total	<u>\$ 107,123,209</u>	<u>\$ 181,475</u>

CITY OF HUNTSVILLE, ALABAMA

Notes to Financial Statements
September 30, 2023

NOTE 12. PENSION PLAN (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued).

City contributions subsequent to the measurement date of \$21,765,719 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending September 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30:	
2024	\$ 22,586,776
2025	17,908,400
2026	16,065,977
2027	26,784,144
2028	<u>1,830,718</u>
Total	<u>\$ 85,176,015</u>

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The City provides other post-employment benefits (OPEB) to retired employees for medical benefits. Assets are accumulated into a restricted trust on an ongoing basis to pay the cost of future benefits. Retiree and employer contributions are made to, and benefit payments are made from, this trust.

Audited financial statements of the OPEB plan are not available.

Plan Description. The City plan (the Plan), established in 1989, is a single-employer defined benefit retiree healthcare plan which provides benefits similar to those provided under the City's medical plan for active employees, a self-insured plan under which retirees and active employees are combined. All employees eligible for retirement may make a one-time election to participate upon retirement. Coverage is provided for the electing retiree and chosen dependents until the retiree is 65 years of age. The City administers the defined benefit retiree healthcare plan through the City of Huntsville Post-Retirement Benefits Trust, an irrevocable trust. The trust fund is under the direction of a board of trustees, which consists of the City Council. Plan assets of the Huntsville Post-Retirement Benefits Trust are irrevocable and legally protected from creditors and dedicated to providing post-employment health and life insurance coverage to current and eligible future retirees in accordance with the terms of the plans.

CITY OF HUNTSVILLE, ALABAMA

Notes to Financial Statements
September 30, 2023

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Plan Membership. Membership of the OPEB Plan consisted of the following at September 30, 2022, the date of the latest actuarial valuation:

Inactive employees or beneficiaries currently receiving benefits	329
Active employees	2,313
	<u>2,642</u>

Benefits Provided. The benefits provided are the same as those provided for active employees. Spouses and dependents of eligible retirees are also eligible for medical coverage. All employees for the City are eligible to receive post-employment healthcare benefits.

Contributions. Retirees and active employees participating in the Plan contribute approximately 30% and 15%, respectively, of the active premium. The City contributes the cost of benefits at a rate that is based on an actuarial valuation prepared in accordance with certain parameters. In 2023, the City's rate was approximately 3.72% of annual covered payroll.

Total OPEB Liability of the City. The City reported a total OPEB liability of \$65,787,432, using a measurement date as of September 30, 2023. The Net OPEB Liability is equal to the Total OPEB Liability minus the Fiduciary Net Position as presented below.

Total OPEB Liability (TOL)	\$	80,863,078
Fiduciary Net Position (FNP)		15,075,646
Net OPEB Liability (NOL)	<u>\$</u>	<u>65,787,432</u>

Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	18.64%
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The City's total OPEB liability was determined by an actuarial valuation as of September 30, 2022 with the actuary using standard techniques to roll forward the liability to the measurement date.

CITY OF HUNTSVILLE, ALABAMA

**Notes to Financial Statements
September 30, 2023**

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Actuarial Assumptions. The City’s total OPEB liability was determined by an actuarial valuation as of September 30, 2022, using the following key actuarial assumptions and other inputs:

Inflation	2.50%
Real wage growth	0.25%
Wage inflation	2.75%
Salary increases, including wage inflation	3.25% - 6.00%
Long-term Investment Rate of Return, net of OPEB plan investment expense, including price inflation	4.88%
Municipal Bond Index Rate	
Prior Measurement Date	4.02%
Measurement Date	4.09%
Year FNP is projected to be depleted	
Prior Measurement Date	2027
Measurement Date	2030
Single Equivalent Interest Rate, net of OPEB plan investment expense, including price inflation	
Prior Measurement Date	3.94%
Measurement Date	4.14%
Healthcare Cost Rates	
Pre-Medicare Medical and Prescription Drug	7.00% for 2022 decreasing to an ultimate rate of 4.50% by 2032

The discount rate used to measure the TOL was based upon the Single Equivalent Interest Rate.

Mortality rates were based on the Pub-2010 Public Mortality Plans Mortality Tables, with adjustments for AL ERS experience and generational mortality improvements using Scale MP-2020, with an adjustment of 66 2/3% to the table beginning in year 2019.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the September 30, 2022 valuation were based on the results of an actuarial experience study for the period October 1, 2015 – September 30, 2020, and were submitted to and adopted by the Board of the Employees’ Retirement System of Alabama on September 14, 2021.

The remaining actuarial assumptions (e.g., health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2022 valuation were based on a review of recent plan experience performed concurrently with the September 30, 2022 valuation.

CITY OF HUNTSVILLE, ALABAMA

Notes to Financial Statements
September 30, 2023

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Actuarial Assumptions (Continued).

Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant may cover a shorter investment horizon and may not be useful in setting the long-term rate of return for funding OPEB plans which are likely to cover a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

As of the most recent adoption of the current long-term rate of return by the Plan, the target asset allocation for each major asset class, as provided by the Plan, are summarized in the following table:

Asset Class	Target Allocation
Equity Index Fund	25.00%
Fixed Income Index Fund	75.00%
Total	100.00%

Note: In accepting the long-term expected return for the Plan, the actuary performed a high level review of the information provided by the Plan. Our review indicates the long-term expected rate of return assumption of 4.88% is reasonable.

Discount Rate. The discount rate used to measure the TOL as of the Measure Date was 4.14%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of September 30, 2022. In addition to the actuarial methods and assumptions of the September 30, 2022 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually using the payroll growth assumptions.
- Active employees do not explicitly contribute to the Plan.

CITY OF HUNTSVILLE, ALABAMA

Notes to Financial Statements
September 30, 2023

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Discount Rate (Continued).

- In all years, the employer pays benefits directly to plan members as the benefits come due. The employer is assumed to have the ability and willingness to make benefit payments from its own resources for all periods in the projection.
- Projected assets include an employer contribution of \$2,500,000 and do not include employer contributions that fund the estimated service costs of future employees. Under GASB 74, this is reasonable since it is below the actual average contribution amount over the last 5 years.
- Cash flows occur mid-year.

Based on these assumptions, the Plan's FNP was projected to be depleted in 2030 and, as a result, the Municipal Bond Index Rate was used in the determination of the SEIR. Here, the long-term expected rate of return of 4.88% on Plan investments was applied to periods through 2030 and the Municipal Bond Index Rate at the Measurement Date (4.09%) was applied to periods on and after 2030, resulting in an SEIR at the Measurement Date (4.14%). As a result of the change to the Municipal Bond Index Rate, there was a change in the discount rate from 3.94% at the Prior Measurement Date to 4.14% at the Measurement Date.

Changes in the Net OPEB Liability of the City. The changes in the net OPEB liability of the City for the year ended September 30, 2023, were as follows:

	Total OPEB Liability (a)	Plan Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 9/30/2022	\$ 76,002,076	\$ 13,205,539	\$ 62,796,537
Changes for the year:			
Service cost	2,339,319	-	2,339,319
Interest	2,934,437	-	2,934,437
Experience differences	1,340,044	-	1,340,044
Assumption changes	1,324,902	-	1,324,902
Contributions - employer	-	4,872,111	(4,872,111)
Net investment income	-	601,558	(601,558)
Benefit payments	(3,077,700)	(3,077,700)	-
Other changes	-	(525,862)	525,862
Net changes	<u>4,861,002</u>	<u>1,870,107</u>	<u>2,990,895</u>
Balances at 9/30/2023	<u>\$ 80,863,078</u>	<u>\$ 15,075,646</u>	<u>\$ 65,787,432</u>

The required schedule of changes in the City's total OPEB liability and related ratios immediately following the notes to financial statements presents multi-year trend information about the total OPEB liability.

CITY OF HUNTSVILLE, ALABAMA

Notes to Financial Statements
September 30, 2023

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.14%) or 1-percentage-point higher (5.14%) than the current discount rate:

	1% Decrease (3.14%)	Discount Rate (4.14%)	1% Increase (5.14%)
Total OPEB liability	\$ 74,290,825	\$ 65,787,432	\$ 58,277,269

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower than the current healthcare cost trend rates:

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB liability	\$ 55,953,826	\$ 65,787,432	\$ 77,630,680

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revisions as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2022 and the current sharing pattern of costs between employer and inactive employees.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended September 30, 2023, the City recognized OPEB expense of \$3,926,466. At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,729,572	\$ 5,653,405
Changes in assumptions or other inputs	8,004,815	12,125,333
Net difference between projected and actual earnings on plan investments	1,048,879	-
Total	<u>\$ 16,783,266</u>	<u>\$ 17,778,738</u>

CITY OF HUNTSVILLE, ALABAMA

**Notes to Financial Statements
September 30, 2023**

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending September 30:	
2024	\$ (405,864)
2025	(77,581)
2026	577,641
2027	(109,565)
2028	(553,200)
Thereafter	<u>(426,903)</u>
Total	<u>\$ (995,472)</u>

NOTE 14. RISK MANAGEMENT

The City has elected to retain risk related to the employees' health insurance, workers' compensation insurance, and legal claims and judgments against the City. The City does maintain insurance coverage for health insurance claims in excess of \$200,000 per claim/medical event and for workers' compensation claims in excess of \$500,000 per occurrence. For legal claims and lawsuits, the State of Alabama prescribes maximum limits of liability for local government units. These limits are presently \$100,000 for bodily injury or death for one person in any single occurrence and \$300,000 for two or more persons in a single occurrence. The limit for property damage is \$100,000 per single occurrence. Anticipated insurance claims are estimated using historical data and actuarial studies. Anticipated legal claims are estimated by the City's legal counsel. Insurance and legal expenditures are allocated within various departments of the General Fund and to other funds of the City based on payroll and other experience factors. No changes in insurance coverage occurred compared to the previous year nor has the City experienced any insurance settlements in excess of insurance coverage over the past three years.

NOTE 15. TAX ABATEMENTS

The City of Huntsville provides property tax and sales and use tax abatements pursuant to the provisions of Chapter 9B of Title 40 of the code of Alabama. In accordance with these provisions, qualifying industries may abate all non-educational ad valorem taxes along with state and local sales and use taxes on the costs associated with constructing and equipping a project. Eligibility criteria includes: any trade or business in the 2007 North American Industrial Classification System, job creation requirements based on type of facility, and a certain capital investment requirement based on being a new project or a major addition. The City has various sales and use tax abatement and property tax agreements with qualifying businesses that meet these requirements in which, \$8.1 million in sales and use tax, and \$11 million in property tax was abated during the fiscal year. The property tax abatements were split between Madison County at \$4.1 million, and Limestone County at \$6.9 million.

CITY OF HUNTSVILLE, ALABAMA

**Notes to Financial Statements
September 30, 2023**

NOTE 16. RESTATEMENTS

During the year ended September 30, 2023, the City implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA). With this implementation a right-to-use SBITA asset and SBITA liability have been recorded as of October 1, 2022. The effect of this implementation is as follows:

	Governmental-Type Activities
Beginning net position, as previously reported	\$ (706,466,983)
Restated SBITA right-to-use asset	(1,559,718)
Restated SBITA liability	1,539,138
Beginning net position, as restated	<u>\$ (706,487,563)</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HUNTSVILLE, ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION:

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

BUDGET (GAAP BASIS) AND ACTUAL -

GENERAL FUND - GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Sales and use tax	\$ 170,210,000	\$ 170,210,000	\$ 181,222,622	\$ 11,012,622
Property tax	23,244,000	25,500,000	26,228,428	728,428
Other taxes	34,512,548	34,512,548	36,460,568	1,948,020
Total taxes	<u>227,966,548</u>	<u>230,222,548</u>	<u>243,911,618</u>	<u>13,689,070</u>
Licenses and permits				
Building permits	6,000,000	9,000,000	9,968,792	968,792
Other licenses and permits	31,365,500	31,365,500	33,081,871	1,716,371
Total licenses and permits	<u>37,365,500</u>	<u>40,365,500</u>	<u>43,050,663</u>	<u>2,685,163</u>
Fines and forfeitures	2,104,300	2,104,300	2,290,763	186,463
Charges for services				
Parking charges	2,583,000	2,583,000	2,988,801	405,801
Other charges for services	8,975,333	8,975,333	8,647,262	(328,071)
Total charges for services	<u>11,558,333</u>	<u>11,558,333</u>	<u>11,636,063</u>	<u>77,730</u>
Intergovernmental revenues	992,788	2,066,145	1,313,166	(752,979)
Interest	50,000	50,000	4,688,544	4,638,544
Miscellaneous revenues				
Recreational revenue	953,400	953,400	1,149,175	195,775
Contributions	5,000	5,000	-	(5,000)
Other miscellaneous revenue	503,000	677,255	1,397,300	720,045
Total other revenues	<u>1,461,400</u>	<u>1,635,655</u>	<u>2,546,475</u>	<u>910,820</u>
Total revenues	<u>281,498,869</u>	<u>288,002,481</u>	<u>309,437,292</u>	<u>21,434,811</u>
EXPENDITURES				
Current:				
General government				
Administration				
Personnel	2,262,579	2,433,895	2,420,857	13,038
Operating	365,263	365,263	265,041	100,222
Total	<u>2,627,842</u>	<u>2,799,158</u>	<u>2,685,898</u>	<u>113,260</u>
City Council				
Personnel	476,403	476,403	465,340	11,063
Operating	70,000	70,000	57,146	12,854
Total	<u>546,403</u>	<u>546,403</u>	<u>522,486</u>	<u>23,917</u>
Clerk Treasurer				
Personnel	1,720,508	1,239,851	1,177,914	61,937
Operating	297,470	406,594	251,186	155,408
Total	<u>2,017,978</u>	<u>1,646,445</u>	<u>1,429,100</u>	<u>217,345</u>
Finance				
Personnel	4,133,527	4,606,920	4,105,540	501,380
Operating	504,000	515,876	383,370	132,506
Capital	-	7,263	7,263	-
Total	<u>4,637,527</u>	<u>5,130,059</u>	<u>4,496,173</u>	<u>633,886</u>
Fleet management				
Personnel	4,304,268	3,843,960	3,724,150	119,810
Operating	3,906,585	3,926,585	3,763,121	163,464
Capital	45,000	25,000	20,435	4,565
Total	<u>8,255,853</u>	<u>7,795,545</u>	<u>7,507,706</u>	<u>287,839</u>
General expenses				
Personnel	2,245,000	2,245,000	1,687,494	557,506
Operating	4,688,001	5,188,001	4,889,567	298,434
Capital	-	-	729,571	(729,571)
Total	<u>6,933,001</u>	<u>7,433,001</u>	<u>7,306,632</u>	<u>126,369</u>

(continued)

CITY OF HUNTSVILLE, ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION:

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

BUDGET (GAAP BASIS) AND ACTUAL -

GENERAL FUND - GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Human resources				
Personnel	\$ 6,526,890	\$ 6,511,890	\$ 6,406,049	\$ 105,841
Operating	1,934,775	2,150,475	2,059,005	91,470
Total	<u>8,461,665</u>	<u>8,662,365</u>	<u>8,465,054</u>	<u>197,311</u>
IT services				
Personnel	4,709,887	4,609,887	4,165,192	444,695
Operating	6,181,150	7,001,151	4,250,169	2,750,982
Capital	4,052,786	5,536,073	7,293,482	(1,757,409)
Total	<u>14,943,823</u>	<u>17,147,111</u>	<u>15,708,843</u>	<u>1,438,268</u>
Legal				
Personnel	2,648,172	2,648,172	2,512,194	135,978
Operating	2,295,000	2,295,000	1,774,170	520,830
Total	<u>4,943,172</u>	<u>4,943,172</u>	<u>4,286,364</u>	<u>656,808</u>
Total general government	<u>53,367,264</u>	<u>56,103,259</u>	<u>52,408,256</u>	<u>3,695,003</u>
Public safety				
Animal services				
Personnel	2,748,410	2,748,410	2,245,948	502,462
Operating	547,212	547,212	515,116	32,096
Total	<u>3,295,622</u>	<u>3,295,622</u>	<u>2,761,064</u>	<u>534,558</u>
Fire and rescue				
Personnel	44,606,292	48,717,956	47,269,723	1,448,233
Operating	3,889,108	3,946,858	3,752,876	193,982
Capital	520,000	620,000	608,274	11,726
Total	<u>49,015,400</u>	<u>53,284,814</u>	<u>51,630,873</u>	<u>1,653,941</u>
Municipal court				
Personnel	4,290,775	4,320,775	4,164,709	156,066
Operating	846,458	846,458	736,910	109,548
Total	<u>5,137,233</u>	<u>5,167,233</u>	<u>4,901,619</u>	<u>265,614</u>
Police				
Personnel	57,228,604	62,846,183	59,895,034	2,951,149
Operating	5,448,319	5,666,574	5,120,287	546,287
Capital	738,500	805,700	736,920	68,780
Total	<u>63,415,423</u>	<u>69,318,457</u>	<u>65,752,241</u>	<u>3,566,216</u>
Public safety special appropriations	124,394	137,894	137,894	-
Total public safety	<u>120,988,072</u>	<u>131,204,020</u>	<u>125,183,691</u>	<u>6,020,329</u>
Public services				
Cemetery				
Personnel	1,180,563	1,228,813	1,190,319	38,494
Operating	293,838	299,438	258,717	40,721
Total	<u>1,474,401</u>	<u>1,528,251</u>	<u>1,449,036</u>	<u>79,215</u>
General services				
Personnel	4,696,612	4,696,612	4,535,205	161,407
Operating	10,833,365	10,841,615	9,698,082	1,143,533
Total	<u>15,529,977</u>	<u>15,538,227</u>	<u>14,233,287</u>	<u>1,304,940</u>
Landscape management				
Personnel	11,885,062	11,917,412	11,915,198	2,214
Operating	4,742,569	5,090,804	4,350,832	739,972
Capital	88,000	89,765	89,763	2
Total	<u>16,715,631</u>	<u>17,097,981</u>	<u>16,355,793</u>	<u>742,188</u>

(continued)

CITY OF HUNTSVILLE, ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION:

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

BUDGET (GAAP BASIS) AND ACTUAL -

GENERAL FUND - GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Parking				
Personnel	\$ 2,166,544	\$ 2,166,544	\$ 1,673,133	\$ 493,411
Operating	972,404	1,053,903	727,315	326,588
Capital	409,000	538,882	419,785	119,097
Total	<u>3,547,948</u>	<u>3,759,329</u>	<u>2,820,233</u>	<u>939,096</u>
Parks and recreation				
Personnel	9,582,868	9,582,868	8,356,492	1,226,376
Operating	760,300	871,900	700,520	171,380
Total	<u>10,343,168</u>	<u>10,454,768</u>	<u>9,057,012</u>	<u>1,397,756</u>
Public works				
Personnel	11,312,939	11,267,939	9,881,887	1,386,052
Operating	1,230,673	1,291,815	1,115,972	175,843
Capital	22,500	22,500	18,585	3,915
Total	<u>12,566,112</u>	<u>12,582,254</u>	<u>11,016,444</u>	<u>1,565,810</u>
Public services special appropriations	<u>10,362,880</u>	<u>10,554,980</u>	<u>9,551,893</u>	<u>1,003,087</u>
Total public services	<u>70,540,117</u>	<u>71,515,790</u>	<u>64,483,698</u>	<u>7,032,092</u>
Urban Development				
Engineering				
Personnel	3,984,947	3,984,947	3,232,234	752,713
Operating	105,056	155,056	118,594	36,462
Total	<u>4,090,003</u>	<u>4,140,003</u>	<u>3,350,828</u>	<u>789,175</u>
Code enforcement				
Personnel	1,890,479	1,890,479	1,594,763	295,716
Operating	239,906	239,906	64,863	175,043
Total	<u>2,130,385</u>	<u>2,130,385</u>	<u>1,659,626</u>	<u>470,759</u>
Inspection				
Personnel	3,258,657	3,258,657	2,833,746	424,911
Operating	120,773	121,523	69,174	52,349
Total	<u>3,379,430</u>	<u>3,380,180</u>	<u>2,902,920</u>	<u>477,260</u>
Natural resources				
Personnel	972,139	972,139	839,750	132,389
Operating	69,915	69,915	36,195	33,720
Capital	106,750	140,750	94,950	45,800
Total	<u>1,148,804</u>	<u>1,182,804</u>	<u>970,895</u>	<u>211,909</u>
Planning				
Personnel	4,867,642	5,206,986	4,133,113	1,073,873
Operating	885,153	1,044,364	544,943	499,421
Capital	-	2,158	-	2,158
Total	<u>5,752,795</u>	<u>6,253,508</u>	<u>4,678,056</u>	<u>1,575,452</u>
Traffic engineering				
Personnel	3,169,442	3,422,982	3,427,189	(4,207)
Operating	413,916	428,916	371,874	57,042
Capital	31,500	45,500	14,210	31,290
Total	<u>3,614,858</u>	<u>3,897,398</u>	<u>3,813,273</u>	<u>84,125</u>
Urban development special appropriations	<u>878,000</u>	<u>908,000</u>	<u>908,000</u>	<u>-</u>
Total urban development	<u>20,994,275</u>	<u>21,892,278</u>	<u>18,283,598</u>	<u>3,608,680</u>
Debt service:				
Principal	-	-	2,717,382	(2,717,382)
Interest	-	-	44,615	(44,615)
Total	<u>-</u>	<u>-</u>	<u>2,761,997</u>	<u>(2,761,997)</u>
Total expenditures	<u>265,889,728</u>	<u>280,715,347</u>	<u>263,121,240</u>	<u>17,594,107</u>
Excess of revenues over expenditures	<u>15,609,141</u>	<u>7,287,134</u>	<u>46,316,052</u>	<u>39,028,918</u>

(continued)

CITY OF HUNTSVILLE, ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION:

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

BUDGET (GAAP BASIS) AND ACTUAL -

GENERAL FUND - GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	\$ -	\$ -	\$ 66,994	\$ 66,994
Transfers in	-	449,742	594,469	144,727
Transfers out	(15,335,467)	(41,201,542)	(41,435,024)	(233,482)
Issuance of subscription payable	-	-	5,164,271	5,164,271
Issuance of leases payable	-	-	604,881	604,881
Total other financing sources (uses)	<u>(15,335,467)</u>	<u>(40,751,800)</u>	<u>(35,004,409)</u>	<u>5,747,391</u>
Net change in fund balances	<u>\$ 273,674</u>	<u>\$ (33,464,666)</u>	11,311,643	<u>\$ 44,776,309</u>
Fund balance, beginning of year, restated			150,882,854	
Fund balance, end of year			<u>\$ 162,194,497</u>	
Reconciliation to General Fund:				
Fund balance - General Fund			\$ 162,194,497	
Fund balance - Health & Life Benefits			7,655,563	
Fund balance - Humane Education			9,204	
Fund balance - Animal Sterilization			1,028	
Fund balance - Employee Flexible Benefit Plan			83	
Fund balance - Revolving Revenues			1,126,254	
General Fund			<u>\$ 170,986,629</u>	

CITY OF HUNTSVILLE, ALABAMA

**REQUIRED SUPPLEMENTARY INFORMATION:
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS -
EMPLOYEES' RETIREMENT SYSTEMS OF ALABAMA
FOR THE YEARS ENDED SEPTEMBER 30,**

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service cost	\$ 12,948,245	\$ 10,147,528	\$ 10,212,044	\$ 9,959,120	\$ 9,544,911	\$ 9,331,416	\$ 9,035,848	\$ 8,901,384	\$ 8,706,017
Interest	50,430,110	48,413,991	47,046,758	45,529,982	44,131,046	42,643,112	41,057,851	39,553,505	38,201,665
Changes of benefit terms	440,753	6,785,711	-	-	-	-	-	-	-
Changes of assumptions	-	24,859,617	-	-	3,103,984	-	20,025,224	-	-
Differences between actual & expected experience	20,137,903	(145,091)	831,979	1,173,269	(523,754)	(214,745)	(2,805,978)	2,353,694	-
Benefit payments, including refunds of employee contributions	(43,229,852)	(40,953,241)	(38,918,134)	(35,598,481)	(33,261,170)	(32,159,676)	(30,814,613)	-	-
Transfers among employers	916,864	190,879	(398,809)	294,323	39,249	149,797	1,184,754	(33,193,884)	(26,825,501)
Net change in total pension liability	41,644,023	49,299,394	18,773,838	21,358,213	23,034,266	19,749,904	37,683,086	17,614,699	20,082,181
Total pension liability - beginning	698,529,150	649,229,756	630,455,918	609,097,705	586,063,439	566,313,535	528,630,449	511,015,750	490,933,569
Total pension liability - ending (a)	<u>740,173,173</u>	<u>698,529,150</u>	<u>649,229,756</u>	<u>630,455,918</u>	<u>609,097,705</u>	<u>586,063,439</u>	<u>566,313,535</u>	<u>528,630,449</u>	<u>511,015,750</u>
Plan fiduciary net position									
Contributions - employer	19,056,555	16,554,000	16,511,482	17,014,071	14,760,252	14,500,178	14,360,447	14,520,862	14,884,651
Contributions - employee	9,114,418	7,678,300	7,355,033	6,962,331	6,797,395	6,527,435	6,282,500	5,966,695	5,993,271
Net investment income	(63,466,492)	92,963,971	23,493,124	10,627,934	36,033,608	45,479,678	33,753,130	4,013,420	37,204,039
Benefit payments, including refunds of employee contributions	(43,229,852)	(40,953,241)	(38,918,134)	(35,598,481)	(33,261,170)	(32,159,676)	(30,814,613)	(33,193,884)	(26,825,501)
Transfers among employees	916,864	190,879	(398,809)	294,323	39,249	149,797	1,184,754	(60,873)	247,147
Net change in plan fiduciary net position	(77,608,507)	76,433,909	8,042,696	(699,822)	24,369,334	34,497,412	24,766,218	(8,753,780)	31,503,607
Plan fiduciary net position - beginning	503,332,033	426,898,124	418,855,428	419,555,250	395,185,916	360,688,504	335,922,286	344,676,066	313,172,459
Plan fiduciary net position - ending (b)	<u>425,723,526</u>	<u>503,332,033</u>	<u>426,898,124</u>	<u>418,855,428</u>	<u>419,555,250</u>	<u>395,185,916</u>	<u>360,688,504</u>	<u>335,922,286</u>	<u>344,676,066</u>
Net pension liability (asset) - ending (a) - (b)	\$ 314,449,647	\$ 195,197,117	\$ 222,331,632	\$ 211,600,490	\$ 189,542,455	\$ 190,877,523	\$ 205,625,031	\$ 192,708,163	\$ 166,339,684
Plan fiduciary net position as a percentage of the total pension liability	57.52%	72.06%	65.75%	66.44%	68.88%	67.43%	63.69%	63.55%	67.45%
Covered payroll	\$ 132,878,712	\$ 125,650,901	\$ 121,393,879	\$ 117,630,097	\$ 114,007,129	\$ 109,418,433	\$ 106,306,514	\$ 106,742,155	\$ 101,710,815
Net pension liability as a percentage of covered payroll	236.64%	155.35%	183.15%	179.89%	166.25%	174.45%	193.43%	180.54%	163.54%

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.

CITY OF HUNTSVILLE, ALABAMA

**REQUIRED SUPPLEMENTARY INFORMATION:
SCHEDULE OF EMPLOYER CONTRIBUTIONS
EMPLOYEES' RETIREMENT SYSTEMS OF ALABAMA
FOR THE YEARS ENDED SEPTEMBER 30,**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 21,765,719	\$ 18,017,661	\$ 16,514,330	\$ 16,425,699	\$ 16,174,422	\$ 13,600,917	\$ 14,902,713	\$ 14,755,132	\$ 14,565,070
Contributions in relation to the actuarially determined contribution	21,765,719	18,017,661	16,514,330	16,425,699	16,174,422	13,600,917	14,902,713	14,755,132	14,565,070
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 151,437,693	\$ 132,878,712	\$ 125,650,901	\$ 121,393,879	\$ 117,630,097	\$ 114,007,129	\$ 109,418,433	\$ 106,306,514	\$ 106,742,155
Contributions as a percentage of covered payroll	14.37%	13.56%	13.14%	13.53%	13.75%	11.93%	13.62%	13.88%	13.65%

Notes to Schedule:

The schedule will present 10 years of information once it is accumulated.

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2023 were based on September 30, 2020 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	26.6 years
Asset valuation method	Five-year smoothed market
Inflation	2.75%
Salary increases	3.25 - 5.00%, including inflation
Investment rate of return	7.70%, net of pension plan investment expense, including inflation

The schedule will present 10 years of information once it is accumulated.

CITY OF HUNTSVILLE, ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION:

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS -

OTHER POST-EMPLOYMENT BENEFIT PLAN

FOR THE YEARS ENDED SEPTEMBER 30,

	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability (a)							
Service cost	\$ 2,339,319	\$ 3,222,137	\$ 2,998,454	\$ 2,423,034	\$ 2,193,596	\$ 2,418,816	\$ 2,666,888
Interest	2,934,437	1,938,936	1,826,706	2,267,873	3,233,708	2,816,944	2,410,714
Difference between actual & expected experience	1,340,044	897,668	9,559,714	(172,242)	(16,652,990)	(932,249)	-
Change of assumptions	1,324,902	(10,486,687)	(3,785,114)	6,427,639	11,980,996	(3,385,154)	(4,758,980)
Benefit payments	(3,077,700)	(4,770,238)	(6,406,429)	(2,939,299)	(2,470,921)	(2,222,607)	(2,146,330)
Net change in total OPEB liability	4,861,002	(9,198,184)	4,193,331	8,007,005	(1,715,611)	(1,304,250)	(1,827,708)
Total OPEB liability - beginning	76,002,076	85,200,260	81,006,929	72,999,924	74,715,535	76,019,785	77,847,493
Total OPEB liability - ending	<u>80,863,078</u>	<u>76,002,076</u>	<u>85,200,260</u>	<u>81,006,929</u>	<u>72,999,924</u>	<u>74,715,535</u>	<u>76,019,785</u>
Plan fiduciary net position (b)							
Contribution - employer (1)	4,872,111	7,500,000	4,697,804	2,944,024	2,820,927	4,006,754	2,146,330
Net investment income	601,558	(1,732,228)	802,304	717,707	1,273,421	142,882	343,482
Benefit payments (2)	(3,077,700)	(4,770,238)	(6,406,429)	(3,746,369)	(2,470,921)	(2,222,607)	(2,146,330)
Other changes	(525,862)	(505,025)	(471,765)	-	-	-	-
Net change in plan fiduciary net position	1,870,107	492,509	(1,378,086)	(84,638)	1,623,427	1,927,029	343,482
Plan fiduciary net position - beginning	13,205,539	12,713,030	14,091,116	14,175,754	12,552,327	10,625,298	10,281,816
Plan fiduciary net position - ending	<u>15,075,646</u>	<u>13,205,539</u>	<u>12,713,030</u>	<u>14,091,116</u>	<u>14,175,754</u>	<u>12,552,327</u>	<u>10,625,298</u>
Net OPEB liability (asset) - ending (a)-(b)	\$ 65,787,432	\$ 62,796,537	\$ 72,487,230	\$ 66,915,813	\$ 58,824,170	\$ 62,163,208	\$ 65,394,487
Plan fiduciary net position as a percentage of total OPEB liability	18.64%	17.38%	14.92%	17.39%	19.42%	16.80%	13.98%
Covered payroll	\$ 130,942,538	\$ 117,758,874	\$ 117,758,874	\$ 113,934,639	\$ 113,934,639	\$ 105,518,270	\$ 105,518,270
Net OPEB liability as a percentage of covered payroll	50.24%	53.33%	61.56%	58.73%	51.63%	58.91%	61.97%

(1) Employer contributions include benefit payments paid outside the Trust.

(2) Benefit payments are net of participant contributions. Net benefit payments paid outside the trust are also included.

Notes to Schedule:

The schedule will present 10 years of information once it is accumulated.

CITY OF HUNTSVILLE, ALABAMA

**REQUIRED SUPPLEMENTARY INFORMATION:
SCHEDULE OF EMPLOYER CONTRIBUTIONS -
OTHER POST-EMPLOYMENT BENEFITS PLAN
FOR THE YEARS ENDED SEPTEMBER 30,**

	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 6,275,360	\$ 6,275,360	\$ 3,956,178	\$ 3,956,178	\$ 4,498,264	\$ 4,498,264	\$ 4,498,264	\$ 4,056,017
Contributions in relation to the actuarially determined contribution	4,872,111	7,500,000	4,565,790	2,944,024	2,820,927	4,006,754	2,146,330	2,224,131
Contribution deficiency (excess)	<u>\$ 1,403,249</u>	<u>\$ (1,224,640)</u>	<u>\$ (609,612)</u>	<u>\$ 1,012,154</u>	<u>\$ 1,677,337</u>	<u>\$ 491,510</u>	<u>\$ 2,351,934</u>	<u>\$ 1,831,886</u>
Covered payroll	\$ 130,942,538	\$ 117,758,874	\$ 117,758,874	\$ 113,934,639	\$ 113,934,639	\$ 105,518,270	\$ 105,518,270	\$ 105,518,270
Contributions as a percentage of covered payroll	3.72%	6.37%	3.88%	2.58%	2.48%	3.80%	2.03%	2.11%

Notes to Schedule:

The schedule will present 10 years of information once it is accumulated.

CITY OF HUNTSVILLE, ALABAMA

**REQUIRED SUPPLEMENTARY INFORMATION:
 SCHEDULE OF OPEB INVESTMENT RETURNS -
 OTHER POST-EMPLOYMENT BENEFITS PLAN
 FOR THE YEARS ENDED SEPTEMBER 30,**

	2023	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expenses	3.99%	-13.12%	6.31%	5.09%	8.98%	1.14%	3.23%

Notes to Schedule:
 The schedule will present 10 years of information once it is accumulated.



COMBINING STATEMENTS AND SCHEDULES

CITY OF HUNTSVILLE, ALABAMA

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are either legally restricted or committed to expenditures for specified purposes.

Public Building Authority accounts for the payment of debt service and related leasing arrangement in respect to construction of the jail facilities and amphitheater owned by the PBA.

Lodging Special Revenue Fund accounts for the special lodging taxes levied within the City and the related expenditures of those funds.

Public Safety Fund accounts for the funds received from State of Alabama required court fees and Federal, State and Local forfeitures to be used for public safety law enforcement and municipal court administration.

6.5 Mill Debt Property Tax Fund accounts for the 6.5 mills of ad valorem taxes restricted for debt service payments of the City's projects.

6.5 Mill School Property Tax Fund accounts for 6.5 mills of ad valorem taxes, restricted for the furtherance of education. Taxes are primarily allocated to the debt service payments on school facility projects.

1990 School Support Fund accounts for the appropriation of sales and use taxes allocated to the Huntsville City Schools at 14.7% of 3.5 pennies of City sales and use taxes.

Gas Tax Fund accounts for the City's share of the State four, five, and seven cents gas taxes and the related restricted expenditures.

Emergency Management Fund accounts for the restricted revenues for the operation of the City's Emergency Management Agency.

Public Library accounts for funds received from the City, donations and other governmental entities to be used for the operations of the public libraries in the City.

Burritt Museum accounts for the operations of a park and museum. Financing is provided by the City, admission fees and public donations.

Alabama Constitution Village accounts for the operation of historical tourist attractions in the City. Financing is provided by the City, admission fees and public donations.

Art Museum accounts for the operation of the art museum in the City. Financing is provided by the City, admission fees and public donations.

Huntsville Tennis Center accounts for the operation of a tennis center in the City. Financing is provided by the City and admission fees.

Cemetery Perpetual Care Fund accounts for the collection of cemetery revenues earmarked by local ordinance for the long-term care of City-owned cemeteries.

TIF Special Revenue Fund accounts for tax incremental financing districts established within the city. Revenues are restricted within specifically established districts throughout the city.

CITY OF HUNTSVILLE, ALABAMA

NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Cummings Research Park accounts for the land sales, purchases and development cost of the research park in the City.

PBA Amphitheater Borrow Fund accounts for the construction and development of the City amphitheater.

PBA City Hall accounts for the bond proceeds and the construction of the new City Hall building.

CITY OF HUNTSVILLE, ALABAMA

COMBINING BALANCE SHEET -
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2023

	Special Revenue Funds								
	Public Building Authority	Lodging Special Revenue Fund	Public Safety Fund	6.5 Mill Debt Property Tax Fund	6.5 Mill School Property Tax Fund	1990 School Support Fund	Gas Tax Fund	Emergency Management Fund	Public Library
ASSETS									
Cash and cash equivalents	\$ -	\$ 17,505,210	\$ 2,390,650	\$ -	\$ 11,099,253	\$ -	\$ 2,485,418	\$ 11,023	\$ 5,210,732
Investments	-	-	-	-	-	-	-	-	320,158
Receivables	-	2,170,417	-	325,467	325,467	3,047,657	499,502	-	80,414
Lease receivable	-	-	-	-	-	-	-	-	34,983
Due from other governments	-	-	-	-	-	-	-	163,441	-
Inventory	-	-	-	-	-	-	-	-	-
Prepaid items	2,591,250	-	11,821	-	-	-	-	15,830	56,682
Total Assets	2,591,250	19,675,627	2,402,471	325,467	11,424,720	3,047,657	2,984,920	190,294	5,702,969
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
Liabilities									
Accounts payable	-	372,598	262,591	-	-	1,923,029	489,711	16,618	113,660
Accrued liabilities	-	-	-	-	-	-	-	23,702	369,598
Retainage payable	-	81,302	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-	-	36,441
Due to other funds	136,271	-	-	265,509	-	313,301	-	-	-
Advance from other funds	-	-	-	-	-	-	-	-	-
Total Liabilities	136,271	453,900	262,591	265,509	-	2,236,330	489,711	40,320	519,699
Deferred Inflows of Resources									
Unavailable revenues - Intergovernmental	-	-	-	-	-	-	-	15,538	-
Deferred inflows - leases	-	-	-	-	-	-	-	-	33,881
Total Deferred Inflows of Resources	-	-	-	-	-	-	-	15,538	33,881
Fund Balances (Deficit)									
Nonspendable:									
Prepaid items	2,591,250	-	11,821	-	-	-	-	15,830	56,682
Inventory	-	-	-	-	-	-	-	-	-
Leases	-	-	-	-	-	-	-	-	1,102
Endowments	-	-	-	-	-	-	-	-	394,075
Restricted for:									
Culture and tourism	-	19,221,727	-	-	-	-	-	-	-
Public safety	-	-	2,128,059	-	-	-	-	118,606	-
Capital projects	-	-	-	-	-	-	-	-	-
Public service	-	-	-	-	-	-	-	-	147,369
Streets and highways	-	-	-	-	-	-	2,495,209	-	-
Debt service	-	-	-	59,958	11,424,720	-	-	-	-
School support	-	-	-	-	-	811,327	-	-	-
Committed for:									
Cummings Research Park	-	-	-	-	-	-	-	-	-
Assigned for:									
Public Library operations	-	-	-	-	-	-	-	-	4,550,161
Huntsville Tennis Center	-	-	-	-	-	-	-	-	-
Cemetery perpetual care	-	-	-	-	-	-	-	-	-
Unassigned	(136,271)	-	-	-	-	-	-	-	-
Total Fund Balances (Deficit)	2,454,979	19,221,727	2,139,880	59,958	11,424,720	811,327	2,495,209	134,436	5,149,389
Total Liabilities, Deferred Inflows and Fund Balances	\$ 2,591,250	\$ 19,675,627	\$ 2,402,471	\$ 325,467	\$ 11,424,720	\$ 3,047,657	\$ 2,984,920	\$ 190,294	\$ 5,702,969

CITY OF HUNTSVILLE, ALABAMA

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

	Special Revenue Funds						Capital Project Funds			Total Nonmajor Governmental Funds
	Burritt Museum	Alabama Constitution Village	Art Museum	Huntsville Tennis Center	Cemetery Perpetual Care	TIF Special Revenue Fund	Cummings Research Park	PBA Amphitheater Borrow Fund	PBA City Hall Fund	
ASSETS										
Cash and cash equivalents	\$ 506	\$ 1,087,867	\$ 479,479	\$ 294,524	\$ 5,099,559	\$ 17,361,717	\$ 3,847,226	\$ 3,804	\$ 6,320,204	\$ 73,197,172
Investments	-	-	-	-	-	-	-	-	16,927,340	17,247,498
Receivables	-	5,051	31,407	-	-	164,754	10,713	-	-	6,660,849
Lease receivable	-	-	-	-	-	-	-	-	-	34,983
Due from other governments	48,129	-	75,000	-	-	-	-	-	-	286,570
Inventory	-	36,121	46,284	8,888	-	-	-	-	-	91,293
Prepaid items	-	-	245,968	-	-	-	-	-	-	2,921,551
Total Assets	48,635	1,129,039	878,138	303,412	5,099,559	17,526,471	3,857,939	3,804	23,247,544	100,439,916
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES										
Liabilities										
Accounts payable	38,134	15,338	117,219	-	-	236,813	1,161	663,381	74,241	4,324,494
Accrued liabilities	-	42,536	57,256	4,573	-	-	-	-	-	497,665
Retainage payable	-	-	-	-	-	-	-	314,124	2,019,228	2,414,654
Unearned revenue	-	-	547,475	-	-	-	-	-	-	583,916
Due to other funds	-	-	-	-	-	-	-	-	-	715,081
Advance from other funds	-	1,185,174	-	-	-	-	-	-	-	1,185,174
Total Liabilities	38,134	1,243,048	721,950	4,573	-	236,813	1,161	977,505	2,093,469	9,720,984
Deferred Inflows of Resources										
Unavailable revenues - Intergovernmental	-	-	-	-	-	-	-	-	-	15,538
Deferred inflows - leases	-	-	-	-	-	-	-	-	-	33,881
Total Deferred Inflows of Resources	-	-	-	-	-	-	-	-	-	49,419
Fund Balances (Deficit)										
Nonspendable:										
Prepaid items	-	-	245,968	-	-	-	-	-	-	2,921,551
Inventory	-	36,121	46,284	8,888	-	-	-	-	-	91,293
Leases	-	-	-	-	-	-	-	-	-	1,102
Endowments	-	-	-	-	-	-	-	-	-	394,075
Restricted for:										
Culture and tourism	-	-	11,641	-	-	-	-	-	-	19,233,368
Public safety	-	-	-	-	-	-	-	-	-	2,246,665
Capital projects	-	-	-	-	-	-	-	-	21,154,075	21,154,075
Public service	10,501	-	-	-	-	-	-	-	-	157,870
Streets and highways	-	-	-	-	-	-	-	-	-	2,495,209
Debt service	-	-	-	-	-	17,289,658	-	-	-	28,774,336
School support	-	-	-	-	-	-	-	-	-	811,327
Committed for:										
Cummings Research Park	-	-	-	-	-	-	3,856,778	-	-	3,856,778
Assigned for:										
Public Library operations	-	-	-	-	-	-	-	-	-	4,550,161
Huntsville Tennis Center	-	-	-	289,951	-	-	-	-	-	289,951
Cemetery perpetual care	-	-	-	-	5,099,559	-	-	-	-	5,099,559
Unassigned	-	(150,130)	(147,705)	-	-	-	-	(973,701)	-	(1,407,807)
Total Fund Balances (Deficit)	10,501	(114,009)	156,188	298,839	5,099,559	17,289,658	3,856,778	(973,701)	21,154,075	90,669,513
Total Liabilities, Deferred Inflows and Fund Balances	\$ 48,635	\$ 1,129,039	\$ 878,138	\$ 303,412	\$ 5,099,559	\$ 17,526,471	\$ 3,857,939	\$ 3,804	\$ 23,247,544	\$ 100,439,916

CITY OF HUNTSVILLE, ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Special Revenue Funds								
	Public Building Authority	Lodging Special Revenue Fund	Public Safety Fund	6.5 Mill Debt Property Tax Fund	6.5 Mill School Property Tax Fund	1990 School Support Fund	Gas Tax Fund	Emergency Management Fund	Public Library Fund
REVENUES									
Taxes	\$ -	\$ 26,089,088	\$ -	\$ 26,228,428	\$ 28,044,731	\$ 35,858,217	\$ 5,387,107	\$ -	\$ -
Fines and forfeitures	-	-	1,364,850	-	-	-	-	-	175,238
Intergovernmental	-	-	-	-	-	-	-	656,869	2,382,245
Charges for services	-	-	-	-	-	-	-	-	124,450
Interest	1,550	-	-	-	-	-	-	-	207,863
Miscellaneous	-	-	-	-	-	-	63,041	-	17,633
Total Revenues	1,550	26,089,088	1,364,850	26,228,428	28,044,731	35,858,217	5,450,148	656,869	2,907,429
EXPENDITURES									
Current:									
General government	-	-	-	-	-	-	-	-	-
Public safety	-	-	593,787	-	-	-	-	1,079,789	-
Public services	-	9,179,844	-	-	-	-	-	-	7,883,394
Urban development	-	-	-	-	-	-	4,770,162	-	-
Intergovernmental assistance	-	-	-	-	-	35,653,029	-	-	-
Capital Outlay	-	1,309,770	102,374	-	-	-	-	-	-
Debt Service									
Principal	4,315,000	421,315	-	-	-	-	-	-	21,066
Interest and fiscal charges	6,442,647	109,762	-	-	1,085,153	-	-	-	-
Issuance costs	-	-	-	-	-	-	-	-	-
Total Expenditures	10,757,647	11,020,691	696,161	-	1,085,153	35,653,029	4,770,162	1,079,789	7,904,460
Excess (Deficiency) of Revenues over Expenditures	(10,756,097)	15,068,397	668,689	26,228,428	26,959,578	205,188	679,986	(422,920)	(4,997,031)
OTHER FINANCING SOURCES (USES)									
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-	1,795
Debt issuance	-	-	-	-	-	-	-	-	-
Transfers in	10,756,097	52,000	250,000	-	-	-	2,265,440	525,285	5,217,681
Transfers out	-	(11,384,998)	(899,000)	(27,041,275)	(20,639,150)	-	(3,075,429)	-	-
Total Other Financing Sources (Uses)	10,756,097	(11,332,998)	(649,000)	(27,041,275)	(20,639,150)	-	(809,989)	525,285	5,219,476
Net Change in Fund Balances	-	3,735,399	19,689	(812,847)	6,320,428	205,188	(130,003)	102,365	222,445
Fund Balances (Deficit), Beginning of Year	2,454,979	15,486,328	2,120,191	872,805	5,104,292	606,139	2,625,212	32,071	4,926,944
Fund Balances (Deficit), End of Year	\$ 2,454,979	\$ 19,221,727	\$ 2,139,880	\$ 59,958	\$ 11,424,720	\$ 811,327	\$ 2,495,209	\$ 134,436	\$ 5,149,389

CITY OF HUNTSVILLE, ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Special Revenue Funds					Capital Project Funds			Total Nonmajor Governmental Funds	
	Burritt Museum	Alabama Constitution Village	Art Museum	Huntsville Tennis Center	Cemetery Perpetual Care	TIF Special Revenue Fund	Cummings Research Park	PBA Amphitheater Borrow Fund		PBA City Hall Fund
REVENUES										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,595,214	\$ -	\$ -	\$ -	\$ 149,202,785
Fines and forfeitures	-	-	-	-	-	-	-	-	-	1,540,088
Intergovernmental	1,016,141	75,000	1,644,344	-	-	-	-	-	-	5,774,599
Charges for services	38,809	-	671,251	-	-	-	-	-	-	834,510
Interest	-	-	4,190	59	96,857	424,956	20,046	-	2,200,268	2,955,789
Miscellaneous	-	970,258	23,761	636,917	586,000	-	-	45,903	-	2,343,513
Total Revenues	1,054,950	1,045,258	2,343,546	636,976	682,857	28,020,170	20,046	45,903	2,200,268	162,651,284
EXPENDITURES										
Current:										
General government	-	-	-	-	-	503	-	-	42,209	42,712
Public safety	-	-	-	-	-	-	-	-	-	1,673,576
Public services	1,226,281	1,763,479	3,151,508	1,079,309	63,287	-	-	-	-	24,347,102
Urban development	-	-	-	-	-	-	272,268	4,000	-	5,046,430
Intergovernmental assistance	-	-	-	-	-	-	-	-	-	35,653,029
Capital Outlay	-	-	-	-	48,850	798,157	-	1,085,615	50,780,802	54,125,568
Debt Service										
Principal	-	-	-	-	-	14,254,883	-	-	-	19,012,264
Interest and fiscal charges	-	-	-	-	-	4,303,493	-	-	-	11,941,055
Issuance costs	-	-	-	-	-	80,500	-	-	-	80,500
Total Expenditures	1,226,281	1,763,479	3,151,508	1,079,309	112,137	19,437,536	272,268	1,089,615	50,823,011	151,922,236
Excess (Deficiency) of Revenues over Expenditures	(171,331)	(718,221)	(807,962)	(442,333)	570,720	8,582,634	(252,222)	(1,043,712)	(48,622,743)	10,729,048
OTHER FINANCING SOURCES (USES)										
Proceeds from sale of capital assets	-	-	-	-	-	-	1,093,206	-	-	1,095,001
Debt issuance	-	-	-	-	-	17,427,258	-	-	-	17,427,258
Transfers in	500,000	700,000	900,000	500,000	-	-	-	50,000	43	21,716,546
Transfer out	-	-	(30,000)	-	-	(17,502,970)	-	-	-	(80,572,822)
Total Other Financing Sources (Uses)	500,000	700,000	870,000	500,000	-	(75,712)	1,093,206	50,000	43	(40,334,017)
Net Change in Fund Balances	328,669	(18,221)	62,038	57,667	570,720	8,506,922	840,984	(993,712)	(48,622,700)	(29,604,969)
Fund Balances (Deficit), Beginning of Year	(318,168)	(95,788)	94,150	241,172	4,528,839	8,782,736	3,015,794	20,011	69,776,775	120,274,482
Fund Balances (Deficit), End of Year	\$ 10,501	\$ (114,009)	\$ 156,188	\$ 298,839	\$ 5,099,559	\$ 17,289,658	\$ 3,856,778	\$ (973,701)	\$ 21,154,075	\$ 90,669,513

DETAIL BUDGET SCHEDULES

CITY OF HUNTSVILLE, ALABAMA

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET (GAAP BASIS) AND ACTUAL
LODGING SPECIAL REVENUE FUND - LODGING & LIQUOR TAXES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 18,584,800	\$ 20,728,800	\$ 22,428,216	\$ 1,699,416
Total revenues	<u>18,584,800</u>	<u>20,728,800</u>	<u>22,428,216</u>	<u>1,699,416</u>
EXPENDITURES				
Current:				
Public services	5,246,500	6,591,687	6,591,714	(27)
Debt service:				
Principal	421,315	421,315	421,315	-
Interest	109,762	109,762	109,762	-
Total expenditures	<u>5,777,577</u>	<u>7,122,764</u>	<u>7,122,791</u>	<u>(27)</u>
Excess of revenues over expenditures	12,807,223	13,606,036	15,305,425	1,699,389
OTHER FINANCING SOURCES (USES)				
Transfer in	-	52,000	52,000	-
Transfer out	(11,855,296)	(13,668,607)	(11,140,386)	2,528,221
Total other financing sources (uses)	<u>(11,855,296)</u>	<u>(13,616,607)</u>	<u>(11,088,386)</u>	<u>2,528,221</u>
Net change in fund balances	<u>\$ 951,927</u>	<u>\$ (10,571)</u>	4,217,039	<u>\$ 4,227,610</u>
Fund balance, beginning of year			11,553,997	
Fund balance, end of year			<u>\$ 15,771,036</u>	
Reconciliation to Lodging Special Revenue Fund				
Fund balance - Lodging & Liquor Taxes			\$ 15,771,036	
Fund balance - 1% Lodging Tax 2003			1,894,688	
Fund balance - 1% Lodging Tax 2013			1,556,003	
Lodging Special Revenue Fund			<u>\$ 19,221,727</u>	

CITY OF HUNTSVILLE, ALABAMA

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET (GAAP BASIS) AND ACTUAL -
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ -	\$ -	\$ 10,431	\$ 10,431
Total revenues	<u>-</u>	<u>-</u>	<u>10,431</u>	<u>10,431</u>
EXPENDITURES				
Debt service:				
Principal	41,503,495	41,503,495	47,031,276	(5,527,781)
Interest and charges	25,780,826	25,780,826	25,757,951	22,875
Total debt service	<u>67,284,321</u>	<u>67,284,321</u>	<u>72,789,227</u>	<u>(5,504,906)</u>
Total expenditures	<u>67,284,321</u>	<u>67,284,321</u>	<u>72,789,227</u>	<u>(5,504,906)</u>
Deficiency of revenues over expenditures	(67,284,321)	(67,284,321)	(72,778,796)	(5,494,475)
OTHER FINANCING SOURCES				
Transfers in	67,284,321	67,284,321	72,778,796	5,494,475
Total other financing sources	<u>67,284,321</u>	<u>67,284,321</u>	<u>72,778,796</u>	<u>5,494,475</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning of year			12,943	
Fund balance, end of year			<u>\$ 12,943</u>	

CITY OF HUNTSVILLE, ALABAMA

NONMAJOR PROPRIETARY FUNDS

ENTERPRISE FUNDS

Municipal Iceplex Fund accounts for the operations of the City's Iceplex facility. Operations include the charges to users of Iceplex and maintenance of the facility.

Amphitheater Fund accounts for the operations of the City's amphitheater facility. Operations include the charges to users of amphitheater, planning and marketing the facility, as well as maintenance of the facility.

CITY OF HUNTSVILLE, ALABAMA

**STATEMENT OF NET POSITION -
NONMAJOR PROPRIETARY FUNDS
SEPTEMBER 30, 2023**

	Municipal Iceplex Fund	Amphitheater Fund	Total Nonmajor Proprietary Funds
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 464,124	\$ 312,820	\$ 776,944
Accounts receivable (net of allowance for uncollectibles)	147,862	33,105	180,967
Inventory	18,114	-	18,114
Prepaid items	2,676	-	2,676
Total Current Assets	<u>632,776</u>	<u>345,925</u>	<u>978,701</u>
Noncurrent Assets			
Capital Assets			
Depreciable assets	4,472,639	-	4,472,639
Less: Accumulated Depreciation	<u>(3,097,054)</u>	<u>-</u>	<u>(3,097,054)</u>
Total Capital Assets (Net of Accumulated Depreciation)	1,375,585	-	1,375,585
Restricted cash	2,584	-	2,584
Lease receivable	35,978	-	35,978
Other assets	<u>4,195</u>	<u>-</u>	<u>4,195</u>
Total Noncurrent Assets	<u>1,418,342</u>	<u>-</u>	<u>1,418,342</u>
Total Assets	<u>2,051,118</u>	<u>345,925</u>	<u>2,397,043</u>
LIABILITIES			
Current Liabilities			
Accounts payable	35,130	143,355	178,485
Accrued expenses	22,733	-	22,733
Accrued payroll liabilities	36,487	-	36,487
Accrued compensated absences	10,444	-	10,444
Unearned revenue	121,793	-	121,793
Lease liability, current	<u>3,291</u>	<u>-</u>	<u>3,291</u>
Total Current Liabilities	<u>229,878</u>	<u>143,355</u>	<u>373,233</u>
Noncurrent Assets			
Lease liability	<u>4,266</u>	<u>-</u>	<u>4,266</u>
Deferred inflows of resources			
Deferred inflows - lease	<u>35,978</u>	<u>-</u>	<u>35,978</u>
Total Liabilities and deferred inflows of resources	<u>270,122</u>	<u>143,355</u>	<u>413,477</u>
NET POSITION			
Net investment in capital assets	1,368,028	-	1,368,028
Restricted	6,560	-	6,560
Unrestricted	<u>406,408</u>	<u>202,570</u>	<u>608,978</u>
Total Net Position	<u>\$ 1,780,996</u>	<u>\$ 202,570</u>	<u>\$ 1,983,566</u>

CITY OF HUNTSVILLE, ALABAMA

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	<u>Municipal Iceplex Fund</u>	<u>Amphitheater Fund</u>	<u>Total Nonmajor Proprietary Funds</u>
Operating Revenues			
Charges for services	\$ 1,965,435	\$ 780,140	\$ 2,745,575
Total Operating Revenues	<u>1,965,435</u>	<u>780,140</u>	<u>2,745,575</u>
Operating Expenses			
Personnel, operations & maintenance	1,180,181	3,134,092	4,314,273
Utilities	344,055	-	344,055
Depreciation	139,143	-	139,143
Other	256,097	-	256,097
Total Operating Expenses	<u>1,919,476</u>	<u>3,134,092</u>	<u>5,053,568</u>
Operating Income (Loss)	<u>45,959</u>	<u>(2,353,952)</u>	<u>(2,307,993)</u>
Non-Operating Revenues (Expenses)			
Interest income	3,386	-	3,386
Interest and fiscal charges	(552)	-	(552)
Donations	-	447,436	447,436
Loss on disposals	(6,157)	-	(6,157)
Total Non-Operating Revenues (Expenses)	<u>(3,323)</u>	<u>447,436</u>	<u>444,113</u>
Income (Loss) Before Transfers	42,636	(1,906,516)	(1,863,880)
Transfers in	200,000	5,484,331	5,684,331
Transfers out	-	(2,452,551)	(2,452,551)
Change in Net Position	242,636	1,125,264	1,367,900
Total Net Position, Beginning of Year	<u>1,538,360</u>	<u>(922,694)</u>	<u>615,666</u>
Total Net Position, End of Year	<u>\$ 1,780,996</u>	<u>\$ 202,570</u>	<u>\$ 1,983,566</u>

CITY OF HUNTSVILLE, ALABAMA

COMBINING STATEMENT OF CASH FLOWS - NON-MAJOR PROPRIETARY FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Municipal Iceplex Fund	Amphitheater Fund	Total Non-major Proprietary Funds
Cash flows from operating activities			
Receipts from customers and users	\$ 1,997,085	\$ -	\$ 1,997,085
Payments to suppliers	(837,410)	(3,896,922)	(4,734,332)
Payments to employees	(939,073)	-	(939,073)
Net cash provided by (used in) operating activities	<u>220,602</u>	<u>(3,896,922)</u>	<u>(3,676,320)</u>
Cash flows from noncapital financing activities			
Interest and fiscal charges paid	(552)	-	(552)
Transfers in	-	5,484,331	5,484,331
Transfers out	-	(2,452,551)	(2,452,551)
Contributions	-	447,436	447,436
Net cash provided by (used in) noncapital financing activities	<u>(552)</u>	<u>3,479,216</u>	<u>3,478,664</u>
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(193,160)	-	(193,160)
Lease principal payment	(3,732)	-	(3,732)
Operating transfers in	200,000	-	200,000
Net cash provided by capital and related financing activities	<u>3,108</u>	<u>-</u>	<u>3,108</u>
Cash flows from investing activities			
Interest earned	3,386	-	3,386
Net cash provided by investing activities	<u>3,386</u>	<u>-</u>	<u>3,386</u>
Net increase in cash and cash equivalents	<u>226,544</u>	<u>(417,706)</u>	<u>(191,162)</u>
Cash and cash equivalents, beginning of year	<u>240,164</u>	<u>730,526</u>	<u>970,690</u>
Cash and cash equivalents, end of year	<u>\$ 466,708</u>	<u>\$ 312,820</u>	<u>\$ 779,528</u>
Reconciliation of cash and cash equivalents			
Cash and cash equivalents	\$ 464,124	\$ 312,820	\$ 776,944
Restricted cash	2,584	-	2,584
	<u>\$ 466,708</u>	<u>\$ 312,820</u>	<u>\$ 779,528</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	\$ 45,959	\$ (2,353,952)	\$ (2,307,993)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	139,143	-	139,143
Change in assets and liabilities:			
Accounts receivable	(12,511)	(33,105)	(45,616)
Inventory	(2,347)	-	(2,347)
Prepaid items	217	-	217
Accounts payable	(907)	(1,509,865)	(1,510,772)
Accrued payables	3,040	-	3,040
Unearned revenue	48,008	-	48,008
Net cash provided by (used in) operating activities	<u>\$ 220,602</u>	<u>\$ (3,896,922)</u>	<u>\$ (3,676,320)</u>

STATISTICAL SECTION

This part of the City of Huntsville’s annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, required supplementary information, and supplementary information says about the City’s overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends	117 – 121
<i>These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.</i>	
Revenue Capacity	122 – 127
<i>These schedules contain information to help the reader assess the City’s most significant local revenue sources.</i>	
Debt Capacity	128 – 132
<i>These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.</i>	
Demographic and Economic Information	133 and 134
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.</i>	
Operating Information	135 and 136
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the City’s financial reports for the relevant year.

CITY OF HUNTSVILLE, ALABAMA
NET POSITION BY COMPONENT

Last Ten Fiscal Years

Unaudited

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Governmental activities										
Net investment in capital assets	\$1,020,697,968	\$971,385,266	\$922,731,448	\$628,628,151	\$551,007,949	\$544,768,278	\$845,513,121	\$942,884,115	\$797,217,611	\$833,092,652
Restricted	250,934,326	261,388,672	185,381,212	209,061,062	281,375,373	236,973,783	41,377,635	96,222,800	56,606,417	36,683,825
Unrestricted	(452,653,009)	(526,306,955)	(518,132,835)	(371,594,259)	(367,381,198)	(361,804,446)	(443,964,319)	(597,400,654)	(423,145,927)	(262,498,673)
Total net position	\$818,979,285	\$706,466,983	\$589,979,825	\$466,094,954	\$465,002,124	\$419,937,615	\$442,926,437	\$441,706,261	\$430,678,101	\$607,277,804
Business-type activities										
Net investment in capital assets	\$396,163,618	\$376,602,521	\$360,462,901	\$348,297,507	\$331,320,679	\$309,021,803	\$302,449,760	\$296,962,340	\$286,013,940	\$274,288,062
Restricted	6,560	6,560	7,031	10,835	10,824	9,124	143,098	-	-	554,023
Unrestricted	18,955,385	11,177,964	27,299,432	21,280,336	28,182,034	18,979,336	23,127,600	17,918,489	17,545,100	33,425,775
Total net position	\$415,125,563	\$387,787,045	\$387,769,364	\$369,588,678	\$359,513,537	\$328,010,263	\$325,720,458	\$314,880,829	\$303,559,040	\$308,267,860
Primary government										
Net investment in capital assets	\$1,416,861,586	\$1,347,987,787	\$1,283,194,349	\$976,925,658	\$882,328,628	\$853,790,081	\$1,147,962,881	\$1,239,846,455	\$1,083,231,551	\$1,107,380,714
Restricted	250,940,886	261,395,232	185,388,243	209,071,897	281,386,197	236,982,907	41,520,733	96,222,800	56,606,417	37,237,848
Unrestricted	(433,697,624)	(515,128,991)	(490,833,403)	(350,313,923)	(339,199,164)	(342,825,110)	(420,836,719)	(579,482,165)	(405,600,827)	(229,072,898)
Total primary government net position	\$1,234,104,848	\$1,094,254,028	\$977,749,189	\$835,683,632	\$824,515,661	\$747,947,878	\$768,646,895	\$756,587,090	\$734,237,141	\$915,545,664

Source: Annual Comprehensive Financial Reports

CITY OF HUNTSVILLE, ALABAMA
CHANGES IN NET POSITION

Last Ten Fiscal Years
Unaudited

	2023	2022 (a)	2021	2020	2019	2018	2017	2016	2015	2014
Expenses										
Governmental activities:										
General government	\$84,932,962	\$55,705,093	\$43,096,775	\$50,812,549	\$50,520,319	\$40,753,794	\$34,640,871	\$34,361,989	\$29,989,299	\$29,153,904
Public safety	146,502,727	115,538,086	112,621,010	109,793,988	106,544,062	109,340,713	101,454,111	89,867,060	89,257,242	88,372,786
Public services	132,620,177	125,740,396	136,316,561	133,287,434	141,692,196	131,024,399	144,445,066	164,347,739	168,284,768	237,413,535
Urban development	106,356,819	98,559,656	58,723,240	51,193,813	45,601,798	39,928,608	27,486,329	22,412,512	43,242,563	36,683,268
Interest on long-term debt	38,805,895	34,680,965	34,079,637	41,202,782	41,627,006	29,840,153	29,881,615	29,852,643	26,224,071	26,658,311
Unallocated depreciation	-	-	32,037,096	-	-	30,364,378	30,071,644	32,372,585	31,002,001	30,740,478
Total governmental activities expenses	509,218,580	430,224,196	416,874,319	386,290,566	385,985,381	381,252,045	367,979,636	373,214,528	387,999,944	449,022,282
Business-type activities:										
Water pollution control	41,396,798	40,698,051	32,227,814	29,678,995	30,912,511	37,403,132	27,991,809	29,173,955	28,593,512	27,244,801
Sanitation fund	18,254,100	16,017,962	-	-	-	-	-	-	-	-
Von Braun Center fund	21,873,218	18,688,646	14,416,297	14,962,695	15,002,905	13,987,414	12,989,031	12,542,916	12,043,936	11,842,331
Municipal Iceplex	1,920,028	1,694,172	3,219,728	1,874,893	1,338,944	1,238,619	1,290,010	1,310,499	1,615,154	1,581,104
Amphitheater	3,134,092	4,399,511	-	-	-	-	-	-	-	-
Total business-type activities expenses	86,578,236	81,498,342	49,863,839	46,516,583	47,254,360	52,629,165	42,270,850	43,027,370	42,252,602	40,668,236
Total primary government expenses	595,796,816	511,722,538	466,738,158	432,807,149	433,239,741	433,881,210	410,250,486	416,241,898	430,252,546	489,690,518
Program Revenues										
Governmental activities:										
Charges for services:										
General government	34,878,772	34,613,919	33,164,228	27,575,488	30,152,032	29,595,713	24,055,896	22,777,167	22,052,325	22,021,774
Public Safety	-	-	4,436,494	3,772,489	4,124,976	4,048,868	4,122,334	4,531,621	4,681,849	4,642,898
Public Services	11,458,894	10,697,013	23,597,804	17,775,105	19,435,940	19,077,338	19,410,439	18,821,416	18,328,708	17,988,274
Urban Development	14,059,708	13,072,866	10,900,279	4,534,560	4,958,250	4,866,768	3,841,420	3,220,276	2,732,673	3,093,173
Operating grants and contributions	23,082,758	13,957,957	43,270,521	34,845,297	38,101,102	37,398,120	12,484,743	28,466,937	24,437,539	26,850,683
Capital grants and contributions	49,462,479	19,249,286	21,343,474	1,911,872	2,090,510	2,051,939	5,524,756	14,359,350	21,290,616	21,349,944
Total governmental activities program revenues	132,942,611	91,591,041	136,712,800	90,414,811	98,862,810	97,038,746	69,439,588	92,176,767	93,523,710	95,946,746
Business-type activities:										
Charges for services:										
Water pollution control	48,254,242	45,034,489	43,727,045	41,849,372	40,942,608	39,824,923	40,049,926	38,940,571	37,680,083	36,032,232
Sanitation fund	14,300,386	14,101,331	-	-	-	-	-	-	-	-
Von Braun Center fund	17,072,122	13,393,364	7,043,445	6,486,442	10,975,341	9,962,346	8,980,112	9,133,213	8,202,625	8,358,106
Municipal Iceplex	1,965,435	1,781,663	1,307,207	1,016,381	1,371,504	1,253,898	1,160,985	1,163,060	1,423,171	1,518,105
Amphitheater	780,140	542,950	-	-	-	-	-	-	-	-
Operating grants and contributions	191,909	-	5,807,003	-	1,287	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	9,090	-	2,409,031	3,525,530
Total business-type activities program revenues	82,564,234	74,853,797	57,884,700	49,352,195	53,290,740	51,041,167	50,200,113	49,236,844	49,714,910	49,433,973
Total primary government program revenues	215,506,845	166,444,838	194,597,500	139,767,006	152,153,550	148,079,913	119,639,701	141,413,611	143,238,620	145,380,719
Net (expense) revenue										
Governmental activities	(376,275,969)	(338,633,155)	(280,161,519)	(295,875,755)	(287,122,571)	(284,213,299)	(298,540,048)	(281,037,761)	(294,476,234)	(353,075,536)
Business-type activities	(4,014,002)	(6,644,545)	8,020,861	2,835,612	6,036,380	(1,587,998)	7,929,263	6,209,474	7,462,308	8,765,737
Total primary government net expenses	(380,289,971)	(345,277,700)	(272,140,658)	(293,040,143)	(281,086,191)	(285,801,297)	(290,610,785)	(274,828,287)	(287,013,926)	(344,309,799)

CITY OF HUNTSVILLE, ALABAMA
CHANGES IN NET POSITION

Last Ten Fiscal Years
Unaudited

	2023	2022 (a)	2021	2020	2019	2018	2017	2016	2015	2014
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Sales & use taxes	325,482,003	303,110,209	268,438,074	237,141,754	226,685,473	208,966,293	195,327,025	190,546,050	181,057,346	159,401,801
Property taxes	107,999,976	93,161,853	76,367,185	71,077,318	65,167,286	66,083,001	59,604,053	57,850,973	54,748,223	54,253,368
Payments in lieu of taxes	22,380,421	21,191,296	-	-	-	-	-	-	-	-
Alcohol taxes	8,773,186	8,339,371	-	-	-	-	-	-	-	-
Lodging taxes	19,554,483	16,624,765	-	-	-	-	-	-	-	-
Gas taxes	6,673,247	6,624,096	-	-	-	-	-	-	-	-
Other taxes	10,555,426	10,515,250	57,945,218	50,507,374	52,525,318	47,855,650	43,967,500	45,203,819	41,737,789	41,039,618
Interest on Investments	12,915,912	926,861	140,105	2,392,856	4,832,242	2,383,639	585,804	704,590	450,481	672,898
Gain on forgiveness	1,167,219	-	-	-	-	-	-	-	-	-
Other	3,126,390	-	-	10,336,324	3,330,072	2,703,551	2,270,299	1,478,946	1,951,356	1,180,504
Gains (losses) on sales of assets	-	1,233,294	-	(66,847,987)	-	580,750	863,000	1,350,500	(304,271)	2,263,811
Transfers	(29,860,572)	(11,818,122)	(9,423,115)	(7,185,921)	(14,236,907)	(10,716,842)	(2,857,457)	(5,068,957)	(2,726,833)	(2,318,504)
Total governmental activities	488,767,691	449,908,873	393,467,467	297,421,718	338,303,484	317,856,042	299,760,224	292,065,921	276,914,091	256,493,496
Business-type activities										
Interest on Investments	1,196,950	9,395	8,485	53,608	134,194	81,117	52,909	43,358	63,140	73,467
Gains (losses) on sales of assets	-	(836)	-	-	(39)	-	-	-	-	-
Other	294,998	44,547	18,262	-	-	-	-	-	-	-
Transfers	29,860,572	11,818,122	9,423,115	7,185,921	14,236,907	8,202,574	2,857,457	5,068,957	2,726,833	2,318,504
Total business-type activities	31,352,520	11,871,228	9,449,862	7,239,529	14,371,062	8,283,691	2,910,366	5,112,315	2,789,973	2,391,971
Total primary government	520,120,211	461,780,101	402,917,329	304,661,247	352,674,546	326,139,733	302,670,590	297,178,236	279,704,064	258,885,467
<u>Change in Net Position</u>										
Governmental activities	112,491,722	111,275,718	113,305,948	1,545,963	51,180,913	33,642,743	1,220,176	11,028,160	(17,562,143)	(96,582,040)
Business-type activities	27,338,518	5,226,683	17,470,723	10,075,141	20,407,442	6,695,693	10,839,629	11,321,789	10,252,281	11,157,708
Total primary government	\$139,830,240	\$116,502,401	\$130,776,671	\$11,621,104	\$71,588,355	\$40,338,436	\$12,059,805	\$22,349,949	(\$7,309,862)	(\$85,424,332)

Source: Annual Comprehensive Financial Reports

(a) In 2022, changes were made to the presentation on the Statement of Activities to show activity for business-type nonmajor proprietary funds, and to show a more detailed listing of the City's taxes. This presentation will be adopted for future years.

Note: The Sanitation Fund was created in FY22 by pulling the sanitation operations out of the General Fund. The Amphitheater Fund was created in FY21 with the completion of the City's new entertainment venue, but did not have activity until FY22.

CITY OF HUNTSVILLE, ALABAMA
FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
 Unaudited

	2023	2022	2021 (a)	2020	2019	2018	2017	2016	2015	2014
General Fund										
Nonspendable	\$4,513,806	\$3,162,428	\$2,307,425	\$1,066,212	\$459,009	\$502,254	\$507,398	\$545,611	\$330,661	\$295,347
Restricted	-	-	5,797,312	-	-	-	-	249,607	459,360	494,593
Committed	-	-	-	7,123,511	4,310,285	4,310,285	4,702,832	6,295,708	3,978,387	2,384,910
Assigned	2,420,988	2,225,001	2,171,893	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	4,634,414	6,333,577
Unassigned	164,051,835	153,959,837	100,770,697	62,956,473	53,996,464	53,497,651	43,456,951	37,738,528	26,014,291	31,082,957
Total general fund	170,986,629	159,347,266	111,047,327	72,146,196	59,765,758	59,310,190	49,667,181	45,829,454	35,417,113	40,591,384
All other governmental funds										
Nonspendable	3,521,099	3,173,292	3,116,827	3,029,694	2,991,862	3,915,322	3,257,915	2,937,642	2,957,461	1,934,453
Restricted	358,979,065	261,388,672	220,255,062	209,061,062	281,375,373	236,973,783	41,377,635	88,919,640	87,154,198	76,162,879
Committed	3,856,778	3,015,794	2,473,701	4,482,337	4,890,852	2,887,968	142,362,101	80,848,838	32,691,643	30,615,652
Assigned	9,939,671	9,032,574	8,234,640	6,857,453	6,064,118	5,672,188	5,307,031	5,845,167	5,309,942	6,032,259
Unassigned	(1,407,807)	(3,431,779)	(706,056)	(5,558,058)	(5,950,414)	(15,776,565)	(1,117,573)	(215,316)	(236,961)	(362,755)
Total all other governmental funds	374,888,806	273,178,553	233,374,174	217,872,488	289,371,791	233,672,696	191,187,109	178,335,971	127,876,283	114,382,488
Total fund balance	\$545,875,435	\$432,525,819	\$344,421,501	\$290,018,684	\$349,137,549	\$292,982,886	\$240,854,290	\$224,165,425	\$163,293,396	\$154,973,872

Source: Annual Comprehensive Financial Reports

(a) The City underwent a city-wide reorganization of the financial statements in FY2021 as represented in the numbers above.

CITY OF HUNTSVILLE, ALABAMA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
 Unaudited

	2023	2022	2021 (a)	2020	2019	2018	2017	2016	2015	2014
Revenues										
Taxes	\$501,515,567	460,027,279	402,717,697	358,726,446	344,378,077	322,845,986	298,810,174	294,046,406	277,782,861	255,124,604
Licenses and permits	43,051,868	41,565,147	36,532,679	32,514,504	29,448,382	28,208,646	26,499,649	24,901,908	23,679,897	23,819,364
Fines and forfeitures	3,897,342	4,139,564	4,019,550	3,382,013	3,507,915	3,826,040	4,003,972	4,466,875	3,754,603	3,473,013
Revenues from money and property	-	-	-	5,316,225	9,717,987	6,972,716	5,299,539	4,919,314	4,744,704	6,461,335
Charges for services	13,231,902	12,923,044	24,975,983	22,274,966	37,161,056	42,349,949	17,993,904	17,333,314	16,947,087	16,549,021
Intergovernmental	62,362,019	29,734,218	54,119,202	20,131,353	17,595,641	11,244,579	18,343,577	32,320,686	29,747,386	27,987,674
Gifts and Donations	-	-	-	2,111,362	3,408,869	2,440,644	2,460,757	6,907,406	2,922,892	3,275,381
Interest	12,915,912	-	-	-	-	-	-	-	-	-
Miscellaneous revenues	8,962,387	10,240,610	24,014,030	10,336,324	3,330,072	1,806,477	1,668,794	1,268,490	1,831,703	2,486,427
Total Revenues	645,936,997	558,629,862	546,379,141	454,793,193	448,547,999	419,695,037	375,080,366	386,164,399	361,411,133	339,176,819
Expenditures										
General government	68,629,902	48,356,163	41,557,082	39,293,215	39,733,663	29,488,028	30,718,856	31,372,454	29,170,852	28,227,710
Public safety	126,916,642	106,975,146	100,668,628	97,451,844	95,034,927	92,865,616	89,362,560	90,332,831	83,826,858	82,331,558
Public services	141,760,138	106,077,977	103,473,513	95,438,193	106,397,516	88,173,064	78,125,664	121,919,036	128,975,662	74,322,641
Urban development	34,553,728	30,612,180	26,490,111	30,623,574	26,419,907	20,403,337	20,658,265	18,328,725	18,806,466	27,725,654
Debt service										
Principal	68,868,789	53,133,143	39,885,183	40,675,086	37,462,146	37,243,956	29,770,224	28,657,088	43,323,319	34,054,729
Interest	39,988,329	33,956,323	32,783,046	34,881,073	34,041,366	26,716,331	28,179,262	26,167,860	24,800,838	24,753,072
Fiscal charges	-	-	-	469	724	624	507	711	2,149	849
Debt issuance costs	885,841	571,639	1,166,670	6,500	514,302	1,269,946	1,185,748	723,615	621,319	1,414,594
Capital Outlay	196,075,912	157,257,470	167,373,664	153,287,127	95,846,575	166,255,294	66,860,745	36,777,565	55,563,121	28,117,331
Intergovernmental assistance	36,557,258	33,899,856	29,961,029	31,198,551	34,137,648	29,670,223	52,910,501	49,110,279	44,913,309	165,783,884
Total expenditures	714,236,539	570,839,897	543,358,926	522,855,632	469,588,774	492,086,420	397,772,332	403,390,164	430,003,893	466,732,022
Excess of revenues over (under) expenditures	(68,299,542)	(12,210,035)	3,020,215	(68,062,439)	(21,040,775)	(72,391,383)	(22,691,966)	(17,225,765)	(68,592,760)	(127,555,203)
Other financing sources(uses)										
Long-term debt issued	167,477,258	87,853,036	159,598,374	16,582,628	80,078,908	166,609,194	103,482,451	121,175,789	69,718,637	196,870,969
Premium on debt issue	16,712,054	16,251,573	-	-	17,514,638	27,882,248	10,700,582	27,065,510	9,925,229	24,816,375
Payment to escrow agent	-	-	(114,349,148)	-	(44,797)	(55,291,484)	(71,944,745)	(65,074,549)	-	(95,982,662)
Capital lease/sale proceeds	4,070,377	3,900,230	1,978,636	-	-	-	-	-	-	-
Subscriptions payable	5,164,271	-	-	-	-	-	-	-	-	-
Transfers in	131,437,860	155,002,389	108,686,564	107,648,922	85,058,749	77,083,967	72,761,360	48,054,906	79,797,073	79,517,324
Transfers (out)	(143,212,662)	(162,692,875)	(113,767,843)	(114,834,843)	(99,295,656)	(87,800,809)	(75,618,816)	(53,123,863)	(82,590,783)	(82,037,527)
Total other financing sources(uses)	181,649,158	100,314,353	42,146,583	9,396,707	83,311,842	128,483,116	39,380,832	78,097,793	76,850,156	123,184,479
Net change in fund balances	\$113,349,616	\$88,104,318	\$45,166,798	(\$58,665,732)	\$62,271,067	\$56,091,733	\$16,688,866	\$60,872,028	\$8,257,396	(\$4,370,724)
Debt service as a percentage of noncapital expenditures	21.4%	20.8%	18.4%	20.4%	19.1%	19.6%	17.5%	15.0%	18.2%	13.4%

Source: Annual Comprehensive Financial Reports

(a) The City underwent a city-wide reorganization of the financial statements in FY2021 as represented in the numbers above.

CITY OF HUNTSVILLE, ALABAMA
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE

Last Ten Fiscal Years
Unaudited

Fiscal Year	Sales and Use Tax	Property Tax	City Leasing	City Liquor	City Lodging	City Gasoline	City Wine	City Tobacco	State Gasoline	Huntsville Utilities P.I.L.O.T.	T.V.A. P.I.L.O.T.	State Beverage	State Tobacco	All Other	Total
2014	\$159,781,025 ^	\$54,253,368	\$2,631,568	\$2,522,257	\$7,303,150	\$1,265,771	\$180,806	\$1,229,518	\$3,275,006	\$16,222,522	\$2,908,572	\$1,649,427	\$144,987	\$1,756,627	\$255,124,604
2015	\$181,057,346	\$54,748,223	\$2,920,756	\$2,665,032	\$7,560,909	\$1,235,379	\$197,135	\$1,212,139	\$3,437,782	\$16,647,075	\$2,881,380	\$1,674,900	\$223,136	\$1,321,669	\$277,782,861
2016	\$190,729,980	\$57,850,973	\$3,442,511	\$2,980,488	\$7,844,415	\$1,311,216	\$200,302	\$1,250,042	\$3,522,306	\$17,251,340	\$3,375,449	\$1,784,091	\$329,958	\$1,911,701	\$293,784,772
2017	\$195,384,836	\$59,517,420	\$3,437,394	\$3,166,433	\$8,480,826	\$1,325,804	\$211,419	\$1,229,884	\$3,564,696	\$15,844,677	\$2,813,159	\$1,777,753	\$155,962	\$1,959,493	\$298,869,756
2018	\$208,966,293	\$66,083,001	\$3,707,198	\$3,490,644	\$12,407,344 *	\$1,347,117	\$221,543	\$1,215,787	\$3,564,534	\$14,908,179	\$2,829,553	\$1,710,566	\$302,714	\$2,150,470	\$322,904,943
2019	\$226,685,473	\$65,167,284	\$4,039,834	\$3,575,726	\$14,247,977	\$1,361,321	\$225,678	\$1,172,419	\$3,640,810	\$18,836,298	\$2,494,464	\$1,790,735	\$144,940	\$2,709,436	\$346,092,395
2020	\$237,141,756	\$71,078,187	\$4,121,555	\$3,173,119	\$10,506,906	\$1,222,155	\$246,290	\$1,271,256	\$4,042,207	\$21,172,061	\$2,827,779	\$1,684,459	\$181,002	\$4,033,650	\$362,702,382
2021	\$268,438,074	\$76,367,185	\$4,872,815	\$4,596,158	\$13,139,614	\$1,280,113	\$250,507	\$1,229,461	\$4,653,298	\$18,396,408	\$2,864,376	\$2,062,358	\$291,867	\$4,275,461	\$402,717,697
2022	\$303,110,210	\$93,622,533	\$5,282,157	\$5,858,491	\$16,624,963	\$1,301,450	\$243,507	\$1,172,089	\$5,322,646	\$18,224,671	\$2,697,905	\$2,237,374	\$186,607	\$4,142,677	\$460,027,279
2023	\$325,482,003	\$107,999,976	\$5,379,804	\$6,534,605	\$19,554,483	\$1,286,139	\$228,595	\$1,088,071	\$5,387,107	\$18,842,021	\$3,256,334	\$2,009,986	\$180,427	\$4,189,191	\$501,418,742

Source: City Finance Department

^ A 1.0% Sales Tax increase was enacted on March 1, 2014.

* In fiscal year 2017 the City increased Lodging taxes by 2% and added \$1 surcharge per room

CITY OF HUNTSVILLE, ALABAMA

SALES TAX RATES

Last Ten Fiscal Years

Unaudited

SALES TAX

Madison County

<u>Fiscal Year</u>	<u>State</u>	<u>City</u>	<u>County</u>	<u>Total</u>
2014	4.0%	4.5%	0.5%	9.0% *
2015	4.0%	4.5%	0.5%	9.0%
2016	4.0%	4.5%	0.5%	9.0%
2017	4.0%	4.5%	0.5%	9.0%
2018	4.0%	4.5%	0.5%	9.0%
2019	4.0%	4.5%	0.5%	9.0%
2020	4.0%	4.5%	0.5%	9.0%
2021	4.0%	4.5%	0.5%	9.0%
2022	4.0%	4.5%	0.5%	9.0%
2023	4.0%	4.5%	0.5%	9.0%

Limestone County

<u>Fiscal Year</u>	<u>State</u>	<u>City</u>	<u>County</u>	<u>Total</u>
2014	4.0%	4.5%	2.0%	10.5% *
2015	4.0%	4.5%	2.0%	10.5%
2016	4.0%	4.5%	2.0%	10.5%
2017	4.0%	4.5%	2.0%	10.5%
2018	4.0%	4.5%	2.0%	10.5%
2019	4.0%	4.5%	2.0%	10.5%
2020	4.0%	4.5%	2.0%	10.5%
2021	4.0%	4.5%	2.0%	10.5%
2022	4.0%	4.5%	2.0%	10.5%
2023	4.0%	4.5%	2.0%	10.5%

* A 1.0% Sales Tax increase was enacted on March 1, 2014.

Note: Morgan County is not shown in the listing above as there are currently no businesses within the City limits in Morgan County that remit Sales and Use Tax.

CITY OF HUNTSVILLE, ALABAMA

PROPERTY TAX RATES

Last Ten Fiscal Years

Unaudited

PROPERTY TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS

(Per \$1000 of Assessed Value)

Fiscal Year	City of Huntsville				Madison County			
	General Fund	City School Funds	Special Revenue Funds	Total	County School District	County	State	Total
2014	6.5	22.0	6.5	35.0	5.5	11.0	6.5	58.0
2015	6.5	22.0	6.5	35.0	5.5	11.0	6.5	58.0
2016	6.5	22.0	6.5	35.0	5.5	11.0	6.5	58.0
2017	6.5	22.0	6.5	35.0	5.5	11.0	6.5	58.0
2018	6.5	22.0	6.5	35.0	5.5	11.0	6.5	58.0
2019	6.5	22.0	6.5	35.0	5.5	11.0	6.5	58.0
2020	6.5	22.0	6.5	35.0	5.5	11.0	6.5	58.0
2021	6.5	22.0	6.5	35.0	5.5	11.0	6.5	58.0
2022	6.5	22.0	6.5	35.0	5.5	11.0	6.5	58.0
2023	6.5	22.0	6.5	35.0	5.5	11.0	6.5	58.0

Fiscal Year	City of Huntsville				Limestone County		
	General Fund	City School Funds	Special Revenue Funds	Total	County	State	Total
2014	6.5	22.0	6.5	35.0			
2015	6.5	22.0	6.5	35.0			
2016	6.5	22.0	6.5	35.0			
2017	6.5	22.0	6.5	35.0			
2018	6.5	22.0	6.5	35.0			
2019	6.5	22.0	6.5	35.0			
2020	6.5	22.0	6.5	35.0			
2021	6.5	22.0	6.5	35.0			
2022	6.5	22.0	6.5	35.0	13.5	6.5	55.0
2023	6.5	22.0	6.5	35.0	13.5	6.5	55.0

Fiscal Year	City of Huntsville				Morgan County				
	General Fund	Special Revenue Funds	City School Fund	Total	State	County		Total Base	
						County Wide School			
2014	6.5		6.5						
2015	6.5		6.5						
2016	6.5		6.5						
2017	6.5		6.5						
2018	6.5		6.5						
2019	6.5		6.5						
2020	6.5		6.5						
2021	6.5		6.5						
2022	6.5		6.5	10.7	23.7	6.5	10.8	5.8	46.8
2023	6.5		6.5	10.7	23.7	6.5	10.8	5.8	46.8

Note: Due to the minimal size of taxes collected in Morgan and Limestone County in prior years, the property tax rates have not been previously reported for those counties.

CITY OF HUNTSVILLE, ALABAMA
PROPERTY TAX LEVIES AND COLLECTIONS
 Last Ten Fiscal Years
Unaudited

Fiscal Year	Total Tax Levy	Total Tax Collections (a)	Percent of Total Tax Collections to Tax Levy
2013-2014	\$197,403,885	\$197,526,366	100.1%
2014-2015	\$199,883,714	\$199,969,065	100.0%
2015-2016	\$199,358,750	\$199,854,209	100.2%
2016-2017	\$205,279,934	\$206,016,539	100.4%
2017-2018	\$207,873,791	\$210,989,952	101.5%
2018-2019	\$227,645,704	\$229,210,607	100.7%
2019-2020	\$239,416,698	\$241,111,820	100.7%
2020-2021	\$265,537,560	\$264,952,395	99.8%
2021-2022	\$304,466,310	\$304,702,045	100.1%
2022-2023	\$343,532,797	\$344,181,389	100.2%

(a) Taxes are levied on October 1 and are payable by December 31, at which time they become delinquent and result in a tax sale to enforce collection. The Tax Collector does not provide the years in which the taxes are collected, but because of the collection policy, most are collected within the year of the levy. Collections are net of refunds.

Source: Madison County Tax Collectors office, for entire Madison County collections. Limestone County Tax Collectors office provided the information for Limestone County.

CITY OF HUNTSVILLE, ALABAMA

PROPERTY TAXES

ESTIMATED ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY (thousands)

Last Ten Fiscal Years

Unaudited

Assessment Date	Class 1		Real and Personal Property				Penalties Assessed	Exempt Assessed	Class 4		Total Assessed	Total Actual	Assessed Value To Total Estimated Actual Value
	Assessed	Actual	Class 2 Assessed	Class 2 Actual	Class 3 Assessed	Class 3 Actual			Assessed	Actual			
2013	\$26,818	\$89,393	\$1,977,673	\$9,888,366	\$878,858	\$8,788,580	\$3,031	(\$478,909)	\$260,691	\$1,737,940	\$2,668,162	\$20,504,279	13.0%
2014	\$26,915	\$89,717	\$2,067,967	\$10,339,835	\$891,333	\$8,913,330	\$3,076	(\$480,953)	\$269,328	\$1,795,520	\$2,777,666	\$21,138,402	13.1%
2015	\$21,257	\$70,856	\$2,136,708	\$10,683,539	\$902,236	\$9,022,358	\$3,373	(\$501,001)	\$293,012	\$1,953,413	\$2,855,585	\$21,730,166	13.1%
2016	\$21,353	\$71,177	\$2,258,951	\$11,294,755	\$944,927	\$9,449,270	\$5,182	(\$530,850)	\$246,836	\$1,645,573	\$2,946,399	\$22,460,775	13.1%
2017	\$21,170	\$70,565	\$2,366,167	\$11,830,836	\$980,301	\$9,803,010	\$3,975	(\$500,689)	\$285,518	\$1,903,451	\$3,156,441	\$23,607,862	13.4%
2018	\$18,658	\$62,194	\$2,582,436	\$12,912,178	\$1,045,444	\$10,454,436	\$5,872	(\$576,856)	\$295,427	\$1,969,515	\$3,370,980	\$25,398,323	13.3%
2019	\$17,864	\$59,546	\$2,699,354	\$13,496,771	\$1,131,591	\$11,315,908	\$6,967	(\$594,753)	\$318,650	\$2,124,332	\$3,579,673	\$26,996,557	13.3%
2020	\$17,192	\$57,308	\$3,302,282	\$16,511,412	\$1,245,686	\$12,456,855	\$2,387	(\$956,109)	\$350,461	\$2,336,404	\$3,961,899	\$31,361,980	12.6%
2021	\$19,822	\$66,073	\$3,974,468	\$19,872,339	\$1,438,832	\$14,388,318	\$12,151	(\$1,307,600)	\$393,791	\$2,625,272	\$4,531,463	\$36,952,002	12.3%
2022	\$15,045	\$50,151	\$5,051,634	\$25,258,171	\$1,680,668	\$16,806,677	\$16,911	(\$1,022,271)	\$465,595	\$3,103,967	\$6,207,582	\$45,218,965	13.7%

Assessment Date Note:

Property is initially assessed on October 1 each year for the taxes to be levied on the following October 1. Adjustments are made after the assessment until the next August, when the assessments are finalized for the upcoming October levy. Therefore, the assessed value figures above will result in tax collections beginning one year later. For example, the assessment in 2018 above was levied on October 1, 2019, and collected during the City's 2020 fiscal year.

Valuation Note:

The totals above are as reported by the Madison County, Limestone County and Morgan County Tax Assessors on the abstract for the city district tax, which is the basis for collection of the 6.5 mill general fund and 6.5 mill special revenue fund tax. The most recent assessment date pertinent to this calculation is October 1, 2022.

Class and Assessment % Note:

- Class 1 - All property of utilities used in their business - 30%
- Class 2 - All property not otherwise classified - 20%
- Class 3 - All agricultural, forest and single family, owner-occupied residential property, and historic property - 10%
- Class 4 - Private passenger automobiles and pickup trucks -15%

Tax Rate Note:

For purposes of the property tax base figures above, the direct rate that applies to these bases is 6.5 mills of tax on the assessed value (i.e. 0.65%).

CITY OF HUNTSVILLE, ALABAMA
PRINCIPAL TAXPAYERS - SALES & PROPERTY TAXES
 Last Ten Fiscal Years
Unaudited

SALES & USE TAXES

Fiscal Year	Top 100 Taxpayers (approximate)	Total Tax	% of Total Tax
2014	\$85,343,403	\$159,781,025	53.4%
2015	\$98,998,235	\$181,057,346	54.7%
2016	\$103,191,559	\$190,044,271	54.3%
2017	\$105,599,574	\$194,758,559	54.2%
2018	\$112,459,986	\$205,955,365	54.6%
2019	\$117,991,316	\$220,062,938	53.6%
2020	\$128,022,634	\$227,829,714	56.2%
2021	\$136,988,003	\$255,464,388	53.6%
2022	\$153,005,081	\$287,147,661	53.3%
2023	\$161,690,761	\$306,845,850	52.7%

Source: City Finance Department. City and state law do not permit the disclosure of tax information for specific taxpayers, and city policy restricts disclosures on fewer than the top 100 taxpayers. Collections from the largest City taxpayers are not concentrated in particular industries or products, but generally pertain to sales of a diverse variety of consumer goods.

PROPERTY TAXES

Name	2023			2014		
	City Assessed Valuation	Rank	Percentage of Total Assessed Value	City Assessed Valuation	Rank	Percentage of Total Assessed Value
Starbelt LLC	\$370,535,920	1	6.0%			
Toyota Motor Manufacturing Alabama	\$195,807,940	2	3.2%	\$102,649,780	1	3.8%
Blue Origin Alabama LLC	\$49,402,240	3	0.8%			
Kohler Co	\$28,677,600	4	0.5%			
Huntsville NYL LLC	\$28,308,320	5	0.5%	\$26,782,160	2	1.0%
IMI Huntsville LLC	\$23,952,940	6	0.4%	\$13,912,420	7	0.5%
Preylock Huntsville LLC	\$20,498,860	7	0.3%			
Leidos Realty LLC	\$19,469,680	8	0.3%			
Redstone Federal Credit Union	\$19,286,680	9	0.3%	\$10,353,800	10	0.4%
ADTRAN Inc	\$17,961,340	10	0.3%	\$17,646,580	5	0.7%
Bell South Telecommunications Inc				\$21,264,500	3	0.8%
BASF Catalysts LLC				\$20,868,600	4	0.8%
Dynetics				\$14,166,900	6	0.5%
Generics International US Inc				\$12,681,380	8	0.5%
Crestwood Healthcare LP				\$12,175,640	9	0.5%
Top 10 subtotal	\$773,901,520		12.5%	\$252,501,760		9.5%
Other taxpayers	\$5,433,680,860		87.5%	\$2,415,660,240		90.5%
Totals	\$6,207,582,380		100.0%	\$2,668,162,000		100.0%

Valuation Note:

The above figures are those reported by the Madison County Tax Assessor and the Limestone County Tax Assessor on the abstract for the city district tax, which is the basis for collection of the 6.5 mill general fund and 6.5 mill special revenue fund tax.

Assessment Date Note:

Property is initially assessed on October 1 each year for the taxes to be levied on the following October 1. Adjustments are made after the assessment until the next August, when the assessments are finalized for the upcoming October levy. Therefore, the assessed value figures above will result in tax collections beginning one year later. For example, the assessment in 2018 will be levied on October 1, 2019, and collected during the city's 2020 fiscal year.

CITY OF HUNTSVILLE, ALABAMA

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

(amounts expressed in thousands, except per capita amounts)

Unaudited

Fiscal Year	Governmental Activities				Business-Type Activities			Total Primary Government	Per Capita	Debt as % of Personal Income
	General Obligation Warrants	Revenue Warrants	PBA Lease Revenue Bonds	Lease Liability & SBITAs	Sewer System General Obligation Warrants	Sewer System Revenue Warrants	Lease Liability & SBITAs			
2014	\$568,664	\$45,206	\$62,697	-	\$80,799	\$32,525	\$0	\$789,891	\$4,194	4.16%
2015	\$496,159	\$41,453	\$59,490	-	\$64,980	\$27,485	\$0	\$689,567	\$3,611	3.63%
2016	\$595,632	\$45,610	\$57,310	-	\$55,948	\$22,260	\$0	\$776,760	\$4,023	3.96%
2017	\$607,046	\$50,202	\$57,310	-	\$52,609	\$16,835	\$0	\$784,002	\$3,994	3.86%
2018	\$693,105	\$50,982	\$44,820	-	\$48,960	\$12,810	\$0	\$850,677	\$4,311	3.91%
2019	\$734,787	\$59,356	\$44,820	-	\$45,227	\$8,635	\$0	\$892,825	\$4,472	3.89%
2020	\$771,923	\$81,440	\$50,754	-	\$45,147	\$4,300	\$0	\$953,564	\$4,776	4.16%
2021	\$728,120	\$94,269	\$85,373	-	\$38,950	\$2,245	\$0	\$948,957	\$4,301	3.57%
2022	\$674,357	\$109,006	\$173,456	\$1,384	\$34,091	\$1,220	\$572	\$994,086	\$4,369	3.42%
2023	\$799,813	\$102,968	\$167,684	\$6,119	\$79,234	\$1,115	\$536	\$1,157,469	\$4,921	3.77%

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements

CITY OF HUNTSVILLE, ALABAMA
RATIOS OF GENERAL OBLIGATION DEBT OUTSTANDING
(amounts expressed in thousands)
Last Ten Fiscal Years
Unaudited

Fiscal Year	General Obligation Warrants	Sewer System General Obligation Warrants	Less Amounts Restricted for Repayment	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2014	\$568,664	\$80,799	(\$2,705)	\$646,758	3.1%	\$3,434
2015	\$496,159	\$64,980	(\$3,779)	\$557,360	2.6%	\$2,919
2016	\$595,632	\$55,948	(\$18,147)	\$633,433	2.8%	\$3,281
2017	\$607,046	\$52,609	(\$5,938)	\$653,717	2.9%	\$3,330
2018	\$693,105	\$48,960	(\$894)	\$741,171	3.1%	\$3,756
2019	\$734,787	\$45,227	(\$894)	\$779,120	3.1%	\$3,903
2020	\$771,923	\$45,147	(\$894)	\$816,176	3.0%	\$4,031
2021	\$728,120	\$38,950	(\$10,504)	\$756,566	2.4%	\$3,429
2022	\$674,357	\$34,091	(\$14,773)	\$693,675	1.9%	\$3,049
2023	\$799,813	\$79,234	(\$28,787)	\$850,260	1.9%	\$3,615

Source: Annual Comprehensive Financial Reports

CITY OF HUNTSVILLE, ALABAMA
LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years
Unaudited

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Debt limit	\$1,238,134,200	\$903,862,400	\$791,902,600	\$714,541,000	\$673,021,600	\$630,493,200	\$588,243,400	\$570,442,400	\$554,918,000	\$533,026,200
Total net debt applicable to limit	609,249,875	527,983,782	550,350,043	506,465,065	455,772,313	471,742,804	407,608,415	356,079,457	276,811,706	294,217,898
Legal debt margin	\$628,884,325	\$375,878,618	\$241,552,557	\$208,075,935	\$217,249,287	\$158,750,396	\$180,634,985	\$214,362,943	\$278,106,294	\$238,808,302
Total net debt applicable to limit as a percentage of debt limit	49.2%	58.4%	69.5%	70.9%	67.7%	74.8%	69.3%	62.4%	49.9%	55.2%

**Legal Debt Margin Calculation
for Current Fiscal Year**

Assessed value of real and personal property, October 1, 2022 (a)		<u>\$6,190,671,000</u>
Debt limit - 20 percent of total assessed value		1,238,134,200
All outstanding debt of the City	<u>\$1,157,467,349</u>	
Less those portions not chargeable to the debt limit:		
Lease revenue bonds of the Public Building Authority	167,684,123	
Debt payable from other revenues:		
General obligation sewer warrants	79,233,875	
Sewer revenue warrants	1,115,000	
General obligation Series 2018-A Economic Development	52,039,509	
Warrants issued for schools	<u>231,512,217</u>	
Total not chargeable	<u>531,584,724</u>	
Total debt chargeable to debt limit	625,882,625	
Less assets available for debt service (b)	<u>16,632,750</u>	<u>609,249,875</u>
Legal debt margin		<u><u>\$628,884,325</u></u>

Note: The above data is determined in accordance with governmental accounting standards and may differ from the methods used when determining the data under Alabama law for municipalities. Parties interested in this data in connection with City debt obligations should rely on official statements and other information issued by the City specifically in regard to those matters.

(a) does not include penalty assessments that are not includable in this calculation.

(b) this value is made up of the positive cash balances for each TIF fund that are restricted to service their specific debt issuances

CITY OF HUNTSVILLE, ALABAMA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
At September 30, 2023
Unaudited

	Net Debt Outstanding	Percentage Applicable to City of Huntsville	Amount Applicable to City of Huntsville
Direct Debt			
City of Huntsville	\$1,076,582,075 ⁽¹⁾	100.00%	\$1,076,582,075
Overlapping Dept			
Madison County, general obligation debt	43,614,243 ⁽²⁾	56.25% ⁽²⁾	\$24,533,012
Limestone County, general obligation debt	12,220,000 ⁽³⁾	4.86% ⁽³⁾	\$593,892
Morgan County, general obligation debt	21,405,000 ⁽⁴⁾	0.01% ⁽⁴⁾	\$2,141
Total			<u>\$1,101,711,119</u>

Note: The above data is determined in accordance with governmental accounting standards and may differ from the methods used when determining the data under Alabama law for municipalities. Parties interested in this data in connection with City debt obligations should rely on official statements and other information issued by the City specifically in regard to those matters.

(1) City of Huntsville net debt outstanding includes all general obligation debt, revenue-backed debt, revenue bonds of the Public Building Authority financed with general government revenues, Lease & SBITA liabilities, less amounts available for debt service in the various funds. It does not include general obligation and other debt serviced with resources from proprietary funds. Outstanding debt includes face value and unamortized original issue premium/discounts.

(2) Outstanding debt as presented in audited financial statements of Madison County for the fiscal year ended September 30, 2021. The Madison County percentage reflects the ratio of the population estimated by the City as of July 1, 2022 as residing in the City and living in Madison County (222,301) and the estimated total population of Madison County estimated for 2021 (395,211).

(3) Outstanding debt as presented in audited financial statements of Limestone County for the fiscal year ended September 30, 2021. The Limestone County percentage reflects the ratio of the population estimated by the City as of July 1, 2022 as residing in the City and living in Limestone County (5,221) and the total population of Limestone County estimated for 2021 (107,517).

(4) Outstanding debt as presented in audited financial statements of Morgan County for the fiscal year ended September 30, 2020. The Morgan County percentage reflects the ratio of the population estimated by the City as of July 1, 2022 as residing in the City and living in Morgan County (7) and the total population of Morgan County estimated for 2021 (123,668).

CITY OF HUNTSVILLE, ALABAMA
PLEDGED REVENUE COVERAGE
WATER POLLUTION CONTROL FUND WARRANTS
Last Ten Fiscal Years
Unaudited

Fiscal Year	Gross Revenues (b)	Direct Operating Expenses (c)	Net Revenue Available for Debt Service	Debt Service Requirement (a)			Coverage
				Principal	Interest	Total	
2014	\$36,056,556	\$13,439,347	\$22,617,209	\$12,725,271	\$4,389,828	\$17,115,099	1.32
2015	\$37,697,985	\$15,046,587	\$22,651,398	\$13,441,815	\$4,013,909	\$17,455,724	1.30
2016	\$38,940,571	\$15,968,327	\$22,972,244	\$13,967,912	\$3,367,046	\$17,334,958	1.33
2017	\$40,067,970	\$15,001,905	\$25,066,065	\$7,694,544	\$2,895,922	\$10,590,466	2.37
2018	\$39,836,114	\$15,227,976	\$24,608,138	\$7,907,856	\$2,692,961	\$10,600,817	2.32
2019	\$40,942,608	\$18,452,775	\$22,489,833	\$8,295,714	\$2,200,931	\$10,496,645	2.14
2020	\$41,849,372	\$18,072,555	\$23,776,817	\$6,157,252	\$1,906,177	\$8,063,429	2.95
2021	\$42,940,702	\$20,909,928	\$22,030,774	\$6,102,093	\$1,743,024	\$7,845,117	2.81
2022	\$45,034,489	\$29,057,389	\$15,977,100	\$5,239,163	\$1,499,273	\$6,738,436	2.37
2023	\$48,254,242	\$27,612,113	\$20,642,129	\$4,497,902	\$2,356,928	\$6,854,830	3.01

(a) Debt service for general obligation warrants issued for sewer purposes and sewer revenue warrants.

(b) Gross revenues available for debt service include customer charges and interest income.

(c) Direct operating expenses excluding depreciation and amortization.

CITY OF HUNTSVILLE, ALABAMA
DEMOGRAPHIC AND ECONOMIC STATISTICS
 Last Ten Fiscal Years
Unaudited

Fiscal Year	Population (a)	Total Personal Income (b)	Per Capita Personal Income (b)	Unemployment Rate (c)
2014	188,325	\$18,992,753	\$42,939	5.7%
2015	190,943	\$18,992,753	\$44,068	5.5%
2016	193,079	\$19,599,508	\$44,068	5.5%
2017	196,289	\$20,327,769	\$45,201	4.0%
2018	197,318	\$21,731,100	\$47,729	3.4%
2019	199,637	\$22,947,407	\$49,595	2.1%
2020	202,453	\$24,586,808	\$52,110	3.2%
2021	220,632	\$26,553,194	\$55,126	2.4%
2022	227,529	\$29,065,186	\$57,815	2.2%
2023	235,204	\$30,701,534	\$59,677	1.9%

(a) Population estimates for the City of Huntsville. Source (previous year estimates): US Census Bureau. Source (current year estimates). City of Huntsville Planning Department.

(b) The personal income amounts are for the Huntsville Metropolitan Statistical Area, which consists of Madison and Limestone counties. The population of the MSA is much higher than the City population figures above. The source of the data is the Bureau of Economic Analysis.

(c) The unemployment rate data is for Madison County. The source of the data is the LMI Division of the Alabama Department of Labor.

CITY OF HUNTSVILLE, ALABAMA

PRINCIPAL EMPLOYERS

Current and Five Years Ago

Unaudited

Employers	2023			2018		
	Number of Employees	Rank	Percentage of Total Labor Force	Number of Employees	Rank	Percentage of Total Labor Force
US Army/Redstone Arsenal	38,000	1	13.6%	21,170	1	9.4%
Huntsville Hospital	10,160	2	3.6%	6,341	2	2.8%
NASA/Marshall Space Flight Center	6,000	3	2.2%	4,615	3	2.1%
Mazda Toyota Manufacturing USA, Inc.	3,500	4	1.3%			
The Boeing Company	3,048	5	1.1%	2,600	4	1.2%
Huntsville City Schools	3,000	6	1.1%			
Dynetics, Inc.	2,946	7	1.1%	1,009	10	0.5%
SAIC	2,746	8	1.0%	2,229	5	1.0%
City of Huntsville	2,486	9	0.9%			
Madison County Schools	2,389	10	0.9%			
Northrop Grumman				1,200	9	0.6%
ADTRAN, INC.				1,549	6	0.7%
Technicolor / CINRAM, INC				1,450	7	0.6%
Toyota Motor Manufacturing Alabama				1,350	8	0.6%
Total Employees of 10 Principal Employers	74,275		26.8%	43,513		19.4%
Employees of Other Employers	204,625		73.2%	180,661		80.6%
Total Civilian Labor Force	278,900		100.0%	224,174		100.0%

Source:

Chamber of Commerce Huntsville/Madison County
 North Alabama Development Association
 Alabama Department of Labor

Note:

This employment data represents persons employed in Huntsville/Madison County in nonagricultural wage and salary occupations.

CITY OF HUNTSVILLE, ALABAMA
CITY GOVERNMENT EMPLOYEES BY FUNCTION
Last Ten Fiscal Years
Unaudited

Function	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
General Government										
Administration	20	17	17	14	14	16	15	14	12	13
City Council	8	8	8	7	10	7	8	8	8	8
Clerk-Treasurer	10	16	17	17	19	19	18	18	18	18
Finance	43	34	31	27	30	35	35	35	33	31
Human Resources	18	17	17	17	16	16	16	13	13	13
I.T.S.	37	39	41	38	43	47	46	48	48	48
Legal	19	18	18	17	18	17	16	16	16	16
Total	155	149	149	137	150	157	154	152	148	147
Public Safety										
Animal Services	35	33	33	31	35	34	32	31	31	28
EMA	7	7	7	7	8	9	9	9	9	9
Fire and Rescue	438	432	409	387	428	439	439	408	396	395
Municipal Court	47	50	46	46	50	53	52	48	48	48
Police	661	640	641	662	727	725	702	642	632	632
Total	1,188	1,162	1,136	1,133	1,248	1,260	1,234	1,138	1,116	1,112
Public Services										
Cemetery	17	16	17	11	13	13	12	12	12	24
General Services	52	53	50	49	52	52	52	52	53	64
Fleet Services	46	46	50	49	51	49	50	49	46	47
Parks & Recreation	171	164	150	169	203	197	196	197	191	185
Landscape Management	168	167	160	144	149	151	149	143	133	132
Parking	46	48	42	43	49	53	51	52	54	54
Public Transportation	92	90	86	87	98	80	80	77	75	73
Public Works	261	238	226	228	249	241	238	237	246	245
Water Pollution Control	111	113	122	127	140	184	133	127	125	124
Total	964	935	903	907	1,004	1,020	961	946	935	948
Urban Development										
Community Development	32	32	32	32	29	42	43	44	44	44
Engineering	32	30	34	31	34	46	45	46	46	45
Inspection	32	29	34	31	31	34	30	29	29	29
Natural Resources	10	9	8	8	10	8	7	7	7	7
Planning	34	37	40	40	47	50	47	45	45	47
Traffic Engineering	39	40	35	34	40	39	39	39	39	39
Total	179	177	183	176	191	219	211	210	210	211
Total for all departments	2,486	2,423	2,371	2,353	2,593	2,656	2,560	2,446	2,409	2,418

Source: Headcount by department provided by payroll at year-end.

CITY OF HUNTSVILLE, ALABAMA
OPERATING INDICATORS AND CAPITAL ASSET STATISTICS BY FUNCTION

Last Ten Fiscal Years

Unaudited

Function	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Public Safety											
Fire and Rescue											
Number of fire stations	19	19	19	19	19	19	19	19	19	18	17
Fire insurance rating	1	1	1	1	1	1	1	1	3/9	3/9	3/9
Number of calls answered	23,915	21,867	21,701	19,879	22,966	21,684	21,159	18,723	17,021	16,587	15,036
Inspections	5,470	7,398	7,912	8,090	8,290	7,772	6,171	5,387	5,715	4,829	5,464
Police											
Number of police stations	6	6	6	5	5	5	5	4	4	4	4
Physical arrests	9,774	9,638	10,378	10,048	10,753	11,281	10,793	12,390	12,371	13,040	12,499
Parking violations	11,384	15,627	11,235	10,360	12,403	31,066	12,213	10,029	10,469	10,535	9,674
Traffic violations	16,835	20,844	21,302	23,060	25,735	11,168	29,338	34,455	39,908	44,256	33,488
Public Services											
Recreation Services											
Admissions to Aquatic Facilities	152,376	166,951	128,033	119,165	144,779	103,043	95,791	81,218	100,011	99,180	101,992
Participants in Community Center programs	9,743	7,256	1,842	2,910	8,029	5,025	5,688	4,548	5,480	3,521	2,477
Participants in Youth Athletic programs	5,161	4,635	3,943	2,353	4,765	4,633	4,967	5,418	5,836	5,883	5,730
Participants in Adult Athletic programs	3,740	3,794	2,776	3,900	1,451	661	1,691	1,245	1,954	3,084	3,853
Number of parks	66	66	66	64	64	64	64	64	64	63	62
Baseball fields	48	48	48	48	48	48	48	48	48	48	48
Softball fields	48	48	48	48	48	48	48	48	48	48	48
Soccer fields & Multi-purpose fields	59	59	59	41	41	41	41	41	41	41	41
Football fields	2	2	2	2	2	2	2	2	2	2	2
Golf courses	0	0	0	0	0	0	0	1	1	1	1
Tennis courts	52	52	52	56	56	56	56	56	56	56	55
Recreation centers	13	13	13	13	11	11	12	12	12	13	13
Enclosed swimming pools	4	4	4	4	4	4	4	3	3	3	3
Public Works											
Streets (Beginning 2011 - Lane Miles)	3,592	3,553	3,516	3,446	3,370	3,329	3,302	3,280	3,244	3,200	3,170
Street lights	*	31,673	23,753	23,696	23,526	23,552	23,101	22,938	22,535	22,410	22,169
Signalized street intersections	404	402	400	393	387	382	381	377	369	366	359
Controlled intersections	12,076	12,032	11,957	11,918	11,854	11,809	11,761	11,698	11,648	11,620	11,553
Major storm sewers (miles)	1,277	1,208	1,190	1,152	1,138	1,088	1,068	1,027	1,013	998	975
Major storm sewers (miles) - Total for Year	68	17	38	14	50	20	40	14	15	23	24
Potholes repaired	17,064	15,544	15,045	15,477	18,510	11,542	13,503	14,567	13,012	7,312	9,408
Sanitation											
Refuse collected (tons/day)	468	476	352	305	310	266	237	269	286	267	266
Trash collected (tons/day)	162	153	130	182	230	163	153	113	165	174	167
Water Pollution Control											
Avg daily sewage treatment(M gallon/day)	41	42	45	43	41	36	34	35	37	33	41
Sanitary sewers (miles)	1,635	1,632	1,599	1,564	1,532	1,502	1,463	1,450	1,430	1,420	1,365
Utilities											
New connections	726	973	1,130	1,401	712	1,133	1,418	1,497	1,312	850	889
Water main breaks	50	108	86	79	96	87	64	114	95	79	85
Average daily consumption (000 gallons)	55,713	52,750	47,720	44,033	45,121	43,797	42,954	45,582	40,518	38,406	37,364
Water meters in use	106,125	105,206	103,532	101,894	100,139	97,189	95,657	94,501	92,919	91,513	90,802

Sources:

Various city departments

Notes:

* data is not available

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APPENDIX H
THE BASE LEASE AND FORM OF FIRST SUPPLEMENTAL LEASE

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LEASE AGREEMENT

between

**THE PUBLIC BUILDING AUTHORITY
OF THE CITY OF HUNTSVILLE**

and

CITY OF HUNTSVILLE, ALABAMA

**\$74,285,000
Lease Revenue Bonds
Series 2022**

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LEASE AGREEMENT between **THE PUBLIC BUILDING AUTHORITY OF THE CITY OF HUNTSVILLE**, a public corporation organized and existing under the provisions of Chapter 56 of Title 11 of the Code of Alabama of 1975 (herein sometimes called the "Authority"), and the **CITY OF HUNTSVILLE**, a municipal corporation in the State of Alabama (herein sometimes called the "City");

RECITALS:

WHEREAS, the Authority has been organized and established pursuant to Section 11-56-1 *et. seq.*, Code of Alabama 1975, as amended (the "Act") to provide buildings and facilities for lease to and use by the City in the performance of its public functions; and

WHEREAS, the Act under which the Authority has been organized authorizes the City to enter into this Lease Agreement, and each of the City and the Authority separately have determined for the City to acquire, construct and operate, or cause to be acquired, constructed or operated, a new city hall and related parking facility for use by the City (the "Facility"); and

WHEREAS, the Authority has determined to issue and deliver its \$74,285,000 initial principal amount Lease Revenue Bonds, Series 2022 (herein called the "Bonds") in order to (i) pay the costs to acquire land as the site of, and to design, construct, develop and equip, the Facility; and (iii) pay the costs of issuing the Bonds. The Bonds will be issued under and secured by a Mortgage Indenture and Deed of Trust dated the date of the Bonds (herein called the "Indenture"), between the Authority and Regions Bank, an Alabama banking corporation (herein called the "Trustee"); and

WHEREAS, the Authority and the City are entering into this Lease Agreement in order to provide for the payment of rent by the City at times and in amounts sufficient to provide for payment of the principal of and interest on the Bonds with respect to each fiscal year of the City during which this Lease Agreement shall be in effect;

NOW THEREFORE, in consideration of the respective agreements on the part of the Authority and the City herein contained, the Authority and the City do hereby agree as follows:

ARTICLE I

DEFINITIONS AND USE OF PHRASES

Section 1.1 Definitions. The following words and phrases and others evidently intended as the equivalent thereof shall, in the absence of express provision or clear implication in the Lease to the contrary, be given the following respective meanings in the construction or interpretation of the Lease:

"Act" means Chapter 56 of Title 11 of the Code of Alabama of 1975, as it may from time to time be amended.

"Additional Bonds" means those authorized under the Indenture in Article VIII thereof.

"Authority" means (a) the party of the first part hereto and its successors and assigns, and (b) any public corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party as provided in Section 12.6 of the Indenture.

"Authorized Authority Representative" means the Chairman, the Vice Chairman, the Secretary or the Treasurer of the Authority, or any of them, along with any and all persons at the time designated as such by written certificate furnished to the City and the Trustee pursuant to written instrument signed on behalf of the Authority by its Chairman, Vice Chairman, Secretary or Treasurer.

"Basic Rent" means the cash rental payable by the City pursuant to the provisions of Section 5.4 hereof and any other sums payable by the City hereunder that are herein referred to as Basic Rent.

"Bond Fund" means the Bond Fund created in Section 10.1 of the Indenture.

"Bonds", as used in this Lease Agreement, means only the Bonds unless other qualifying words or phrases unequivocally indicate that the term is intended to include obligations of the Authority other than or in addition to the Bonds.

"City" means (i) the party of the second part hereto, and (ii) any municipal corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party.

"Completion Certificate" means a certificate signed by an Independent Architect and an Authorized Authority Representative stating that the construction of the Improvements has been completed in substantial accordance with the plans and specifications therefor, and the date on which such construction was completed.

"Completion Date" means the date on which the construction of the Improvements is completed, as stated in the Completion Certificate.

"Construction Fund" means the fund by the name "Construction Fund" created in Section 9.2 of the Indenture.

"Counsel" means an attorney duly admitted to practice before the highest court of any state of the United States of America or of the District of Columbia, or a firm of attorneys all the members of which are so admitted.

"Development Costs" means all costs incurred or assumed in connection with (i) the construction and acquisition of the Improvements, (ii) the acquisition and installation of the Equipment, (iii) interest on the Bonds accruing prior to the Completion Date, (iv) builder's risk insurance and casualty insurance during the period of construction, and (v) the expenses incurred by the Authority in connection with the issuance and sale of the Bonds or any Additional Bonds, including (but without limiting the generality of the foregoing) the initial charge of the Trustee, the costs of feasibility studies and the fiscal, legal, printing, advertising, recording and other similar fees and expenses relating to the issuance and sale of the Bonds (including the reimbursement to the City of those of such costs as it may have heretofore paid and of such amounts as it may have heretofore advanced to the Authority for payment of any such costs,.

"Equipment" means all furniture, furnishings, fixtures, machinery and equipment acquired or to be acquired, the costs of which are or were, in whole or in part, paid, or to be paid, out of the proceeds of the Bonds.

"Facility" means the city hall and parking facility to be located on the Site, along with all Equipment and other personal property located thereon, to be finance

"Improvements" means the construction and development of the Facility made with proceeds of the Bonds and any other improvements on the Site to be financed with proceeds of the Bonds.

"Indenture" means the Mortgage Indenture and Deed of Trust between the Authority and Regions Bank, an Alabama banking corporation, dated the date of the Bonds.

"Independent Architect" means an architect or architectural firm qualified to practice the profession of architecture under the laws of Alabama and not employed full time by the Authority or the City.

"Independent Engineer" means an engineer or engineering firm qualified to practice the profession of engineering under the laws of Alabama and not employed full time by the Authority or the City.

"Initial Term" means the period beginning on the date of the delivery of this Lease Agreement and continuing until and including September 30, 2022.

"Interest Payment Date" means each August 1 and February 1, commencing August 1, 2022.

"Lease" or "Lease Agreement" means this agreement.

"Net Condemnation Award" means the total amount awarded as compensation for any part of the Project taken under the exercise of the power of eminent domain plus damages to any part not taken, less and except (i) any portion thereof to which the City is entitled under the provisions of Section 7.2 hereof, and (ii) all attorneys' fees and other expenses incurred in the condemnation proceeding with respect to which such award was made (other than those paid directly by the City or deducted, pursuant to the provisions of said Section 7.2, from that portion of the award to which it is entitled under the provisions thereof).

"Net Insurance Proceeds" means the total insurance proceeds recovered by the Authority, the City and the Trustee on account of any damage to or destruction of the Facility or any part thereof less all expenses (including attorneys' fees and any extraordinary expenses of the Trustee) incurred in the collection of such proceeds.

"Payment Date" shall mean the dates on which principal of or interest on the Bonds is due and payable, which for purposes of this Lease Agreement shall be August 1 and February 1, commencing August 1, 2022.

"Permitted Encumbrances" means, as of any particular time, (i) liens for ad valorem taxes and special assessments not then delinquent, (ii) the Lease, (iii) the Indenture, (iv) utility, access and other easements and rights-of-way, mineral rights, restrictions and exceptions that, in the opinion of an Independent Architect or Independent Engineer, will not materially interfere with or impair the operations being conducted in the Facility (or, if no operations are being conducted therein, the operations for which the Facility was designed or last modified), (v) any inchoate mechanic's, materialmen's or vendor's lien if payment is not yet due and payable under the contract giving rise to such lien, (vi) such minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title as normally exist with respect to properties similar in size and character to the Project and as do not, in the opinion of Counsel, in the aggregate materially impair the property affected thereby for the purpose for which it was acquired or is held by the Authority, and (vii) the Site Deed.

"Project" means the Site, the Facility and the Equipment, as they may at any time exist and all other property and rights referred to or intended so to be in the demising clauses hereof.

"Renewal Term" means any period of one year for which the Lease shall be renewed at the option of the City in accordance with the provisions of Section 5.2 of this Lease Agreement.

"Site" means the real property described on Exhibit A hereto.

"Site Deed" means that certain deed from the City of Huntsville, Alabama, pursuant to which the Site has been conveyed to the Authority.

"Tax Code" means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

"Trustee" means Regions Bank, an Alabama banking corporation, as trustee under the Indenture, and its successors and any corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party.

Section 1.2 Use of Phrases. "Herein", "hereby", "hereunder", "hereof", "hereinbefore", "hereinafter" and other equivalent words refer to the Lease as an entirety and not solely to the particular portion of this Lease Agreement in which any such word is used. The definitions set forth in Section 1.1 of this Lease Agreement include both singular and plural. Whenever used herein, any pronoun shall be deemed to include both singular and plural and to cover all genders. Any percentage of Bonds, specified herein for any purpose, is to be figured on the unpaid principal amount thereof then outstanding.

ARTICLE II
REPRESENTATIONS

Section 2.1 Representations by the Authority. The Authority makes the following representations as part of the basis for the agreements and undertakings on its part herein contained:

(a) The Authority is duly incorporated under the provisions of the Act by Certificate of Incorporation duly filed for record in the office of the Judge of Probate of Madison County, Alabama, has not subsequently amended its said Certificate of Incorporation and is not in default under any of the provisions contained in the said Certificate of Incorporation or in the laws of Alabama;

(b) Under the provisions of the Act, the Authority has the power (i) to issue the Bonds for the purposes described in Section 4.2, (ii) to undertake the acquisition and construction of the Facility and to acquire, construct and install the Equipment, (iii) to lease the Facility to the City in accordance with the provisions hereof, (iv) to pledge the rentals and other receipts from the leasing or operation of the Facility (including particularly the Basic Rent hereunder) to the Trustee as provided in the Indenture, (v) to subject the Facility to the non-foreclosable lien of the Indenture, (vi) to execute and deliver the Bonds, this Lease Agreement and the Indenture, and (vii) to carry out and consummate all transactions contemplated by each of the aforesaid documents;

(c) Neither the execution and delivery of this Lease Agreement, the consummation of the transactions contemplated hereby, or the fulfillment or compliance with the terms and conditions hereof, conflict with, or result in a breach of, any of the terms, conditions or provisions of any corporate restriction or limitation or any agreement, instrument or court or other governmental order to which the Authority is now party or by which it is bound, or constitute a default under any of the foregoing;

(d) All consents, approvals, authorizations and orders of governmental or regulatory authorities, if any, which are required for the execution and delivery of the Bonds, this Lease Agreement and the Indenture and for the consummation of the transactions contemplated by each of the aforesaid documents have been obtained by or on behalf of the Authority and are in full force and effect;

(e) The execution and delivery of this Lease Agreement on the part of the Authority have been duly authorized by all necessary corporate action;

(f) The Project will constitute a "project" within the meaning of Section 11-56-1(10) of the Code of Alabama of 1975, as amended; and

(g) The City understands that one of the principal inducements to the purchase of the Bonds by the purchaser or purchasers thereof from the Authority is that under existing law the interest thereon is excludable from gross income for federal income tax purposes generally, except to the extent otherwise provided in the Tax Code.

Section 2.2 Representations by the City. The City makes the following representations as part of the basis for the agreements and undertakings on its part herein contained:

(a) The City has been furnished a copy of the Indenture and the City approves and consents to the provisions of said instrument;

(b) Neither the execution and delivery of this Lease Agreement, the consummation of the transactions contemplated hereby, nor the fulfillment of or compliance with the terms and conditions hereof, conflict with, or result in a breach of, any law or constitutional provision applicable to the City or any of the terms, conditions or provisions of any agreement, instrument or governmental order to which the City is now subject or by which it is bound, or constitute a default under any of the foregoing;

(c) The execution and delivery of this Lease Agreement on the part of the City have been duly authorized by its governing body;

(d) The real property specifically described in the demising clauses hereof and Exhibit A hereto is located wholly within the corporate limits of the City and wholly within the boundaries of Madison County, Alabama;

(e) The Project will constitute a "project" within the meaning of the Act;

(f) The City understands that one of the principal inducements to the purchase of the Bonds by the purchaser or purchasers thereof from the Authority is that under existing law the interest thereon is excludable from gross income for federal income tax purposes generally, except to the extent otherwise provided in the Tax Code; and

(g) The Project, and the use thereof for its intended purpose, will not violate (i) any zoning or other ordinance or any regulation or law of Madison County, Alabama, the City or any other municipality, applicable to the Project and its use, or (ii) any restrictive covenant of the City applicable to the Project and its use, and all requirements for such use have been (or will be, prior to the time the Project is placed in service) satisfied.

ARTICLE III

DEMISING CLAUSES

Section 3.1 Demise. The Authority hereby demises and leases to the City, subject to Permitted Encumbrances, and the City hereby rents from the Authority, subject to Permitted Encumbrances, for and during the Initial Term, the real property described on Exhibit A hereto located within the corporate limits of the City, together with the Facility, the Equipment, the Improvements, all other improvements hereafter situated on the Site, not including, any equipment or other personal property that, under the provisions hereof, is or is to become the sole property of the City or third parties.

ARTICLE IV

CONSTRUCTING AND FINANCING THE IMPROVEMENTS

Section 4.1 Agreement to Construct Improvements. The Authority will proceed with, and will complete as promptly as practicable,

(a) the construction, wholly within the boundary lines of the Site, of the Improvements, substantially in accordance with plans and specifications therefor to be furnished by the City; and

(b) the acquisition and installation in or about the Improvements and wholly within the boundary lines of the Site, of the Equipment, such acquisition and installation to be made as directed by the City,

and will pay, solely out of the principal proceeds derived by it from the sale of the Bonds or any Additional Bonds issued for such purpose, the costs of such construction, acquisition and installation.

The City may, after the execution and delivery hereof, cause such changes to be made to the aforesaid plans and specifications as it may desire and as will not result in any material change in the appearance or basic design of the Improvements or in changing its character as a part of a "project" under the provisions of the Act, and cause such changes to be made in the Equipment, including additions thereto, deletions therefrom and substitutions therefor, as it may desire and as will not cause the Equipment, as altered by such changes, to be, in the reasonable judgment of the City, functionally inferior (insofar as the operation of the Facility and the Improvements are concerned) to the Equipment prior to such changes. Except as provided in the preceding sentence, neither the City nor the Authority will cause or permit any changes to be made to the aforesaid plans and specifications.

The Authority will not hereafter enter into any contract for such construction, acquisition and installation, or any part thereof, unless there is endorsed thereon a legend indicating that the City has approved both the form and substance of such contract or order and such legend is signed on behalf of the City by its Mayor. The City and the Authority will cooperate with each other in order that the construction of the Improvements and the acquisition and installation of the Equipment may be completed as promptly as practicable.

Section 4.2 Agreement to Issue Bonds. In order to provide funds for the financing of the costs of the Facility, the costs of acquiring and installing the Equipment therein and the other Improvements and Development Costs, the Authority will, simultaneously with the delivery hereof, issue and sell the Bonds in accordance with the provisions of the Indenture.

Section 4.3 No Warranty of Suitability by Authority. The City recognizes that since the plans and specifications for the Facility have been prepared to its order and that since the items of Equipment have been and are to be selected by it, the Authority can make no warranty, either express or implied, or offer any assurances that the Facility or the Equipment will be suitable for the City's purposes or needs or that the proceeds derived from the sale of the

Bonds will be sufficient to pay in full all the Development Costs. In the event said proceeds issued for such purpose are insufficient to pay all said costs, the City

(a) will, subject to the provisions of the second paragraph of Section 4.1 hereof, use its best efforts to cause such changes to be made in said plans and specifications as will result in the Development Costs not exceeding the moneys available for payment thereof derived from the sale of the Bonds, or

(b) will use its best efforts to cause the Authority to issue and sell Additional Bonds in such principal amounts as may be necessary to provide for the payment of all Development Costs, or

(c) will take such action pursuant to both of the courses of action described in the preceding clauses (a) and (b) as will enable (i) the construction, furnishing and equipping of the Facility to be completed to such extent that it may be used by the City for the general purposes for which it was designed and (ii) the Development Costs to be paid in full.

Nothing herein contained shall be construed to impose any obligation on the Authority to incur, or to take any actions which will result in incurring, any costs or expenses in connection with the construction, furnishing and equipping of the Facility other than such costs and expenses as will not exceed the moneys available for payment thereof derived from the sale of the Bonds.

The City shall not be or become obligated to pay any Development Costs, or to make any arrangements (other than the execution and delivery of this Lease Agreement in connection with the issuance of the Bonds) for the financing of any Development Costs, or to undertake the completion of any part of the construction, furnishing and equipping of the Facility because of any relationship it may have with the Authority, under this Lease Agreement or otherwise, in connection with the Facility, including, without limiting the generality of the foregoing, its inducement of the Authority to undertake the construction of the Facility and to lease the same to the City, its control of the preparation of the plans and specifications for the construction, furnishing and equipping of the Facility, or any changes which it may have, pursuant to the provisions of this Lease Agreement, caused to be made to said plans and specifications. Further, the City shall not, by reason of any changes that it may have caused to be made in said plans and specifications or any other actions that it may have taken or failed to take in connection with the construction, furnishing or equipping of the Facility, be or become obligated to renew this Lease Agreement for any Renewal Term or to pay any rental for the use and occupancy of the Facility in addition to that specifically provided for herein.

ARTICLE V

EFFECTIVENESS OF LEASE AGREEMENT, RENEWAL TERMS, AGREEMENT TO ISSUE BONDS AND LEASE RENTAL

Section 5.1 Initial Term. The Authority and the City hereby acknowledge that the initial term of this Lease Agreement shall begin on the date of delivery of this Lease Agreement and shall end on September 30, 2022.

Section 5.2 Options to Renew. After the expiration of the Initial Term, the City shall have the option to renew this Lease for a term of twelve months beginning on October 1, 2022, and continuing until and including September 30, 2023, and shall have the further option from year to year thereafter to renew this Lease for successive terms of twelve months each, each such term to coincide with the fiscal year of the City beginning on October 1 and continuing until and including the then next succeeding September 30; provided however, that if this Lease shall not be renewed for any of the terms provided for herein, this Lease shall thereupon terminate and no renewal may thereafter be made for any subsequent term. Such option to renew this Lease for any such fiscal year shall be deemed to have been exercised and shall therefore be automatically exercised in either of the following events: (a) if the City continues in occupancy of the Facility on the first day of such fiscal year; (b) if, on or prior to the first day of such fiscal year, the governing body of the City shall adopt a resolution electing to exercise such option for such fiscal year; or (c) if the City, pursuant to the provision of this Section 5.2 hereof, pays all or any part of the Basic Rent referable to that Renewal Term prior to the commencement thereof.

Section 5.3 Agreement to Issue Bonds. In order to provide for the payment of the costs of constructing the Facility and acquiring and installing the Equipment, the Authority will, simultaneously with the delivery of this Lease Agreement, issue and sell the Bonds and will execute and deliver the Indenture. All the terms and conditions of the Indenture (including in the case of the Indenture, those provisions thereof, but without limitation thereto, relating to the amounts and maturity dates of the principal of the Bonds, the interest rate or rates thereof and the provisions for the redemption thereof prior to their respective maturities) are hereby approved by the City, and to the extent that any provisions of the Indenture are relevant to the calculation of any rental or other sum payable by the City hereunder or to the determination of any other obligation of the City hereunder, the City hereby agrees that such provisions shall be deemed a part of the Lease as fully and completely as if set out herein.

Section 5.4 Rental Provisions. The City will pay as rent for use and occupancy of the Facility, not later than fifteen (15) days prior to August 1, 2022, as rent during the initial Term of this Lease, the amount shown to be due on the Bonds on August 1, 2022 as set forth on Exhibit B hereto. For each Renewal Term, if any, after the Initial Term, the City will pay, as rent for use and occupancy of the Facility, not later than fifteen (15) days prior to each August 1 and February 1 during such Renewal Term, an amount equal to the amount due on such dates during such Renewal Term as shown on Exhibit B hereto.

There shall be credited on the rental for any period the amount on deposit in the Bond Fund not previously credited on any rental payment from amounts referable to accrued interest or

interest earnings derived from the investment of amounts on deposit in the Bond Fund. In the event that amounts on deposit in the Bond Fund on any Interest Payment Date are insufficient to pay the principal of and interest on the Bonds on such Interest Payment Date, the City will deposit into the Bond Fund the amount of such insufficiency but solely out of the revenues of the City received during the fiscal year of the City during which such deposit is required to be made.

(c) As additional rental during the Initial Term and during each Renewal Term thereafter in which this Lease shall be renewed as provided in Section 5.2 hereof, the City will pay:

(1) all premiums for the insurance provided for in Section 6.4 hereof, such premiums to be paid directly to the insurer or insurers;

(2) all expenses necessary to maintain the Facility and each part thereof and to keep the same in good repair, all such expenses to be paid from time to time as payment of such expenses becomes due directly to the persons furnishing services or material, or both, for such maintenance, repair and upkeep;

(3) all taxes and public improvement assessments against the Project that may become due and payable, any such taxes and assessments to be paid when due directly to the official to whom the said taxes or assessments, as the case may be, are required to be paid;

(4) the administrative expenses of the Authority for the Initial Term or the then current Renewal Term, as the case may be, all such administrative expenses to be paid directly to or on the order of the Authority as payment for such expenses becomes due;

(5) any fees, charges and expenses due from the Authority under the Indenture to the Trustee, such as fees, charges and/or expenses to be paid by the City directly to the Trustee as payment therefor becomes due;

(6) any rebate or other payments required to be made to the United States of America in order that the Bonds be and remain exempt from Federal income taxation; and

(7) all other charges which, if not paid, would form the basis for a charge or lien on the revenues of the Facility, the said charges to be paid directly to the person or persons to whom such charges are due;

provided, that the City shall be entitled to certain credits on the rental herein required to the extent provided in Section 10.1 of the Indenture.

The obligation of the City to pay the rental provided for herein for any fiscal year of the City during which this Lease shall be in effect and to make all other payments provided for herein and to perform and observe the other agreements and covenants on its part herein contained shall be absolute and unconditional, irrespective of any rights of set-off, recoupment or counterclaim it might otherwise have against the Authority. The obligation of the City to pay rent for any term for which the Lease maybe renewed pursuant to the provisions hereof shall not be

contingent upon the Facility, as expanded, being placed in service.

Nothing herein contained shall be construed as imposing on the Authority or on the Trustee any duty or responsibility of giving any notice to the City of the amount on deposit in the Bond Fund, or of the amount of any other credits against rental available to the City, as of any rental payment date, but the Authority will cause the Trustee to respond to any reasonable request that the City may make for such information. Neither the Authority nor the Trustee shall be obligated to give any prior notice to the City of the due date or amount of any installment of rental hereunder (or the date on which any such installment becomes delinquent), and failure to receive any such prior notice, even if customarily given by the Authority or the Trustee, shall not relieve the City of its obligation to pay such installment of rental when it is due and payable.

So long as any of the Bonds are outstanding, all rental payments due hereunder by the City shall be made directly to the Trustee, for the account of the Authority (except as otherwise specifically provided above in part (c) of this section with respect to certain items of additional rent). The Authority will, promptly following the designation of any successor Trustee under the Indenture, give written notice to the City of the name and location of the principal corporate trust office of such successor Trustee, or it will cause such notice to be promptly given. In the event the due date of any installment of rental payable hereunder is a Sunday or legal holiday in Alabama, such installment shall be due on the next succeeding business day.

Section 5.5 Limited Obligation; Limited to Current Revenues; City Budget. The obligation on the part of the City to pay the rental required to be paid, and to perform the agreements on the part of the City herein required to be performed during any fiscal year of the City during which this Lease is in effect, shall constitute a limited obligation of the City, payable solely out of the revenues and receipts received by the City during the fiscal year of the City during which any such amount is payable. The City intends to cause this Lease to be included within the City budget each fiscal year of the City during which this Lease is in effect.

Anything herein to the contrary notwithstanding, for each fiscal year for which this Lease is in effect, the payments and obligations of the City for such fiscal year shall be payable solely from and performed solely out of the current revenues of the City for such fiscal year. Nothing herein contained, including, particularly, without limiting the generality of the foregoing, any reference to the Bonds or the Indenture, shall be construed as imposing upon the City and obligation to pay or otherwise provide for the retirement of any of the Bonds or to renew the Lease for one or more annual renewal terms. The City shall have no liability under this Lease except those specifically provided for herein within respect to the initial term and any renewal term for which the City shall have exercised its option to renew the lease arrangement herein made.

Section 5.6 This Lease Not a Debt. The State of Alabama shall not in any manner be liable for any obligations or agreements contained in this Lease. The rental payable and the covenants to be performed by the City under the provisions hereof shall never create a debt of the City within the meaning of Section 225 of the Constitution of the State of Alabama.

Section 5.7 Notice to Trustee of Certain Actions. The City agrees to notify the Trustee in the event that any action is taken or authorized to be taken by or on behalf of the City to cease to occupy the Project in accordance with the provisions of this Lease Agreement, such notice to be given within three (3) days following the date on which any such action is taken or authorized to be taken by or on behalf of the City.

Section 5.8 Budgeting of Rental Payments. The City agrees to include in its annual budget funds sufficient to make the rental payments herein required to be made for each fiscal year of the City during which this Lease Agreement is or is intended to be in effect.

ARTICLE VI

MAINTENANCE, TAXES AND INSURANCE

Section 6.1 Maintenance, Additions, Alterations and Improvements.

During the Initial Term and any Renewal Term for which this Lease Agreement shall be in effect, the City will, at its own expense, (a) keep the Project in as reasonably safe condition as is reasonable for a public building of such size and character, and (b) subject to the provisions of Section 6.2 hereof, keep the Facility, the Equipment and the other improvements located on the Site in reasonable repair and operating condition (reasonable wear and tear excepted), making from time to time all necessary and proper renewals thereto (including, without limitation, exterior and structural repairs, renewals and replacements); provided however, that all such renewals, replacement and repairs shall be payable solely out of the current revenues of the City for the fiscal year of the City (or part thereof) corresponding to the Initial Term or any Renewal Term during which the City's obligation to pay such costs and expenses may have accrued; provided, further, that nothing contained in this sentence shall be construed to require the City to make any renewals, repairs or replacements that are elsewhere in this Lease Agreement expressly required to be made by the Authority. The City may, also at its own expense, make any additions, alterations or improvements to the Facility that it may deem desirable for its purposes, that do not adversely affect the structural integrity of any building or other structure forming a part of the Facility, and that will not impair the operating unity of the Facility, substantially reduce its value or change its character as a "project" under the Act; provided that all such additions, alterations or improvements shall

(1) be located wholly within the boundary lines of the Site, or

(2) be located wholly within the boundary lines of other adjacent real property hereafter acquired by the Authority, leased to the City by the Authority and subjected to the demise of these presents and to the lien of the Indenture and with respect to which the Authority and the Trustee have been furnished with an opinion of Counsel or a policy of title insurance satisfactory to each of them to the effect that the Authority has good and marketable title thereto, subject only to the lien of the Indenture and Permitted Encumbrances, or

(3) be located wholly within the boundary lines of the Site and such other adjacent real property.

Any such adjacent real property so subjected to the demise hereof and to the lien of the Indenture shall henceforth be considered, for purposes of this Lease Agreement, as part of the Site. All such additions, alterations and improvements so made by the City shall become a part of the Facility. The City will not, during the Initial Term or any Renewal Term for which the Lease herein made shall be in effect, permit any mechanics' or other liens to stand against the Facility for labor or materials furnished it in connection with any additions, alterations, improvements, repairs or renewals so made by it. During any such term, the City may, however, at its own expense and in good faith, contest any such mechanics' liens or other liens and in the event of any such contest may permit any such liens to remain unsatisfied and undischarged during the period of such contest and any appeal therefrom unless by such action the lien of the Indenture to any part of the Facility shall be endangered or any part of the Facility shall be subject to loss or

forfeiture, in either of which events such mechanics' or other liens shall be promptly satisfied.

Section 6.2 Removal of Equipment. The Authority and the City recognize that items of the Equipment may from time to time become inadequate, obsolete, worn-out, unsuitable, undesirable or unnecessary in the operation of the Project. In any instance where the City in its sole discretion determines that any item of Equipment has become inadequate, obsolete, worn-out, unsuitable, undesirable or unnecessary in the operation of the Project,

(a) The City may (if no event of default has occurred and is continuing, without the necessity of any consent or approval by the Authority or the Trustee) remove such item of Equipment from the Site and (on behalf of the Authority) sell, trade in, exchange or otherwise dispose of it without any responsibility or accountability to the Authority or the Trustee therefor, provided that the City substitutes and installs in the Project or on the Site (either by direct payment of the costs thereof or by advancing to the Authority the funds necessary therefor, as hereinafter provided) other equipment or personal property having equal or greater utility (but not necessarily the same value or function) in the operation of the Project for its intended purposes as hereinabove provided, which such substituted equipment or other personal property shall be free of all liens and encumbrances (other than the lien of the Indenture and Permitted Encumbrances), shall be the sole property of the Authority, shall be and become a part of the Equipment subject to the demise hereof and to the lien of the Indenture, and shall be held by the City on the same terms and conditions as the items originally comprising the Equipment; or

(b) The City may (if no event of default has occurred and is continuing, without the necessity of any consent or approval by the Authority or the Trustee) remove such item of Equipment from the Site and (on behalf of the Authority) sell, trade in, exchange or otherwise dispose of it, without any responsibility or accountability to the Authority or the Trustee therefor and without being required to substitute and install in the Project or on the Site other equipment or personal property in substitution therefor, provided that either (i) such item of Equipment has an individual book value (cost less accumulated depreciation calculated in accordance with generally accepted accounting principles, as determined for financial reporting purposes) of \$10,000 or less as of the date of its removal from the Project, or (ii) all such removed items have an aggregate book value (determined as of the respective dates of their removal) not exceeding \$500,000.

Any of the preceding provisions of this Section 6.2 to the contrary notwithstanding, the City shall not exercise the right to remove items of Equipment in such manner as to impair to a significant and substantial degree the utility or habitability of the Project.

The preceding provisions of this Section 6.2 shall apply only so long as any of the Bonds or any Additional Bonds are outstanding under the Indenture. After payment of all bonds outstanding under the Indenture (including provision for such payment as described in the Indenture), the City may, if in its sole discretion any item of the Equipment has become inadequate, obsolete, worn-out, unsuitable, undesirable or unnecessary in the operation of the Project for its intended purposes, remove such item of Equipment from the Site and (on behalf of the Authority) sell, trade in, exchange or otherwise dispose of it, without any responsibility or

accountability to the Authority therefor and without being required to substitute and install in the Project or on the Site other equipment or personal property in substitution therefor and may retain any money or other consideration received by it upon any disposition of any such item of Equipment.

In any case where the City is herein required to purchase, install and substitute in the Project or on the Site any item of equipment, it may, in lieu of purchasing and installing said equipment or other personal property itself, advance to the Authority the funds necessary therefor, whereupon the Authority will purchase and install such equipment in the Project or on the Site.

Nothing contained herein shall prohibit the City, at any time during which it is not in default hereunder, from removing from the Site any equipment that is owned by it or leased by it from third parties and that does not constitute part of the Equipment, provided (1) that such equipment may be removed without adversely affecting the structural integrity of any building or other structure forming a part of the Project or causing any material damage to any such building or structure or to the Site, or (2) that if such removal will result in adversely affecting the structural integrity of any such building or other structure or in causing any material damage to any such building or structure or to the Site, the City promptly after such removal takes such action as is necessary to restore the structural integrity of such building or structure or to repair such damage, as the case may be.

Section 6.3 Taxes, Other Governmental Charges and Utility Charges. The City will pay, as the same respectively become due, (i) all taxes and governmental charges of any kind whatsoever that may lawfully be assessed or levied against or with respect to the Project that may become due and payable during the Initial Term or any Renewal Term for which the Lease herein made shall be in effect (including, without limiting the generality of the foregoing, any taxes levied upon or with respect to the Project which, if not paid, would become a lien on the Project prior to or on a parity with the lien of the Indenture or a charge on the revenues and receipts therefrom prior to or on a parity with the charge thereon and pledge and assignment thereof to be created and made in the Indenture), (ii) all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Facility, and (iii) all assessments and charges lawfully made by any governmental body for public improvements that may be secured by a lien on the Project; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the City shall be obligated to pay only such installments as are required to be paid during the Initial Term or during any Renewal Term for which the Lease herein made shall be in effect.

The City may, at its own expense and in its own name and behalf or in the name and behalf of the City, in good faith contest any such taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless by such action the title of the Authority to any part of the Project shall be materially endangered or the Project or any part thereof shall become subject to loss or forfeiture, in which event such taxes, assessments or charges shall be paid prior to their becoming delinquent. The Authority will cooperate fully with the City in any such contest.

Section 6.4 Insurance. The City will, at all times while this Lease Agreement is in effect, maintain in effect, or cause to be maintained in effect, insurance against loss or damage to the Facility, with uniform standard extended coverage endorsement limited only as may be provided in the broad form of extended coverage endorsement at the time in use in Alabama,

(a) insurance against loss or damage to the Facility, with uniform standard extended coverage endorsement limited only as provided in the broad form of extended coverage endorsement at the time in use in the State of Alabama, (i) to such extent as is necessary to provide for full payment of the costs of repairing or replacing the property damaged or destroyed, or (ii) to the extent of the full replacement value of the Facility, whichever of the foregoing (i) or (ii) is the greatest and is available; and

(b) comprehensive public liability insurance for injury or death to third parties or damage to their property as a result of occurrences on or about the Project in an amount not less than \$1,000,000.00.

The City may be self-insured with respect to public liability insurance of the type described in the preceding clause (b) if it creates and continues to maintain (or causes to be created and continuously maintained) separate reserves therefor in amounts which, in the sole discretion of the City, are reasonable.

All policies evidencing the insurance required by the terms of the preceding paragraph shall be taken out and maintained in generally recognized responsible insurance companies, qualified under the laws of the State of Alabama to assume the respective risks undertaken, and may be written with deductible amounts comparable to those on similar policies carried by persons engaged in businesses of the size and type of the City. All such insurance policies, other than those evidencing the insurance required by clause (b) of the preceding paragraph and such other policies or portions thereof as may evidence insurance against liability for injury to persons or property of others, shall name as insureds the Authority, the Trustee and the City (as their respective interests shall appear) and shall contain standard mortgage clauses providing for all losses thereunder to be paid to the Trustee; provided that all losses may, at any time during which this Lease Agreement is in effect, be adjusted by the City, subject to the written approval of the Trustee. Anything herein to the contrary notwithstanding, any insurance required by the provisions hereof may be evidenced by a blanket policy covering risks in addition to those hereby required to be covered, but only if appropriate allocation certificates and loss payable endorsements are furnished to the Authority and the Trustee.

All policies evidencing the insurance required by the terms of the first paragraph of this Section 6.4 shall contain an agreement on the part of the insurer issuing such policy that the same shall not be cancelled by such insurer unless thirty (30) days' prior written notice of such cancellation shall have been given to the Authority and the Trustee.

All policies evidencing the insurance required to be carried by the preceding provisions of this section (with premiums therefor until and including the then next succeeding

September 30 paid in advance) shall be deposited with the Trustee (i) on the effective date of this Lease Agreement or, in the event that there is then in effect so-called "builder's risk insurance" of the type referred to in the next succeeding paragraph, the earliest date thereafter on which the City is required by the provisions of this section to maintain (or cause to be maintained) the insurance required by the preceding provisions of this section, and (ii) on the first day of each Renewal Term thereafter during which this Lease Agreement is in effect, except that, in lieu of any of such policies, the City may deposit or cause to be deposited with the Trustee a certificate or certificates of the respective insurers attesting the fact that such insurance is in force and effect, with all premiums paid as aforesaid. Prior to the expiration or cancellation of any such policy, the City will furnish or cause to be furnished to the Trustee evidence reasonably satisfactory to the Trustee that such policy has been renewed or replaced by another policy or that there is no necessity therefor under this Lease Agreement.

Any of the provisions of this Lease Agreement to the contrary notwithstanding,

(1) the City shall not, until the Completion Date, be required to maintain (or cause to be maintained) any of the insurance that would otherwise be required hereby so long as there shall be in effect so-called "builder's risk insurance" substantially equivalent to the insurance that would otherwise be required to be maintained by the City hereunder, it being understood and agreed, however, that if at any time prior to the Completion Date no such "builder's risk insurance" is in effect, the City shall be required to maintain (or cause to be maintained) insurance of the type and character referred to in the preceding provisions of this Section 6.4; and

(2) any proceeds derived from any such "builder's risk insurance" shall be applied as provided in the related construction contract.

Section 6.5 Advances by Authority or Trustee. In the event the City fails during the Initial Term or any Renewal Term for which this Lease Agreement shall be in effect, to take out or maintain the full insurance coverage required by this Lease Agreement or fails to keep the Facility in a safe condition as is reasonable for a facility of such size and character or the Facility, the Equipment and the other improvements located on the Site in reasonable repair and operating condition, the Authority or the Trustee, after first notifying the City of any such failure on its part and after the subsequent failure by the City to take out or maintain such insurance or to take action reasonably calculated to keep the Facility in a safe condition as is reasonable for a facility of the size and character of the Facility or the Facility, the Equipment and the other improvements located on the Site in reasonable repair and operating condition, may (but shall not be obligated to) take out the required policies of insurance and pay the premiums on the same or make such repairs, renewals and replacements as may be necessary to maintain the Facility in as reasonably safe condition as the City's operations permit and the Facility, the Equipment and the other improvements located on the Site in reasonable repair and operating condition, respectively; and all amounts so advanced therefor by the Authority or the Trustee shall become an additional obligation of the City to the Authority or to the Trustee, as the case may be, which amounts, together with interest thereon at the rate of ten per cent (10%) per annum from the date thereof, the City will pay; provided, that any such additional obligation of the City shall be payable solely out of the current revenues of the City for the fiscal year of the City during which such obligation shall be incurred. Any remedy herein vested in the Authority or the Trustee for the collection of rental payments shall also be available to the Authority and the Trustee for the collection of all such amounts so advanced.

ARTICLE VII

PROVISIONS RESPECTING DAMAGE, DESTRUCTION AND CONDEMNATION

Section 7.1 Damage and Destruction Provisions. If the Facility or any of the Equipment is destroyed, in whole or in part, or is damaged, by fire or other casualty, the City will promptly so notify the Trustee in writing. If, in such event, the City is not entitled to exercise its right to require the Authority to redeem and retire all the then outstanding Bonds granted in Section 11.1 hereof or if, in such event, being entitled to, it does not exercise such option, the Net Insurance Proceeds shall be paid to and held by the Trustee (or, if the Bonds have been fully paid, the Authority), whereupon

(i) the Authority will proceed, as promptly as practicable under the circumstances and under such terms, conditions and contracts as shall be approved by the City, to repair, rebuild or restore the property damaged or destroyed to substantially the same condition as prior to the event causing such damage or destruction, with such changes, alterations and modifications as shall be specified by the City and as will not change the character of the Facility as a "project" under the Act; provided, that the City shall not cause any such changes, alterations or modifications to be made which would cause the costs of repairing, replacing, rebuilding or restoring the property damaged or destroyed to exceed the Net Insurance Proceeds referable thereto, unless the City pays, or provides funds to the Authority for payment of, the amount by which such costs exceed such insurance proceeds, and

(ii) the Trustee will apply the Net Insurance Proceeds to payment of the costs of such repair, rebuilding or restoration.

Any balance of the Net Insurance Proceeds remaining after payment of all the costs of such repair, rebuilding or restoration shall be paid into the Bond Fund and applied to the redemption of Bonds on the earliest date on which they are by their terms subject to redemption.

The Authority's obligation to pay costs of repairing, restoring or rebuilding any property damaged or destroyed shall be limited solely to the Net Insurance Proceeds referable thereto, plus any funds that may be contributed for such purpose. If, after being furnished with the necessary funds (whether from insurance proceeds or from other sources), the Authority fails or refuses after reasonable request so to take any action required to repair, rebuild or restore the property damaged or destroyed, the City may, for and in the name and behalf of the Authority, take such action as is required to accomplish such repair, rebuilding or restoration, in which case it shall be entitled to reimbursement for the costs thereof from the funds referred to above, to the extent such funds are sufficient therefor. In no event shall the Authority undertake the work of any repair, rebuilding or restoration unless and until (i) it has been notified in writing by the City that the City irrevocably relinquishes any right it may have, on account of such damage or destruction, to exercise the option granted in Section 11.1 hereof to require the Authority to redeem and retire all then outstanding Bonds, or (ii) the time within which the City must exercise such option has expired without the City having exercised such option. If, however, as a result of such damage or destruction, the City is entitled to exercise such option and duly does so in accordance with the applicable provisions of said Section 11.1, the Authority shall not be required to repair, rebuild or restore the property damaged or destroyed, in which event so much

(which may be all) of any Net Insurance Proceeds referable to such damage or destruction as shall be necessary to provide for full retirement of the Bonds (as specified in Section 11.1 hereof) shall be paid or credited by the Trustee into the Bond Fund and the excess thereafter remaining (if any) shall be paid to the City after retirement of all outstanding Bonds.

Section 7.2 Condemnation Provisions. If the Facility or any part thereof is taken under the exercise of the power of eminent domain by any governmental authority or person, firm or corporation acting under governmental authority, the entire condemnation award referable to the Facility shall be paid to the Trustee and applied as hereinafter provided:

(a) Taking of All or Substantially All the Facility. If title to all or substantially all the Facility is taken by such eminent domain proceeding, this Lease Agreement shall terminate as of the date the condemning authority enters into possession of the Facility. If the Net Condemnation Award plus all amounts in the Bond Fund and the Construction Fund (if any) are sufficient to pay and retire all the then outstanding Bonds, the Trustee shall take such action as may be necessary under the provisions of Article VI of the Indenture to call for redemption all the outstanding Bonds on the forty-fifth (45th) day after the condemning authority enters into possession of the Facility or after the receipt by the Trustee of the entire final condemnation award, whichever is later, and the Trustee shall segregate and set aside in the Bond Fund (out of moneys therein, in the Construction Fund and the Net Condemnation Award) all moneys that may be available to provide for retirement of the Bonds. Any balance of the said moneys remaining after full payment of all the outstanding Bonds shall be paid to the City. If, however, the total of such amounts is not sufficient to pay and retire all the then outstanding Bonds, the Trustee will apply such amounts in accordance with Section 14.3 of the Indenture.

The City shall not, on account of being deprived of the use and occupancy of the Facility as the result of the taking by eminent domain of all or substantially all thereof, be entitled to any rebate or abatement of any Basic Rent applicable to the Initial Term or any Renewal Term that it may have, prior to such taking, paid to the Trustee for the account of the Authority. If, however, the sum of the Net Condemnation Award and the amounts in the Bond Fund and the Construction Fund (if any) exceeds the sum needed to retire all the then outstanding Bonds (including, without limitation thereto, principal, premium (if any), interest to maturity or earliest practicable redemption date (as the case may be), expenses of redemption and Trustee's fees, charges and disbursements) in accordance with the applicable provisions of the Indenture, then such excess shall be paid to the City after all the then outstanding Bonds have been retired.

(b) Taking of Less Than All or Less Than Substantially All the Facility. If title to less than all or less than substantially all the Facility is taken by such eminent domain proceeding, this Lease Agreement (including, without limitation, the options of the City to renew the Lease herein made for successive Renewal Terms and the obligation of the City to pay the Basic Rent applicable to the Initial Term and all Renewal Terms for which said Lease shall be in effect) shall continue in full force and effect but with the following consequences;

(1) If no part of the Facility is taken or damaged and if in the City's opinion the use of the Facility is not impaired by such taking, the Net Condemnation Award referable

thereto shall be paid into the Bond Fund and applied to the redemption of Bonds on the earliest date on which they are by their terms subject to redemption.

(2) If any part of the Facility is taken or damaged or if in the City's opinion the use of the Facility is impaired by such taking, the Authority will proceed, as promptly as practicable under the circumstances and upon such terms as shall be approved in writing by the City, to repair, rebuild or restore the portion or portions of the Facility taken or damaged or to rearrange the Facility and any other facilities then forming a part of the Facility so as to make them suitable for the use of the City (provided that the City shall not prescribe terms and conditions for such repair, replacement, rebuilding, restoration or rearrangement which would cause the costs thereof to exceed the Net Condemnation Award referable to such taking unless the City pays, or provides for the payment of, the amount by which such costs exceed such condemnation award) and the Trustee will apply the Net Condemnation Award referable to such taking to payment of the costs of such repair, rebuilding, restoration or rearrangement. If the Net Condemnation Award is in excess of the costs of such repair, rebuilding, restoration or rearrangement, the excess shall be paid into the Bond Fund and applied to the redemption of Bonds on the earliest date on which they are by their terms subject to redemption. The Authority's obligation to pay the costs of such repair, replacement, rebuilding, restoration or rearrangement shall be limited solely to the Net Condemnation Award, plus any funds that may have been contributed to it for such purpose. If, after being furnished with the necessary funds (whether from condemnation proceeds or from other sources), the Authority fails or refuses after reasonable request so to repair, rebuild or restore the Facility or to rearrange the facilities forming a part of the Facility so as to make them suitable for the use by the City, the City may, for and in the name and behalf of the Authority, perform the work of such repair, rebuilding, restoration or rearrangement, in which case it shall be entitled to reimbursement for the costs thereof from the funds referred to above, to the extent that such funds are sufficient therefor. The preceding provisions of this subparagraph (2) to the contrary notwithstanding, in no event shall the Authority undertake the work of any repair, rebuilding, restoration or rearrangement thereunder unless and until (A) it has been notified in writing by the City that the City irrevocably relinquishes any right it may have, on account of such condemnation, to exercise the option to require the Authority to redeem and retire all the then outstanding Bonds granted in Section 11.1 hereof, or (B) the time within which the City must exercise such option has expired without the City having exercised such option. If, however, as result of such taking, the City is entitled to exercise such option and duly does so in accordance with the applicable provisions of said Section 11.1, then the Authority shall not be required to repair, rebuild or restore the Facility or to rearrange the portion or portions of the Facility so damaged or taken nor shall any of the other said provisions of this subparagraph (2) apply in such case, and so much (which may be all) of the Net Condemnation Award referable to such taking as may be necessary to provide for full payment and retirement of the Bonds (as specified in Section 11.1 hereof) shall be paid or credited by the Trustee into the Bond Fund and the excess thereafter remaining (if any) shall be paid to the City after all the outstanding Bonds have been retired.

The Authority will cooperate fully with the City in the handling and conduct of any prospective or pending condemnation proceeding with respect to the Facility or any part thereof and will follow all reasonable directions given to it by the City in connection with such proceeding. In no event will the Authority settle, or consent to the settlement of, any prospective

or pending condemnation proceeding with respect to the Facility or any part thereof without the prior written consent of the City.

Section 7.3 City Obligations Upon Event of Damage or Condemnation. In the event of damage to or destruction of the Facility or any part thereof or the taking of less than all or less than substantially all the Facility through eminent domain proceedings, the City shall not be or become obligated to pay, or to make any arrangements for the payment of, any of the costs of repairing, replacing, rebuilding or restoring the property damaged, destroyed, or taken or any of the costs of rearranging the Facility or any other facilities then forming a part of the Facility, nor shall it be or become obligated to renew the Lease herein made for any Renewal Terms commencing after the occurrence of such damage, destruction or taking, and the exercise by the City of any of its rights hereunder (including, without limiting the generality of the foregoing, its exercise of the right herein granted to have such repair, replacement, rebuilding, restoration or rearrangement carried out in accordance with its requirements) shall not be deemed to impose any obligations, either direct or consequential, on the City in connection with any such repair, replacement, rebuilding, restoration or rearrangement that may be undertaken by the Authority. If such damage, destruction or taking occurs during the Initial Term or any Renewal Term for which the Lease herein made shall be in effect, then in such event the City shall remain obligated to pay the entire Basic Rent applicable to such term, even though it may be deprived of the use and occupancy of the whole or any part of the Facility during the remainder of such term. If prior to the occurrence of such damage, destruction or taking, the City shall have renewed the Lease herein made for a Renewal Term that commences after such occurrence, the City shall not be entitled to any rebate of any portion of the Basic Rent applicable to such term that it may have theretofore paid and it shall remain obligated to pay the entire Basic Rent applicable to such term, even though it may be deprived of the use and occupancy of the whole or any part of the Facility during the whole or any part of such term. If, after the occurrence of such damage, destruction or taking, the City exercises its option to renew the Lease herein made for any Renewal Term, it shall not be entitled to any reduction in the Basic Rent for such Renewal Term because during all or part thereof it may have been deprived of the use and occupancy of the Facility, in whole or in part, as a result of the Facility or any other facilities then forming a part of the Facility not having been restored to a usable condition.

Section 7.4 Condemnation of Right to Use of Facility for Limited Period. If the use, for a limited period, of all or part of the Facility is taken by any such eminent domain proceeding, this Lease Agreement (including, without limitation, the options of the City to renew the Lease herein made for successive Renewal Terms and the obligation of the City to pay the Basic Rent applicable to the Initial Term and all Renewal Terms for which said Lease shall be in effect) shall, unless as a result thereof the City is entitled to exercise the option to require the Authority to redeem all then outstanding Bonds granted in Section 11.1 hereof and duly does so in accordance with the provisions of said Section 11.1, continue in full force and effect, but with the consequences specified in the remaining provisions of this Section 7.4.

If such taking occurs during the Initial Term or any Renewal Term for which the Lease herein made shall be in effect, the City shall remain obligated to pay the entire Basic Rent applicable to such term, even though it may be deprived of the use and occupancy of the Facility for all or any part of the remainder of such term. If, prior to such taking, the City shall have

renewed the Lease herein made for a Renewal Term that commences after such taking, the City shall not be entitled to any rebate of any portion of the Basic Rent applicable to such term that it may have therefore paid and it shall remain obligated to pay the entire Basic Rent applicable to such term, even though it may be deprived of the use and occupancy of the whole or any part of the Facility during the whole or any part of such term. If, after such taking, the City shall exercise its option to renew the Lease herein made for any Renewal Term, it shall not be entitled to any reduction in the Basic Rent applicable to such Renewal Term for any portion of such term (which may be all) during which it may be deprived of the use and occupancy of the Facility, in whole or in part, because of the continuation of such taking. The City and the Authority will deposit in the Bond Fund, or will cause to be deposited therein, the total of all condemnation awards that may, from time to time, be made to either or both of them as compensation for the taking of the use by or interest in the Facility of either of them, whether by way of damages, rent or otherwise, and all condemnation awards referable to such taking that are deposited in the Bond Fund (whether initially received by the City, the Authority or the Trustee) shall be available as a credit on the Basic Rent payable by the City for any Renewal Term beginning after the deposit of such awards in the Bond Fund. If such taking ends during the Initial Term or any Renewal Term for which the Lease herein made shall be in effect, the City shall restore the Facility as nearly as practicable to the condition existing immediately prior to such taking, with such changes, alterations and modifications as will not change the character of the Facility as a "project" under the provisions of the Act; provided, however, that all costs and expenses that the City may be obligated to pay with respect to such restoration shall be payable solely out of the current revenues of the City for the fiscal year of the City during which such taking ends.

Section 7.5 Condemnation of City-Owned Property. In the event the Facility or any part thereof is taken through eminent domain proceedings, the City shall be entitled to any condemnation award or portion thereof made for damages to or takings of its own property, as well as all other sums awarded as compensation for the interest of the City in the part of the Facility taken and as damages to the interest of the City in any part thereof not taken (excluding, however, compensation and damages referable to the City's use of or interest in the Facility in the event of a taking of the Facility or any part thereof for a limited period), but there shall be deducted therefrom, or paid directly by the City, all attorneys' fees and other expenses incurred in connection with the receipt of such award or sum or portion thereof.

ARTICLE VIII

PARTICULAR COVENANTS OF THE CITY

Section 8.1 General Covenants. The City will not do or permit anything to be done on or about the Project that will affect, impair or contravene any policies of insurance that may be carried on the Project or any part thereof against loss or damage by fire, casualty or otherwise. The City will, in the use of the Facility and the Equipment and the public ways abutting the Site, comply with all applicable lawful requirements of all governmental bodies.

Section 8.2 Release and Indemnification Covenants. To the extent permitted by Alabama law, the City releases the Authority from, covenants that the Authority shall not be liable for, and agrees to hold the Authority harmless against, any loss or damage to property or any injury to or death of any person that may be occasioned on account of any defect in the

Facility, including any expenses incurred by the Authority in connection with the defense of any claim against it arising out of any such loss, damage, injury or death; provided, however, that the City shall have no liability pursuant to this Section 8.2 unless such liability shall be fixed, both as to the obligation of the City to pay such liability and as to the amount thereof, during the Initial Term on any Renewal Term for which this Lease Agreement shall be in effect; provided further that any liability of the City pursuant to this Section 8.2 shall be payable solely out of the current revenues of the City for the fiscal year of the City during which such liability becomes so fixed; provided further that nothing herein contained shall be construed to indemnify the Authority against, or to release the Authority from liability for, any loss or damage that may result from wanton misconduct on the part of the Authority or from its own intentional wrongful acts. The City will provide for and insure, pursuant to the public liability provisions of Section 6.4 hereof, not only its own liability in respect of the matters there mentioned but also the liability assumed pursuant to this Section 8.2. The Authority will not, without the prior written consent of the City, settle or consent to the settlement of any prospective or pending litigation for which the City is or may be obligated, under the provisions of this Section 8.2, to indemnify the Authority, and the City shall have full and complete control of any such litigation, including (without limitation) the right to select counsel for the Authority.

Section 8.3 Inspection of Facility. The City will permit the Authority, the Trustee and their duly authorized agents at all reasonable times to enter upon, examine and inspect the Facility. So long as any of the Bonds are outstanding and unpaid, the City will also permit the Trustee and its duly authorized agents to take such action as may be necessary and convenient to cause the Facility to be kept in as reasonably safe condition as is reasonable for a public building of the size and character of the Facility and the Equipment and the other improvements on the Site to be kept in reasonable repair and operating condition, all as and to the extent provided in Sections 6.1 and 6.5 hereof.

Section 8.4 Further Assurances. The City will, at its own cost and expense, take all actions that may at the time and from time to time be necessary to perfect, preserve, protect and secure the interests of the Authority and the Trustee, or either, in and to the Facility, including, without limitation, the filing of all financing and continuation statements. The City further agrees, without in any way limiting the generality of the foregoing, to take any and all such actions that in the judgment of the Authority or the Trustee are necessary for the perfection, preservation, protection and securing of such interests.

Section 8.5 Concerning Issuance of Additional Bonds. The City and the Authority recognize that under the provisions of the Indenture, the Authority is authorized to issue one or more series of Additional Bonds on a parity with the Bonds, for certain purposes, provided that the conditions precedent specified in the Indenture are complied with. If the City is not in default hereunder, the Authority will, on the written request of the City and upon being furnished by the City with the documentation required therefor in subsections (c) and (d) of Section 8.2 of the Indenture, take such actions as are necessary to authorize the issuance and sale of such amount of Additional Bonds as is specified in such request and will use its best efforts to effect the sale thereof; provided that the interest rate or rates to be borne by such Additional Bonds and the purchase price to be paid therefor are approved in writing by the City.

Section 8.6 Limitation on New Facilities When Lease Note Renewed. The City hereby agrees that, during any period in which the Series 2022 Bonds are outstanding and the City has not renewed the term of this Lease, the City will not construct any new facilities, or lease any new space, in any building, structure or other facility in or about the City, for the same purpose for which the Facility was leased except pursuant to a supplemental Lease Agreement entered into between the City and the Authority pursuant to the provisions of the Indenture; provided, nothing herein shall prohibit or limit the ability of the City to conduct city hall and city management and operations functions in other facilities that the City owns or leases. For the avoidance of doubt, the City hereby declares and reserves its right to continue the conduct of city hall and city management operations and functions (including, without limitation, headquarter facilities for the operations of Huntsville Utilities and other facilities for the conduct of business and operations of the City) in facilities currently owned, leased or operated by the City at any time without regard to this Lease, the Indenture or the Series 2022 Bonds.

ARTICLE IX

CERTAIN PROVISIONS RELATING TO ASSIGNMENT AND MORTGAGING AND TO THE BONDS

Section 9.1 Mortgaging of Facility by Authority. It is understood and agreed that the Authority will mortgage, on a non-foreclosable basis, the Facility to the Trustee as security for the payment of the Bonds, subject to this Lease Agreement (which Lease Agreement and the estate of the City hereunder shall be prior and superior to the lien of the Indenture), and will assign its interest in and pledge any moneys receivable under this Lease Agreement to the Trustee as security for payment of the principal of and the interest and premium (if any) on the Bonds. The City hereby agrees to such mortgage and assignment and understands that such mortgage and assignment shall not be foreclosable. It is further understood and agreed that the Authority will in the Indenture obligate itself to follow the instructions of the Trustee or the holders of the Bonds or a certain percentage thereof in the election or pursuit of any remedies herein vested in it. Upon the assignment and pledge to the Trustee of the Authority's interest in this Lease Agreement, the Trustee shall have all rights and remedies herein accorded the Authority and any reference herein to the Authority shall be deemed, with the necessary changes in detail, to include the Trustee, and the Trustee and the holders of the Bonds shall be deemed to be third party beneficiaries of the covenants and agreements on the part of the City herein contained. Subsequent to the issuance of the Bonds and prior to their payment in full, the Authority and the City shall have no power to modify, alter, amend or (except as specifically authorized herein) terminate this Lease Agreement without the prior written consent of the Trustee and then only as provided in the Indenture. The Authority will not, so long as the City is not in default hereunder, amend the Indenture or any indenture supplemental thereto without the prior written consent of the City.

Without the prior written consent of the City, the Authority will not, at any time while the City is not in default hereunder, hereafter issue any bonds or other securities (including refunding securities), other than the Bonds and any Additional Bonds, that are payable out of or secured by a pledge of the revenues and receipts derived by the Authority from the leasing or sale of the Facility, nor, without such consent, will the Authority, at any time while the City is not in default hereunder, hereafter place any mortgage or other encumbrance (other than the

Indenture and supplemental indentures contemplated thereby) on the Facility or any part thereof. Neither the Authority nor the City will unreasonably withhold any consent herein or in the Indenture required of either of them.

Section 9.2 References to Bonds Ineffective After Bonds Paid. Upon full payment of the Bonds, all references in this Lease Agreement to the Bonds and the Trustee shall be ineffective and neither the Trustee nor the holders of any of the Bonds shall thereafter have any rights hereunder. For purposes of this Lease Agreement, any of the Bonds shall be deemed fully paid if there exist, with respect thereto, the applicable conditions specified in Section 17.1 of the Indenture.

ARTICLE X

EVENTS OF DEFAULT AND REMEDIES

Section 10.1 Events of Default Defined. The following shall be "events of default" under this Lease Agreement, and the terms "event of default" or "default" shall mean, whenever they are used in this Lease Agreement, any one or more of the following events:

(a) Failure by the City to pay the Basic Rent applicable to the Initial Term or any Renewal Term for which the Lease herein made shall be in effect, or the fees, charges or disbursements of the Trustee for its services, which failure shall result in funds not being available in the Bond Fund sufficient to pay the principal of and interest on the Bonds on any Interest Payment Date; or

(b) Failure by the City to perform or observe any of its other agreements or covenants contained in this Lease Agreement, which failure shall have continued for a period of sixty (60) days after written notice specifying, in reasonable detail, the nature of such failure and requiring the City to perform or observe the agreement or covenant with respect to which it is delinquent shall have been given to the City by the Authority or the Trustee, unless (i) the Authority and the Trustee shall agree in writing to an extension of such period prior to its expiration, or (ii) during such sixty (60) day period or any extension thereof, the City has commenced and is diligently pursuing appropriate corrective action, or (iii) the City is by reason of force majeure at the time prevented from performing or observing the agreement or covenant with respect to which it is delinquent; or

(c) Failure of the City to appropriate any amounts due hereunder for any term of the Lease then in effect; or

(d) The filing by the City of a voluntary petition in bankruptcy, or failure of the City promptly to lift any execution, garnishment or attachment of such consequences as will impair operations at the Facility, the seeking of or consenting to or acquiescing by the City in the appointment of a receiver of all, or substantially all, of the property thereof or of the Facility or the adjudication of the City as a bankrupt, or any assignment by the City for the benefit of its creditors

The term "force majeure" as used in subsection (b) of this section means acts of God or the

public enemy, strikes, labor disputes, lockouts, work slowdowns or stoppages or other industrial disturbances, insurrections, riots or other civil disturbances, orders of the United States of America, the State of Alabama or any department, agency or political subdivision of either thereof, or of other civil or military authority, or partial or entire failure of public utilities.

Section 10.2 Remedies on Default. Whenever any such event of default shall have happened and be continuing, the Authority and the Trustee (or the Trustee on behalf of the Authority) may:

- (a) take possession of the Facility and rent all or any part thereof for the account of the City for the remainder of the Initial Term or any Renewal Term then in effect;
- (b) terminate the Lease Agreement, take possession of the Facility and lease the same for the account of the Authority;
- (c) declare all installments of Basic Rent payable for the remainder of the Initial Term or Renewal Term then in effect, as the case may be, immediately due and payable; and
- (d) take whatever other action at law or in equity may appear necessary or desirable to collect the rent then due, or to enforce any obligation, covenant or agreement of the City under this Lease Agreement.

Section 10.3 No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority or the Trustee to exercise any remedy reserved to it in this Article X, it shall not be necessary to give any notice, other than such notice as is herein expressly required.

Section 10.4 No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Lease Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder. Further, neither the receipt nor the acceptance of rental hereunder by the Authority, or by the Trustee on its behalf, shall be deemed to be a waiver of any breach of any covenant or condition herein contained even though at the time of such receipt or acceptance there has been a breach of one or more covenants or conditions on the part of the City herein contained and the Authority or the Trustee (or both) have knowledge thereof.

ARTICLE XI

RIGHT OF CITY TO REQUIRE REDEMPTION OF BONDS

Section 11.1 Right to Require Authority to Redeem Bonds. The City shall have, and is hereby granted, the right to require the Authority to effect the redemption and retirement of all the Bonds in the event that:

(a) the Facility is damaged or destroyed, by fire or other cause, to such extent that in the opinion of an Independent Engineer, expressed in a written certificate filed with the Authority and the Trustee, (i) the Facility cannot reasonably be restored to the condition thereof immediately preceding such damage or destruction within a period of three (3) consecutive months, (ii) the City will thereby be prevented, or is likely to be thereby prevented, from using the Facility for a period of not less than three (3) consecutive months, or (iii) the cost of restoration thereof would exceed the sum of the Net Insurance Proceeds referable to such damage or destruction, or

(b) title to, or the temporary use of, any part of the Facility is taken under the exercise of the power of eminent domain by any governmental authority or person, firm or corporation acting under governmental authority and such taking or takings result (or, in the opinion of an Independent Engineer, expressed in a written certificate filed with the Authority and the Trustee, are likely to result) in the City being thereby prevented from using the Facility for a period of not less than three (3) consecutive months, or

(c) as a result of any changes in the Constitution of the State of Alabama or the Constitution of the United States of America or of legislative or administrative action (whether state or federal) or by final decree, judgment or order of any court or administrative body (whether state or federal), entered after the contest thereof by the City in good faith, this Lease Agreement becomes void or unenforceable or impossible of performance in accordance with the intent and purposes of the parties as expressed herein or unreasonable burdens or excessive liabilities are imposed on the Authority or the City.

To exercise such option, the City

(i) shall, within sixty (60) days following the event authorizing the exercise of such right, give written notice to the Authority and the Trustee,

(ii) shall specify therein the date of redemption, which shall be not less than thirty (30) nor more than sixty (60) days after the date such notice is mailed, and

(iii) shall five (5) days prior to the date fixed for redemption pursuant to the preceding clause (ii) pay to the Trustee (for the account of the Authority), as consideration for the exercise of the right to require the redemption and retirement of the Bonds, an amount which, when added to the total of the amounts on deposit in the Bond Fund and the Construction Fund plus the amount of any Net Insurance Proceeds or Net Condemnation Award in the hands of the Trustee and referable to the damage, destruction or condemnation authorizing the exercise of such right, will be sufficient to pay, retire and redeem all the outstanding Bonds on the said date

fixed for redemption, including, without limitation, principal, premium (if any), all interest to mature until and on such date, expenses of redemption and Trustee's reasonable fees, charges and disbursements.

In the event that at the time of the exercise of any right herein granted, there have not been collected by the Authority, the Trustee or the City the entire insurance proceeds or condemnation award referable to any damage, destruction or condemnation authorizing the exercise of such option, all Net Insurance Proceeds and all Net Condemnation Awards thereafter collected and referable to such damage, destruction or condemnation shall be paid to the City, and the Authority will take all actions necessary to cause the amount of any such award or proceeds to be paid to the City. The provisions of this paragraph shall survive the expiration of the term of this Lease Agreement or any termination hereof unless at the time of such expiration or termination the City is in default hereunder.

Section 11.2 City to Cause Bonds to be Redeemed. The Authority hereby covenants and agrees not to call for redemption any Bonds pursuant to the optional redemption provisions of Section 7.2 of the Indenture unless directed by the City in writing. The Authority shall cause the terms of the Indenture to provide that Bonds may be called for redemption and payment pursuant to a resolution or ordinance adopted by the City and delivered to the Trustee. In the event the City is entitled to, and does elect to cause Bonds to be redeemed and retired pursuant to the Indenture, the Authority shall cooperate and provide such notices, directions, orders, requests, instruments, agreements and other reasonably requested documents and actions as shall be necessary or desirable to effectuate such redemption.

ARTICLE XII

MISCELLANEOUS

Section 12.1 Limited Effect of Lease on Obligation of City. Neither the execution and delivery of this Lease Agreement nor any other actions taken by the City in connection with the issuance and sale of the Bonds shall obligate the City to renew the Lease for any Renewal Term following the Initial Term.

Section 12.2 Assignment. This Lease Agreement will be assigned and pledged by the Authority as security for the Bonds to be issued to finance the construction of the Facility and the acquisition of the items of Equipment. This Lease Agreement shall not be assigned by the City, and any instrument purporting or attempting to assign the interest of the City hereunder shall be void.

Section 12.3 Termination of the Lease Upon Full Payment of Bonds. (a) All references in this Lease Agreement to the Bonds and the Trustee shall be ineffective, and neither the Trustee nor the holders of any of the Bonds shall thereafter have any rights under the Lease, and this Lease Agreement shall terminate upon full payment of the Bonds. For purposes of this Lease Agreement, the Bonds shall be deemed fully paid if there exist with respect thereto the applicable conditions specified in Section 17.1 of the Indenture.

(b) The Authority and the City hereby acknowledge that the Act provides, as of the time of the delivery of this Lease Agreement, that in the event the Authority shall at any

time have outstanding and unpaid bonds payable, in whole or in part, from the revenues derived from the Project, then, as and when the principal of and interest on all such bonds shall have been paid in full, title to the Project shall thereupon vest in the City. In order to conform this Lease Agreement to the aforesaid provision of the Act and in order to establish the City's right to the Project if, at such time as the Bonds shall have been fully paid, the Act does not then automatically vest title to the Project in the City, the Authority hereby conveys to the City all the Authority's right, title and interest in and to the Project, said right, title and interest to vest absolutely in the City upon full payment of the Bonds and all other indebtedness of the Authority secured (in whole or in part) by a lien on the Project or payable (in whole or in part) out of the revenues derived by the Authority therefrom. The Authority and the City hereby further agree that the right, title and interest of the Authority in and to the Project shall, without further action on the part of the Authority, automatically vest in the City upon full payment of the Bonds and such other indebtedness. In no event, however, shall the City be entitled to claim or enforce any rights in the Project pursuant to the aforesaid conveyance by the Authority which would in any way impair the rights of the Trustee, the holders of any of the Bonds, or any creditors of the Authority with respect to any other indebtedness. The estate of the City created by such conveyance is in the nature of a contingent remainder, and such estate shall not merge with the lease estate of the City created by the Lease until all conditions precedent to its vesting shall have been satisfied, including, without limitation thereto, the satisfaction and discharge of the lien of the Indenture in accordance with the provisions of Section 17.1 of the Indenture. The Authority will, at the expense of the City, execute and deliver such further instruments and do such further acts as may be necessary or appropriate to perfect and secure the title of the City to the Project, if and when the City's right thereto vests absolutely pursuant to the provisions of this paragraph. The provisions of this paragraph shall survive any termination of the Lease resulting from the full payment of the Bonds. If, upon full payment and retirement of all the Bonds, any moneys then remain in any of the special funds created in the Indenture, and if the Lease remains in effect until the full payment and retirement of all the Bonds and the City is not then in default under the Lease, the Authority will cause the Trustee to pay all such moneys to the City, and the Authority hereby assigns all such moneys to the City.

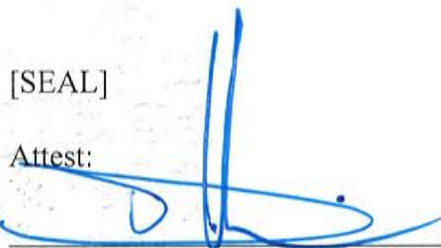
Section 12.4 Binding Effect. This Lease Agreement shall inure to the benefit of and shall be binding upon the Authority, the City and their respective successors and assigns.

Section 12.5 Severability. In the event that any provision of the Lease shall be held invalid or unenforceable by any court of competent jurisdiction, such provision shall be deemed and construed to be severable from the remaining provisions of the Lease, with the intended result that such holding shall not invalidate or render unenforceable any other provisions of the Lease.

IN WITNESS WHEREOF, the Authority has caused this Lease Agreement to be executed by its Chairman, has caused its corporate seal to be hereunto affixed, and has caused this Lease Agreement to be attested by its Secretary, both of whom are hereunto duly authorized, and the City has caused this Lease Agreement to be executed by its Mayor, has caused its corporate seal to be hereunto affixed, and has caused this Lease Agreement to be attested by its City Clerk, both of whom are hereunto duly authorized, all in several counterparts, each of which shall be deemed an original, and the Authority and the City have caused this Lease Agreement to be dated March 3, 2022.


**THE PUBLIC BUILDING AUTHORITY OF
THE CITY OF HUNTSVILLE**

By 
Its Chairman

[SEAL]
Attest:

Its Secretary

CITY OF HUNTSVILLE, ALABAMA

By 
Mayor

[SEAL]
Attest:

City Clerk

STATE OF ALABAMA

COUNTY OF MADISON

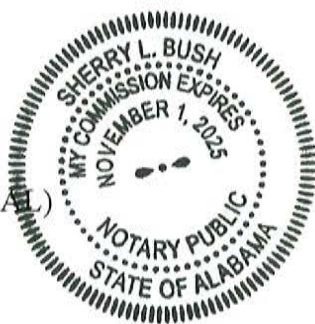
I, Sherry L. Bush, a Notary Public in and for said county in said state, hereby certify that **MARK RUSSELL**, whose name as Chairman of **THE PUBLIC BUILDING AUTHORITY OF THE CITY OF HUNTSVILLE**, a public corporation and instrumentality under the laws of the State of Alabama, is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being informed of the contents of said instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation.

Given under my hand and official seal of office, this 3rd day of March, 2022.



Notary Public

(NOTARIAL SEAL)

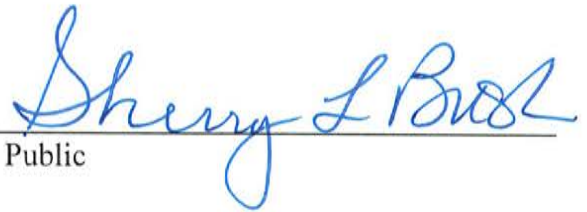


STATE OF ALABAMA

COUNTY OF MADISON

I, Sherry L. Bush, a Notary Public in and for said county in said state, hereby certify that **TOMMY BATTLE**, as Mayor of the **CITY OF HUNTSVILLE**, a municipal corporation in the State of Alabama, is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being informed of the contents of said instrument, she, as such officer and with full authority, executed the same voluntarily for and as the act of said municipal corporation.

Given under my hand and official seal of office, this 3rd day of March, 2022.



Notary Public



(NOTARIAL SEAL)

EXHIBIT A
THE SITE

Lot 4 according to the Subdivision Plat of Urban Renewal Project ALA R-32 Big Spring Area, Huntsville, Alabama, Section "A," as the same is recorded in the Madison County Probate Records in Plat Book 8, Page 22, with said Property being bounded on the west and north by Fountain Circle, on the south by Gates Avenue, and on the east by Madison Street.

Less and Except and reserving unto the City of Huntsville, however, the designated rights-of-way for Fountain Circle, Gates Avenue, and Madison Street.

EXHIBIT B

Payment Date	Principal⁽¹⁾	Interest⁽¹⁾	Total⁽¹⁾
8/1/2022	--	\$1,513,053	\$1,513,053
2/1/2023	\$1,115,000	1,840,200	2,955,200
8/1/2023	--	1,823,475	1,823,475
2/1/2024	1,155,000	1,823,475	2,978,475
8/1/2024	--	1,800,375	1,800,375
2/1/2025	1,210,000	1,800,375	3,010,375
8/1/2025	--	1,770,125	1,770,125
2/1/2026	1,270,000	1,770,125	3,040,125
8/1/2026	--	1,738,375	1,738,375
2/1/2027	1,335,000	1,738,375	3,073,375
8/1/2027	--	1,705,000	1,705,000
2/1/2028	1,405,000	1,705,000	3,110,000
8/1/2028	--	1,669,875	1,669,875
2/1/2029	1,475,000	1,669,875	3,144,875
8/1/2029	--	1,633,000	1,633,000
2/1/2030	1,550,000	1,633,000	3,183,000
8/1/2030	--	1,594,250	1,594,250
2/1/2031	1,630,000	1,594,250	3,224,250
8/1/2031	--	1,553,500	1,553,500
2/1/2032	1,715,000	1,553,500	3,268,500
8/1/2032	--	1,510,625	1,510,625
2/1/2033	1,805,000	1,510,625	3,315,625
8/1/2033	--	1,465,500	1,465,500
2/1/2034	1,895,000	1,465,500	3,360,500
8/1/2034	--	1,418,125	1,418,125
2/1/2035	1,990,000	1,418,125	3,408,125
8/1/2035	--	1,368,375	1,368,375
2/1/2036	2,095,000	1,368,375	3,463,375
8/1/2036	--	1,316,000	1,316,000
2/1/2037	2,200,000	1,316,000	3,516,000
8/1/2037	--	1,261,000	1,261,000
2/1/2038	2,315,000	1,261,000	3,576,000
8/1/2038	-	1,203,125	1,203,125
2/1/2039	2,435,000	1,203,125	3,638,125
8/1/2039	--	1,142,250	1,142,250
2/1/2040	2,560,000	1,142,250	3,702,250
8/1/2040	--	1,078,250	1,078,250
2/1/2041	2,690,000	1,078,250	3,768,250
8/1/2041	--	1,011,000	1,011,000
2/1/2042	2,830,000	1,011,000	3,841,000
8/1/2042	--	940,250	940,250
2/1/2043	2,970,000	940,250	3,910,250

EXHIBIT B

8/1/2043	--	866,000	866,000
2/1/2044	3,125,000	866,000	3,991,000
8/1/2044	--	787,875	787,875
2/1/2045	3,285,000	787,875	4,072,875
8/1/2045	--	705,750	705,750
2/1/2046	3,455,000	705,750	4,160,750
8/1/2046	--	619,375	619,375
2/1/2047	3,630,000	619,375	4,249,375
8/1/2047	--	528,625	528,625
2/1/2048	3,815,000	528,625	4,343,625
8/1/2048	--	433,250	433,250
2/1/2049	4,015,000	433,250	4,448,250
8/1/2049	-	332,875	332,875
2/1/2050	4,220,000	332,875	4,552,875
8/1/2050	--	227,375	227,375
2/1/2051	4,435,000	227,375	4,662,375
8/1/2051	--	116,500	116,500
2/1/2052	4,660,000	116,500	4,776,500

⁽¹⁾ Assumes renewal by the City of the Lease through final scheduled maturity of the Series 2022 Bonds.

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FIRST SUPPLEMENTAL LEASE AGREEMENT

between

**THE PUBLIC BUILDING AUTHORITY OF
THE CITY OF HUNTSVILLE**

and

CITY OF HUNTSVILLE, ALABAMA

Dated _____, 2025

FIRST SUPPLEMENTAL LEASE AGREEMENT between **THE PUBLIC BUILDING AUTHORITY OF THE CITY OF HUNTSVILLE**, a public corporation organized under the laws of the State of Alabama (the "Authority"), and **CITY OF HUNTSVILLE, ALABAMA**, a municipal corporation under the laws of the State of Alabama (the "City"),

RECITALS:

WHEREAS, the Authority has heretofore issued its \$74,285,000 initial principal amount Lease Revenue Bonds, Series 2022, dated March 3, 2022, which are presently outstanding in the principal amount of \$70,805,000 (herein called the "Series 2022 Bonds") under that certain Trust Indenture dated March 3, 2022 (herein called the "2022 Indenture") between the Authority and Regions Bank, as trustee (herein called the "Trustee");

WHEREAS, the proceeds of the Series 2022 Bonds were used to pay the costs of a new city hall, attached parking facility, and related ancillary facilities located on real property owned by the Authority (collectively, the "Facility"), which the Authority has leased to the City pursuant to that certain Lease Agreement dated March 3, 2022 (the "2022 Lease Agreement"), between the Authority and the City;

WHEREAS, in order to finance the final costs of completing the construction and equipping of the Facility, the Authority has, by proper corporate action and pursuant to the provisions of the 2022 Indenture, as supplemented and amended by a First Supplemental Indenture dated [_____, 2025] (herein called the "First Supplemental Indenture" and, together with the 2022 Indenture, the "Indenture"), duly authorized the issuance of its \$_____ initial principal amount Lease Revenue Bonds, Series 2025, dated [_____, 2025] (herein called the "Series 2025 Bonds");

WHEREAS, the Series 2025 Bonds will be issued as Additional Bonds (as defined in the 2022 Indenture) pursuant to Article VIII of the 2022 Indenture; and

WHEREAS, in order to comply with the provisions of said Article VIII of the 2022 Indenture, the Authority and the City are entering into this First Supplemental Lease Agreement to provide for payment by the City of additional Basic Rent to the Authority in amounts sufficient to pay the principal of, premium (if any) and the interest on the Series 2025 Bonds as and when due, but only during the Renewal Term (as such terms are defined in the 2022 Lease Agreement) now in effect and ending on September 30, 2025, and during any subsequent Renewal Term during which the 2022 Lease Agreement, as supplemented and amended by this First Supplemental Lease Agreement (herein called the "Lease Agreement") is in effect.

NOW, THEREFORE, the Authority and the City hereby covenant and agree as follows:

**ARTICLE I
DEFINITIONS AND USE OF PHRASES**

Section 1.1 Definitions. In addition to the words and phrases defined in the recitals and in the other provisions of this First Supplemental Lease Agreement, the words and phrases used but not otherwise defined herein shall be given the respective meanings assigned thereto in the 2022 Lease Agreement.

Section 1.2 Use of Phrases. "Herein," "hereby," "hereunder," "hereof," "hereinbefore," "hereinafter" and other equivalent words refer to this First Supplemental Lease Agreement as an entirety and not solely to the particular portion in which any such word is used. The definitions set forth in the recitals hereof and in Section 1.1 hereof include both singular and plural. Whenever used herein, any pronoun shall be deemed to include both singular and plural and to cover all genders.

ARTICLE II REPRESENTATIONS AND WARRANTIES

Section 2.1 Representations by the Authority. The Authority makes the following representations as the basis for the undertakings on its part herein contained:

(a) The Authority is duly incorporated under the provisions of the Act by Certificate of Incorporation duly filed for record in the office of the Judge of Probate of Madison County, Alabama; has not subsequently amended its said Certificate of Incorporation; and is not in default under any of the provisions contained in the said Certificate of Incorporation or in the laws of Alabama;

(b) Under the provisions of the Act, the Authority has the power to enter into the transactions contemplated by the Lease Agreement, and in this First Supplemental Lease Agreement, and to carry out its obligations thereunder and hereunder;

(c) The execution and delivery of the Lease Agreement on its part have been duly authorized by all necessary corporation action; and

(d) The Lease Agreement is in full force and effect and the Authority is not in default thereunder.

Section 2.2 Representations and Warranties by the City. The City makes the following representations and warranties as the basis for the undertakings on its part herein contained:

(a) The City is a municipal corporation under the laws of Alabama, and has the power to enter into, and to perform and observe the agreements and covenants on its part contained in, the 2022 Lease Agreement, as supplemented and amended by this First Supplemental Lease Agreement;

(b) The execution and delivery of the Lease Agreement, the consummation of the transactions contemplated thereby and hereby, and the fulfillment or compliance with the terms and conditions thereof, do not conflict with, or result in a breach of, any of the terms, conditions or provisions of any governmental order to which the City is now a party or by which the City is bound, and do not constitute a default under any of the foregoing;

(c) The execution and delivery of the Lease Agreement on its part have been duly authorized by all necessary action; and

(d) The Lease Agreement is in full force and effect and the City is not in default thereunder.

(e) The City understands that one of the principal inducements to the purchase of the Series 2025 Bonds by the purchasers thereof from the Authority is that under existing law the interest thereon is excludable from gross income for federal income tax purposes generally, except to the extent otherwise provided in the Tax Code.

ARTICLE III DEMISING CLAUSES

The Authority hereby confirms the demise and leasing to the City of all real and personal property so demised and leased to the City pursuant to Section 3.1 of the 2022 Lease Agreement, subject to Permitted Encumbrances, and the City hereby rents from the Authority, subject to Permitted Encumbrances, for and during the fiscal year ending September 30, 2025, and for each Renewal Term thereafter, said real and personal property; not including, however, any machinery, equipment or other property that, under the terms of the 2022 Lease Agreement, as hereby supplemented and amended, is or is to become the sole property of the City or third parties.

This First Supplemental Lease Agreement is made upon and subject to the following terms and conditions and to the terms and conditions of the 2022 Lease Agreement, as supplemented and amended by the First Supplemental Lease Agreement, to each of which the Authority and the City hereby agree.

ARTICLE IV SUPPLEMENTAL RENT PROVISIONS

Section 4.1 Basic Rental Provisions. For and during the term of the Lease Agreement, the City will pay to the Authority, in addition to any other rental provided for in the 2022 Lease Agreement, for use and occupancy of the Facility, additional Basic Rent in amounts sufficient to pay the principal of, premium (if any) and the interest on the Series 2025 Bonds, said additional Basic Rent to be paid not later than fifteen (15) days prior to each August 1 and February 1 during which the Lease Agreement is in effect, as rent during each Renewal Term, if any, and said additional Basic Rent being shown on Exhibit A hereto.

Section 4.2 Series 2025 Bonds to be Additional Bonds. The Authority and the City recognize and agree that from and after the issuance of the Series 2025 Bonds, any reference in the Lease Agreement to the "Bonds" shall, unless the context clearly indicates otherwise, be construed to refer to the Series 2022 Bonds and the Series 2025 Bonds.

**ARTICLE V
MISCELLANEOUS**

Section 5.1 Nature of this First Supplemental Lease Agreement; Construction.

From and after the execution of this First Supplemental Lease Agreement, the 2022 Lease Agreement and this First Supplemental Lease Agreement shall be construed as a single instrument for the purposes and to the extent herein provided. The 2022 Lease Agreement, as supplemented and amended by this First Supplemental Lease Agreement, is hereby confirmed by the Authority and the City.

Section 5.2 Binding Effect. The 2022 Lease Agreement, as supplemented and amended by this First Supplemental Lease Agreement, shall inure to the benefit of, and shall be binding upon, the Authority, the City, the Trustee and their respective successors and assigns.

Section 5.3 Confirmation of Demise; Request for Issuance of Series 2025 Bonds.

The City hereby confirms the demise made pursuant to the 2022 Lease Agreement, as supplemented and amended by this First Supplemental Lease Agreement, of all property constituting a portion of the Facility. This First Supplemental Lease Agreement shall constitute the written request of the City to the Authority for issuance by the Authority of the Series 2025 Bonds.

Section 5.4 Severability. In the event any provision of the 2022 Lease Agreement, as supplemented by this First Supplemental Lease Agreement, shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision thereof.

IN WITNESS WHEREOF, the Authority and the City have caused this First Supplemental Lease Agreement to be executed in their respective corporate names, have caused their respective corporate seals to be hereunto affixed, and have caused this First Supplemental Lease Agreement to be attested, all by their duly authorized officers, in counterparts, each of which shall be deemed an original, and have caused this First Supplemental Lease Agreement to be dated [____], 2025.

**THE PUBLIC BUILDING AUTHORITY OF
THE CITY OF HUNTSVILLE**

[S E A L]

By _____
Chairman of its Board of Directors

Attest:

Its Secretary

CITY OF HUNTSVILLE, ALABAMA

[S E A L]

By _____
Its Mayor

Attest:

Its City Clerk

STATE OF ALABAMA)
 :
COUNTY OF MADISON)

I, the undersigned Notary Public in and for said county in said state, hereby certify that **MARK RUSSELL**, whose name as Chairman of the Board of Directors of **THE PUBLIC BUILDING AUTHORITY OF THE CITY OF HUNTSVILLE**, a public corporation under the laws of Alabama, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of the within instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said public corporation.

GIVEN under my hand and official seal of office, this ___ day of _____, 2025.

Notary Public

[NOTARIAL SEAL]

STATE OF ALABAMA)
 :
COUNTY OF MADISON)

I, the undersigned Notary Public in and for said county in said state, hereby certify that **TOMMY BATTLE**, whose name as Mayor of the **CITY OF HUNTSVILLE, ALABAMA**, a municipal corporation under the laws of the State of Alabama, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of the within instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said limited liability company.

GIVEN under my hand and official seal of office, this ___ day of _____, 2025.

Notary Public

[NOTARIAL SEAL]

EXHIBIT A

Payment Date	Principal⁽¹⁾	Interest⁽¹⁾	Total⁽¹⁾
8/1/2025			
2/1/2026			
8/1/2026			
2/1/2027			
8/1/2027			
2/1/2028			
8/1/2028			
2/1/2029			
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8/1/2048
2/1/2049
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2/1/2050
8/1/2050
2/1/2051
8/1/2051
2/1/2052

⁽¹⁾ Assumes renewal by the City of the Lease through final scheduled maturity of the Series 2025 Bonds.

APPENDIX I
THE BASE INDENTURE AND FORM OF FIRST SUPPLEMENTAL INDENTURE

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MORTGAGE INDENTURE AND DEED OF TRUST

between

THE PUBLIC BUILDING AUTHORITY OF THE CITY OF HUNTSVILLE

and

REGIONS BANK

\$74,285,000
Lease Revenue Bonds
Series 2022
Dated March 3, 2022

This instrument prepared by
Rod Kanter
Bradley Arant Boult Cummings LLP
One Federal Place
1819 Fifth Avenue North
Birmingham, AL 35203

MORTGAGE INDENTURE AND DEED OF TRUST dated March 3, 2022 between **THE PUBLIC BUILDING AUTHORITY OF THE CITY OF HUNTSVILLE**, a political subdivision of the State of Alabama, party of the first part, and **REGIONS BANK**, an Alabama banking corporation, party of the second part,

RECITALS

The party of the first part makes the following recitals of fact as the basis for the undertaking following: it is duly incorporated under the provisions of Chapter 56 of Title 11 of the Code of Alabama 1975, as amended, by Certificate of Incorporation duly filed for record in the office of the Judge of Probate of Madison County, Alabama; its Certificate of Incorporation has not been amended or revoked; it is not in default under any of the provisions contained in its Certificate of Incorporation or in the laws of said state; by proper corporate action it has duly authorized the issuance of the Series 2022 Bonds hereinafter referred to; and to secure payment of the principal of and the interest (and premium, if any) on all bonds that may be issued hereunder, it has by proper corporate action duly authorized the execution and delivery of this Indenture.

NOW, THEREFORE, THIS INDENTURE

WITNESSETH:

For the aforesaid purpose and in consideration of the respective agreements herein contained, it is hereby agreed between the parties signatory hereto and the holders of all bonds issued hereunder (the holders of said bonds evidencing their consent hereto by their acceptance of the said bonds and the parties signatory hereto evidencing their consent hereto by their execution hereof), each with each of the others, as follows (provided, that in the performance of any of the agreements of the party of the first part herein contained, any obligation it may thereby incur for the payment of money shall not be a general debt on its part but shall be payable each fiscal year solely out of the current revenues from the property hereinafter referred to):

ARTICLE I

DEFINITIONS AND USE OF PHRASES

Section 1.1 Definitions. The following words and phrases and others evidently intended as the equivalent thereof shall, in the absence of clear implication herein otherwise, be given the following respective interpretations herein:

"**Act**" means Chapter 56 of Title 11 of the Code of Alabama of 1975, as it may from time to time be amended.

"**Additional Bonds**" means those authorized hereunder in Article VIII hereof.

"**Annual Debt Service Requirement**" means the amount of principal and interest having a stated maturity or payment due during a fiscal year of the City; provided however, that for purposes of this definition (a) the principal amount of any Bonds subject to a Mandatory Redemption Provision shall be considered as maturing during the fiscal year during which such redemption is required and not in the fiscal year in which their stated maturity occurs; and (b) Bonds that are deemed paid under the provisions of Section 17.1 shall not be deemed to be outstanding.

"**Authority**" means the party of the first part hereto and, subject to the provisions of Section 12.6, includes its successors and assigns, and any public corporation or political subdivision resulting from or surviving any consolidation or merger to which it or its successors may be a party.

"**Authorized Authority Representative**" means the Chairman, the Vice-Chairman, the Secretary and the Treasurer of the Authority, or any officer of the Authority, or such other representative of the Authority designated in writing to the Trustee by the said Chairman, Vice-Chairman, Secretary, or Treasurer of the Authority.

"**Authorized City Representative**" means the Mayor, the Finance Director, and the City Clerk of the City, or any of them, or such other representative of the City designated in writing to the Trustee by any of the foregoing.

"**Authorized Denominations**" means the sum of \$5,000 or any multiple thereof.

"**Basic Rent**" means the cash rental payable by the City in each fiscal year under the Lease Agreement to provide for the payment of the principal of and the interest (and premium, if any) on the Series 2022 Bonds and any other moneys payable by the City under the Lease Agreement that are therein referred to as Basic Rent.

"**Bond Counsel**" means Independent Counsel whose opinions respecting the legality or validity of securities issued by or on behalf of states or political subdivisions thereof are nationally recognized.

"**Bond Fund**" means the Bond Fund created in Section 10.1.

"**Bondholder**" means any person who shall be the registered owner of any outstanding Bond or Bonds.

"**Bonds**" means all obligations of the Authority issued hereunder, including the Series 2022 Bonds.

"**Business Day**" means any day other than a Saturday, a Sunday or a day on which the offices of the Trustee or the offices of the Federal Reserve Bank are authorized by law to close and are closed.

"**Callable Bonds**" means those of the Bonds which under the terms thereof are subject to redemption by the Authority prior to their respective maturities.

"**Capital Improvements**" means the acquisition, construction, equipment, and improvements to the Site and the Facility that are properly chargeable to fixed capital account by generally accepted accounting principles and includes (i) real property (and easements and other interests therein) on, under or over which any such improvements are, or are proposed to be, located, and (ii) furniture, furnishings, fixtures and equipment useful in connection with the operation of the Facility.

"**City**" means the City of Huntsville, Alabama, and any municipal corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party.

"**Completion Certificate**" means a certificate signed by the Independent Architect and an Authorized Authority Representative stating that the construction of the Facility has been completed in substantial accordance with the plans and specifications therefor, and the date on which such construction was completed.

"**Completion Date**" means the date on which the construction of the Facility is completed, as stated in the Completion Certificate.

"**Construction Fund**" means the Construction Fund created in Section 9.2.

"**Counsel**" means an attorney duly admitted to practice before the highest court of any state of the United States of America or of the District of Columbia, or a firm of attorneys all the members of which are so admitted.

"**Development Costs**" means all costs incurred or assumed by the City or the Authority in connection with the acquisition, construction, and equipping of the Project, as described in the Lease, including the payment of issuance expenses.

"**Directors**" means the Board of Directors of the Authority.

"**Eligible Certificates**" means certificates of deposit issued by any bank organized under the laws of the United States of America or any state thereof and designated as a Qualified Public Depository under the laws of the State of Alabama pursuant to the provisions of Chapter 42A of Title 41 of the Code of Alabama 1975.

"**Eligible Investments**" means (i) Federal Securities; (ii) certificates of deposit of national or state banks located within Alabama which have deposits insured by the Federal Deposit Insurance Corporation and which deposit is collaterally secured by the issuing bank by

pledging Federal Securities having a market value (exclusive of accrued interest) not less than the face amount of such certificate, (iii) Money market funds customarily utilized by the Trustee for the investment of public funds and rated "AAM" or AAM-G or better by S&P, and (iv) any other securities legally permitted for investment of funds of the Authority under Alabama law.

"Equipment" means all furniture, furnishings, fixtures, machinery and equipment acquired or to be acquired by the Authority the costs of which are or were, in whole or in part, paid, or to be paid, out of the proceeds of the Series 2022 Bonds and on deposit in the Construction Fund.

"Facility" means a new municipal city hall and related parking and other facilities to be located on the real property specifically described in Exhibit A attached hereto and made a part hereof, including, the Equipment and other personal property located thereon as the said Facility may at any time exist.

"Federal Securities" means (a) any debt securities that are direct general obligations of the United States of America and (b) any debt securities payment of the principal of and the interest on which is unconditionally guaranteed by the United States of America.

"Holder" shall mean the person or persons in whose names any Bond or Bonds are registered on the books and records of the Bond Registrar.

"Indenture" means this Trust Indenture and every supplemental agreement with the Trustee in pursuance hereof.

"Independent Architect" means an architect or architectural firm qualified to practice the profession of architecture under the laws of Alabama and not employed full time by the Authority or the City.

"Independent Counsel" means Counsel not employed full time by the Authority or the City.

"Independent Engineer" means an engineer or engineering firm qualified to practice the profession of engineering under the laws of Alabama and not employed full time by the Authority or the City .

"Interest Payment Date" means each August 1 and February 1, commencing August 1, 2022.

"Lease Agreement" means that certain Lease Agreement dated the date of the Series 2022 Bonds between the Authority, as lessor, and the City, as lessee, as said lease now exists or as it may hereafter be amended and supplemented.

"Mandatory Redemption Provision" means the provision for mandatory redemption set forth in Section 7.2(b) hereof or in Section and any provision set forth in a

Supplemental Indenture for scheduled mandatory redemption of Bonds at a Redemption Price equal to the face amount thereof.

"Newspaper" means a newspaper printed in the English language and published not less than six days during each calendar week in the locality specified, if there be any such; otherwise published not less than once during each calendar week.

"Overdue Interest" means interest due but not paid on the Interest Payment Date on which such interest is required to be paid.

"Overdue Interest Payment Date" means the date fixed by the Trustee, pursuant to the provisions of Section 5.2 hereof, for payment of Overdue Interest.

"Permitted Encumbrances" means, as of any particular time, (i) liens for ad valorem taxes and special assessments not then delinquent, (ii) the Lease Agreement, (iii) the Indenture, (iv) utility, access and other easements and rights-of-way, mineral rights, restrictions and exceptions that, in the opinion of an Independent Architect or Independent Engineer, will not materially interfere with or impair the operations being conducted in the Facility (or, if no operations are being conducted therein, the operations for which the Facility was designed or last modified), (v) any inchoate mechanic's, materialman's or vendor's lien if payment is not yet due and payable under the contract giving rise to such lien, (vi) such minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title as normally exist with respect to properties similar in size and character to the Project and as do not, in the opinion of Counsel, in the aggregate materially impair the property affected thereby for the purpose for which it was acquired or is held by the Authority, and (vii) the Site Deed.

"Project" means the Site, the Facility, the Improvements, and the Equipment, as they may at any time exist and all other property and rights referred to or intended so to be in the granting clauses hereof.

"Record Date" means the fifteenth (15th) calendar day next preceding any Interest Payment Date.

"Redemption Date" means the date fixed for the redemption of Callable Bonds in any Resolution adopted pursuant to the provisions of Section 6.1(a) or any date fixed for redemption of Bonds in any Mandatory Redemption Provision.

"Redemption Price" means the price at which Callable Bonds called for redemption may be redeemed pursuant to the provisions hereof.

"Resolution" means a resolution duly adopted by the Directors.

"Responsible Officer" when used with respect to the Trustee, means any officer within the corporate trust administrative department of the Trustee, including any vice president, any assistant vice president, any trust officer, or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also

means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his or her knowledge of and familiarity with the particular subject.

"**S&P**" means S&P Global Ratings, a division of The McGraw Hill Companies, Inc.

"**Series 2022 Bonds**" means those Bonds bearing the designation Series 2022 and authorized to be issued in Article VII.

"**Site**" means the real property described on Exhibit A hereto.

"**Site Deed**" means the deed pursuant to which the City has heretofore conveyed the Site to the Authority.

"**Supplemental Indenture**" means an agreement supplemental hereto.

"**Tax Code**" means the Internal Revenue Code of 1986, as amended.

"**Trustee**" means the party of the second part hereto and its successors and any corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party.

"**Trustee Prime Rate**" means the rate of interest established (whether or not charged) from time to time by the Trustee its general reference rate of interest, after taking into account such factors as may from time to time deem appropriate in its sole discretion (it being understood, however, that the Trustee may from time to time make various loans at rates of interest having no relationship to such general reference rate of interest).

Section 1.2 Use of Phrases. "Herein," "hereby," "hereunder," "hereof," "hereinbefore," "hereinafter" and other equivalent words refer to the Indenture as an entirety and not solely to the particular portion thereof in which any such word is used. The definitions set forth in Section 1.1 hereof include both singular and plural. Whenever used herein, any pronoun shall be deemed to include both singular and plural and to cover all genders. Any percentage of Bonds, specified herein for any purpose, is to be figured on the unpaid principal amount thereof then outstanding. Unless otherwise expressly stated, all references herein to article and section numbers are to articles and sections of the Indenture.

ARTICLE II

GRANTING CLAUSES

Section 2.1 Granting Clauses. In order to secure to the Holders thereof payment of the principal of and the interest (and premium, if any) on the Bonds and the performance and the observance of the covenants and conditions herein and therein contained, and in consideration of their purchase and acceptance of the Bonds and of the acceptance by the Trustee of the trusts herein provided, the Authority does hereby grant, bargain, sell and convey,

assign, transfer and pledge to and with the Trustee, subject to Permitted Encumbrances, the following described properties of the Authority, whether the same are now owned by it or may be hereafter acquired:

I.

The real property situated in the City of Huntsville, Alabama constituting the Site, as such real property is specifically described in Exhibit A attached hereto and made a part hereof;

II.

All machinery, equipment, personal property and fixtures acquired with Bonds proceeds, and all other machinery, equipment, personal property and fixtures acquired in substitution therefore or as a renewal or replacement thereof;

III.

Also, all other Equipment, Improvements, the Facility and all other buildings and improvements to the real property now or hereafter constructed or situated on the Site, and all permits, easements, rights-of-way, contracts, leases, privileges, immunities and hereditaments pertaining or applicable to the Site, and all fixtures now or hereafter installed on the Site or in the Facility and in any such other building or improvement now or hereafter located on the Site, it being the intention hereof that all property, rights and privileges hereafter acquired by the Authority for use as a part of or in connection with or as an improvement to the Site shall be as fully covered hereby as if such property, rights and privileges were now owned by the Authority and were specifically described herein;

IV.

Also, subject to the provisions of Section 13.1, all rents, revenues, receipts, issues, earnings and income from the above-described property; and

V.

Also, all right, title and interest of the Authority in and to the Lease Agreement, including, but not limited to, the present and continuing right to make claim for, collect, receive and receipt for any of the sums, amounts, income, revenues, rentals, issues and profits and any other sums of money payable or receivable under the Lease Agreement, to bring actions and proceedings thereunder or for the enforcement thereof, and to do any and all things which the Issuer is or may become entitled to do under the Lease Agreement.

VI.

All right, title and interest of the Authority in and to all moneys and securities from time to time held by the Trustee in the Bond Fund, the Construction Fund, and other funds and accounts under the terms of this Indenture.

TO HAVE AND TO HOLD the same unto the Trustee, its successor trustees and assigns forever; **IN TRUST NEVERTHELESS**, upon the terms and trusts herein set forth for the equal and pro rata protection and benefit of the Holders, present and future, of the Bonds equally and ratably, without preference, priority or distinction of any over others by reason of priority in issuance or acquisition or otherwise, as if all the Bonds at any time outstanding had been executed, sold, authenticated, delivered and negotiated simultaneously with the execution and delivery hereof.

PROVIDED, HOWEVER, that the grant, conveyance, assignment, transfer and pledge herein made are subject to Permitted Encumbrances and the provisions of Section 2.2.

Section 2.2 Defeasance Clauses. These presents are upon the condition that if the Authority shall pay or cause to be paid the principal of and the interest (and premium, if any) on all Bonds secured hereby, or shall provide for such payment as specified in Section 17.1 hereof, and shall pay or cause to be paid all other sums payable hereunder by it, then the Indenture and the rights granted hereby shall cease, determine and be void; otherwise the Indenture shall be and remain in full force and effect.

ARTICLE III

ISSUANCE OF BONDS IN SERIES

Section 3.1 Issuance of Bonds in Series. The Bonds may be issued in different series, and each issue shall have an appropriate series designation. All the Bonds issued hereunder shall be issued in the denomination of \$5,000 or any integral multiple thereof. All the Bonds shall be equally and ratably secured by the Indenture and by the pledge herein contained, it being expressly understood and agreed that no Bonds issued hereunder shall be prior to any other Bonds thereafter issued hereunder, but shall be on a parity therewith, with respect to said pledge. All Bonds issued hereunder shall be registered as to both principal and interest on the registry books of the Trustee pertaining to the Bonds.

Section 3.2 General Provisions Respecting Bonds. Each of the series of the Bonds shall bear such date or dates as shall be specified in the Indenture or Supplemental Indenture providing therefor and shall mature in such years and in such amounts as shall be fixed therefor prior to its issuance. In the event that all or any part of the Bonds of any series are (by the terms of any Supplemental Indenture) subject to a Mandatory Redemption Provision, such redemption shall be required to be effected in such years and amounts as shall be specified prior to the issuance of such series. Interest on the Bonds from their respective dates until their respective maturities shall be payable, at such per annum rate or rates as shall be fixed therefor prior to their issuance, on August 1 and February 1, commencing August 1, 2022. The principal of and premium, if any, on the Bonds shall be payable in lawful money of the United States of America at the designated office of the Trustee in Birmingham, Alabama. Interest on the Bonds shall be paid in accordance with the procedures of the book-entry system or by check mailed or otherwise delivered by the Trustee to the respective Holders thereof at their addresses as they

appear on the registry books of the Trustee pertaining to the registration of the Bonds; provided that the final payment of such interest shall be made only upon surrender of the appropriate Bond. Payment of interest on the Bonds shall be deemed timely made if mailed on the Interest Payment Date or, if any Interest Payment Date is not a Business Day, then on the first Business Day immediately following such Interest Payment Date. Except as otherwise provided herein or in any Supplemental Indenture, the Bonds shall be numbered in such manner as the officers of the Authority may determine, such determination by said officers to be evidenced by their signing of the Bonds.

Section 3.3 Form of Bonds, Etc. The Series 2022 Bonds shall be in substantially the form provided therefor in Section 7.3 hereof. The Bonds of each series of Additional Bonds shall be in substantially the forms respectively provided therefor in the Supplemental Indenture providing therefor, which shall in general be similar to the forms applicable to the Series 2022 Bonds, with such insertions, omissions and other variations as may be necessary to conform to the provisions hereof and such Supplemental Indenture.

ARTICLE IV

EXECUTION AND AUTHENTICATION OF THE BONDS

Section 4.1 Execution of Bonds. The Bonds shall be manually executed by the Chairman or Vice-Chairman of the Authority and manually attested by the Secretary/Treasurer of the Authority, and the seal of the Authority shall be manually imprinted on each of the Bonds. Signatures on the Bonds by persons who were officers of the Authority at the time such signatures were written shall continue effective although such persons cease to be such officers prior to the authentication or the delivery of the Bonds.

Section 4.2 Authentication Certificate of Trustee. A duly executed authentication certificate by the Trustee in substantially the form hereinafter recited shall be endorsed on each of the Bonds.

Section 4.3 Dating of and Accrual of Interest on Bonds. Each Bond issued hereunder shall bear interest from its date.

Section 4.4 Replacement of Mutilated, Lost, Stolen or Destroyed Bonds. In the event any Bond is mutilated, lost, stolen or destroyed, the Authority may execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor as that mutilated, lost, stolen or destroyed; provided that (a) in the case of any such mutilated Bond, such Bond is first surrendered to the Authority and the Trustee, and (b) in the case of any such lost, stolen or destroyed Bond, there is first furnished to the Authority and the Trustee evidence of such loss, theft or destruction satisfactory to each of them, together with indemnity satisfactory to each of them and as may be required by law; and provided, further, that the new Bond delivered in lieu thereof shall be issued in the denomination aggregating the unpaid principal balance of such mutilated, lost, stolen or destroyed Bond. The Authority may charge the Holder with the expense of issuing any such new Bond.

ARTICLE V

REGISTRATION, TRANSFERS AND EXCHANGES OF THE BONDS

Section 5.1 Registration and Transfer of Bonds. The Trustee shall be the registrar and transfer agent of the Authority and shall keep at its office proper registry and transfer books in which it will note the registration and transfer of such Bonds as are presented for those purposes, all in the manner and to the extent hereinafter specified.

All Bonds issued hereunder shall be registered as to both principal and interest by the Trustee as registrar and transfer agent for the Authority and shall be transferable only on the transfer books of the Trustee. No transfer of a Bond shall be valid hereunder unless such Bond is presented at the office of the Trustee with written power to transfer signed by the registered Owner thereof in person or by duly authorized attorney, properly stamped if required, in form and with guaranty of signature satisfactory to the Trustee, whereupon the Authority shall execute, and the Trustee shall authenticate and deliver to the transferee, a new Bond, registered in the name of such transferee and of like tenor as that presented for transfer. The person in whose name a Bond is registered on the books of the Trustee shall be the sole person to whom or on whose order payments on account of the principal thereof and of the interest (and premium, if any) thereon may be made.

The Trustee shall not be required to register or transfer any Bond during the period of fifteen days next preceding any Interest Payment Date with respect thereto; and if any Bond is duly called for redemption (in whole or in part), the Trustee shall not be required to register or transfer such Bond during the period of forty-five days next preceding the date fixed for its redemption.

Section 5.2 Persons to Whom Payment of Interest on Bonds is to be Made. Interest on the Bonds shall, except as provided in the next succeeding paragraph of this Section 5.2, be payable in lawful money of the United States of America in accordance with the procedures of the book-entry system or by check or draft mailed by the Trustee to the lawful Holders of the Bonds on the Record Date at the address shown on the registry books of the Trustee pertaining to the Bonds. Payment of interest on the bonds shall be deemed timely made if mailed to the Holders on the Interest Payment Date with respect to which such payment is made, or, if such Interest Payment Date is not a Business Day then on the first Business Day following such Interest Payment Date. Each Holder of any of the Bonds takes it subject to all payments of interest in fact made with respect thereto.

Any provision hereof to the contrary notwithstanding, Overdue Interest shall not be payable to the Holder of the Bonds solely by reason of such Holder having been the Holder on the Interest Payment Date on which such interest became due and payable, but shall be payable by the Trustee as follows:

- (a) Not less than ten (10) days following receipt by the Trustee of immediately available funds in an amount sufficient to enable the Trustee to pay

all Overdue Interest, the Trustee shall fix an Overdue Interest Payment Date for payment of such Overdue Interest.

(b) Such Overdue Interest Payment Date fixed by the Trustee shall be a date not more than twenty (20) days following the expiration of the period described in the foregoing subparagraph (a).

(c) Overdue Interest shall be paid by check or draft mailed by the Trustee to the persons in whose names the Bonds were registered on the Overdue Interest Payment Date.

Payment of Overdue Interest in the manner prescribed in this paragraph to the persons in whose names the Bonds were registered on the Overdue Interest Payment Date shall fully discharge and satisfy all liability for the same.

Section 5.3 Persons Deemed Owners of Bonds. The Trustee may deem and treat the person in whose name a Bond is registered as the absolute owner thereof for all purposes; they shall not be affected by notice to the contrary; and all payments by any of them to the person in whose name a Bond is registered, shall to the extent thereof fully discharge and satisfy all liability for the same.

Section 5.4 Exchange of Bonds. The Bonds shall be freely exchangeable within the limits provided in the Indenture providing therefor; provided, however, that under no circumstances shall a Bond be issuable in exchange for two or more Bonds unless all the Bonds being so exchanged bear interest at the same rate and have the same stated maturity. Upon the request of a Holder of two or more Bonds, the Authority shall execute, and the Trustee shall thereupon authenticate and deliver, upon surrender to the Trustee of such Bonds and in exchange therefor, a new Bond of like tenor as the Bonds so surrendered and in an authorized denomination aggregating the same principal amount as the Bonds so surrendered. Upon the request of the Holder of one Bond so authenticated and delivered in a denomination larger than \$5,000, the Authority shall execute, and the Trustee shall thereupon authenticate and deliver, upon surrender to the Trustee of such Bond and in exchange therefor, two or more Bonds of like tenor and aggregating the same principal amount as the then unpaid principal amount of the Bond so surrendered, all as may be requested by the person surrendering such Bond. Any Bonds surrendered for exchange pursuant to the provisions of this Section 5.4 shall be accompanied by a written power to transfer signed by the registered Owner thereof in person or by duly authorized attorney, properly stamped if required, in form and with guaranty of signature satisfactory to the Trustee.

The Trustee shall not be required to exchange any Bond or Bonds for other Bonds pursuant to the provisions of this Section 5.4 during the period of fifteen days next preceding the thirty-day period immediately prior to any Interest Payment Date; and if any Bond shall be duly called for redemption (in whole or in part), the Trustee shall not be required so to exchange such Bond during the period of forty-five days next preceding the date fixed for such redemption.

Section 5.5 Expenses of Registration, Transfer and Exchange. The Authority and the Trustee will charge the Holder with their reasonable fees and expenses in connection with any transfer, registration or exchange of any of the Bonds (including, without limitation, the expenses of printing any new Bonds that may be necessitated by any transfer, registration or exchange). In every case involving any transfer, registration or exchange of any of the Bonds that is requested by the Holder thereof, such Holder shall pay all taxes and other governmental charges required to be paid in connection with such transfer, registration or exchange.

Section 5.6 Denominations and Registration of Bonds as Initially Issued. The Bonds of each maturity shall be initially issued in Authorized Denominations as requested by the purchaser and registered in the names of the persons specified by the initial purchaser of the Bonds from the Authority. If, for any reason, the Trustee is unable to prepare or cause to be prepared Bonds in the Authorized Denominations requested by the purchaser and registered in the names of the persons specified by the purchaser, the Authority may deliver one Bond for each maturity in the principal amount of such maturity, each registered in the name of the initial purchaser of the Bonds from the Authority.

Section 5.7 Notations on Bonds by Trustee. The Trustee is hereby authorized to cause numbers or other notations to be printed or otherwise placed on the Bonds for the convenience of the Trustee in performing the registration and other duties imposed on it hereunder. Any such numbers or other notations that may appear on the Bonds and that are not specifically herein provided for shall be for the sole convenience of the Trustee and, insofar as the Authority is concerned, should not be construed as conferring any rights on the Holders of the Bonds.

ARTICLE VI

GENERAL PROVISIONS RESPECTING REDEMPTION OF BONDS

Section 6.1 Manner of Effecting Redemption of Bonds. Any redemption of any Bonds shall be effected in the following manner:

(a) **Call.** The Authority or the City, acting by and on behalf of the Authority, shall, not more than sixty (60) nor less than thirty (30) days prior to the Redemption Date, adopt a resolution or an ordinance calling such Bonds for redemption.

(b) **Notice by Registered or Certified Mail.** The Trustee shall cause to be forwarded by United States Registered or Certified Mail to the registered Owner thereof, at the address of such registered Owner as such address appears on the registry books of the Trustee pertaining to the registration of the Bonds, notice of such redemption. Except as hereinafter provided, such notice shall be so mailed not more than sixty (60) nor less than thirty (30) days prior to the Redemption Date. The Holders of any 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.

(c) **Deposit.** Prior to the Redemption Date, the Authority shall cause to be deposited with the Trustee the total Redemption Price of the Bonds so called for redemption.

Section 6.2 Presentation of Bonds for Redemption. Bonds Called for Redemption to Cease to Bear Interest. Upon compliance by the Authority with the requirements contained in the preceding Section 6.1 hereof and, unless all the Bonds then outstanding are to be redeemed (or unless a portion of such outstanding Bonds are to be redeemed and the remainder are, simultaneously with or prior to such redemption, to be otherwise retired), if the Authority is not on the Redemption Date in default in payment of the principal of or the interest on any of the Bonds, the Bonds so called for redemption (or, in the case of any Bonds called for redemption in part, the portions thereof called for redemption) shall become due and payable at the place or places at which the same shall be payable at the Redemption Price or Prices and on the Redemption Date specified in such notice, anything herein or in the Bonds to the contrary notwithstanding, and the Holders thereof shall then and there surrender them for redemption; provided, however, that with respect to any Bond called for partial redemption, the Holder thereof shall surrender such Bond to the Trustee in exchange for one or more new Bonds in Authorized Denominations in an aggregate principal amount equal to the unredeemed portion of the Bond surrendered, all as shall be requested by the Holder of such Bond so called for partial redemption. All future interest on the Bonds so called for redemption shall cease to accrue after the Redemption Date; and the Bonds so called (or, in the case of any Bonds called for redemption in part, the portions thereof called for redemption) shall no longer be entitled to the benefit of the lien hereof but shall look solely to the moneys deposited with the Trustee under the provisions of this article; and out of the moneys so deposited with it, the Trustee shall make provision for payment of the Bonds so called for redemption (or, in the case of any Bonds called for redemption in part, the portions thereof called for redemption) at the Redemption Price and on the Redemption Date.

ARTICLE VII

SERIES 2022 BONDS

Section 7.1 Series 2022 Bonds. (a) Issuance of Bonds. There is hereby authorized to be issued under the Indenture an issue or series of bonds designated "Lease Revenue Bonds, Series 2022", dated the date of issuance and delivery, limited in aggregate principal amount to \$74,285,000 (the "Series 2022 Bonds"), which shall initially be issued pursuant to the Book-Entry System. The Series 2022 Bonds shall be in fully registered form without coupons, shall be in the denomination of \$5,000 or any integral multiple thereof, and shall be numbered in such manner as the Trustee may determine. The Series 2022 Bonds, subject to prior optional and mandatory redemption, shall mature on February 1 in years and principal amounts as follows and shall bear interest at the following per annum rates for all Series 2022 Bonds maturing on the date set opposite such rates:

Year (February 1)	Principal Amount Maturing	Interest Rate
2023	\$1,115,000	3.000%
2024	1,155,000	4.000
2025	1,210,000	5.000
2026	1,270,000	5.000
2027	1,335,000	5.000
2028	1,405,000	5.000
2029	1,475,000	5.000
2030	1,550,000	5.000
2031	1,630,000	5.000
2032	1,715,000	5.000
2033	1,805,000	5.000
2034	1,895,000	5.000
2035	1,990,000	5.000
2036	2,095,000	5.000
2037	2,200,000	5.000
2038	2,315,000	5.000
2039	2,435,000	5.000
2040	2,560,000	5.000
2041	2,690,000	5.000
2042	2,830,000	5.000
2047	16,465,000	5.000
2052	21,145,000	5.000

Interest on the Series 2022 Bonds shall be computed on the basis of a 360 day year of twelve (12) consecutive thirty (30) day months. The Series 2022 Bonds shall be initially issued in the Authorized Denominations and registered in the names of the Holders as shall, pursuant to the provisions of Section 5.6 hereof, be designated by the purchaser of the Series 2022 Bonds from the Authority. All installments of principal of and interest (and premium, if any) on each Series 2022 Bonds shall bear interest after the respective maturities of such principal and interest (and premium, if any) until paid or until moneys sufficient for payment thereof shall have been deposited for the purpose with the Trustee, whichever first occurs, at the rate of interest borne by such Series 2022 Bonds. Principal of the Series 2022 Bonds shall be payable at the designated office of the Trustee in Birmingham, Alabama, upon surrender and presentation of the Series 2022 Bonds as the same become due and payable.

Section 7.2 Redemption Provisions. The Series 2022 Bonds may be redeemed and paid prior to maturity as follows:

(a) Optional Redemption. Those of the Series 2022 Bonds maturing or being subject to mandatory redemption on February 1, 2033, and thereafter, will be subject to redemption, at the option of the Authority (which option shall be exercisable upon direction of the City if the Lease Agreement is still in effect and no default exists thereunder) or, if at such time no default exists under the Lease Agreement, at the option of the City exercised on behalf of the Authority, as a whole or in part (but if in part only in installments of \$5,000 or any integral multiple thereof

and in such order and amount of their maturities as the Authority or the City, as the case may be, shall determine, and if less than all the Series 2022 Bonds of a single maturity are to be redeemed, those to be called for redemption shall be selected by lot as selected by the Trustee) on February 1, 2032, and on any date thereafter, such redemption, whether in whole or in part, to be at and for a redemption price equal to the principal amount (or portion thereof) to be redeemed plus accrued interest thereon to the Redemption Date, without premium or penalty.

(b) Mandatory Redemption. (i) Those of the Series 2022 Bonds with a stated maturity on February 1, 2047, are required to be redeemed on February 1 in the following principal amounts at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest thereon, without any premium or penalty:

Year	Principal Amount to be Redeemed
2043	\$2,970,000
2044	3,125,000
2045	3,285,000
2046	3,455,000
2047 (maturity)	3,630,000

(ii) Those of the Series 2022 Bonds with a stated maturity on February 1, 2052, are required to be redeemed on February 1 in the following principal amounts at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest thereon, without any premium or penalty:

Year	Principal Amount to be Redeemed
2048	\$3,815,000
2049	4,015,000
2050	4,220,000
2051	4,435,000
2052 (maturity)	4,660,000

In the event the City or Authority shall have caused to be partially redeemed Series 2022 Bonds or shall have provided for a partial redemption of Series 2022 Bonds in such a manner that, under the provisions of this Indenture, the Series 2022 Bonds for the redemption of which provision is made are considered as fully paid, the City, on behalf of the Authority, may elect to apply all or any part (but only in integral multiples of \$5,000) of the principal amount of such Series 2022 Bonds so redeemed or to be redeemed to the reduction of the principal amount of Series 2022 Bonds required to be redeemed pursuant to the schedule set forth immediately above on any February 1 coterminous with or subsequent to the date such optional redemption actually occurs. Such notice shall be deemed effective only if it is given prior to the Trustee having given notice of redemption contrary to the provisions of such notice pursuant to the provisions of the Indenture.

(c) Extraordinary Redemption. The Series 2022 Bonds will be subject to redemption to the extent of moneys on deposit with the Trustee for such purpose at any time, at and for a redemption price equal to the principal amount thereof plus accrued interest thereon to the redemption date, in the event that (a) the Facility, or any parts thereof, is damaged or destroyed to such extent that in the opinion of the City, (i) the Facility cannot reasonably be substantially restored to the condition thereof immediately preceding such damage or destruction within a period of six (6) consecutive months, (ii) the City will thereby be prevented, or is likely to be thereby prevented, from using the Facility for a period of not less than six (6) consecutive months, or (iii) the cost of restoration thereof would exceed by more than \$10,000 the sum of the net insurance proceeds referable to such damage or destruction, or (b) title to, or the temporary use of, any part of the Facility is taken under the exercise of the power of eminent domain by any governmental authority or person, firm or corporation acting under governmental authority and such taking or takings result (or, in the opinion of the City are likely to result) in the City being thereby prevented from using the Facility for a period of not less than six (6) consecutive months, or (c) as a result of any changes in the Constitution of the State of Alabama or the Constitution of the United States of America or of legislative or administrative action (whether state or federal) or by final decree, judgment or order of any court or administrative body (whether state or federal), entered after the contest thereof by the City in good faith, the Lease Agreement becomes void or unenforceable or impossible of performance in accordance with the intent and purposes of the parties as expressed to herein or unreasonable burdens or excessive liabilities are imposed on the Authority or the City.

Section 7.3 Form of Series 2022 Bonds. The Series 2022 Bonds shall be in substantially the following form, with such insertions, omissions and other variations as may be necessary to conform to the provisions hereof:

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the City or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

**UNITED STATES OF AMERICA
STATE OF ALABAMA
THE PUBLIC BUILDING AUTHORITY OF THE CITY OF HUNTSVILLE
LEASE REVENUE BOND
SERIES 2022**

No. R - \$ _____

INTEREST RATE: MATURITY DATE: CUSIP:

For value received, **THE PUBLIC BUILDING AUTHORITY OF THE CITY OF HUNTSVILLE**, a political subdivision of the State of Alabama (herein called the "Authority"), will pay to **CEDE & CO.**, or registered assigns, in lawful money of the United States of America, solely out of the sources hereinafter referred to, the principal sum of

_____ **DOLLARS**

and to pay solely from said sources hereinafter referred to interest on said principal sum from the date hereof at the per annum interest rate specified above payable on each August 1 and February 1 in each year, commencing August 1, 2022, until said principal sum is paid. Interest on this bond shall be computed on the basis of a 360-day year of twelve (12) consecutive 30-day months.

Subject to the requirements of the Book-Entry System hereinafter described, the principal of and premium (if any) on this bond is payable in lawful money of the United States of America at the designated corporate trust office of Regions Bank, in Birmingham, Alabama, or its successor as trustee under the Indenture hereinafter referred to, and the interest on this bond shall be remitted, by the trustee hereinafter referred to, by check or draft mailed to the then registered holder hereof on the Record Date (as defined in the Indenture) at the addresses shown on the registry books of the Trustee pertaining to the Series 2022 Bonds. Payment of interest on this bond shall be deemed timely made if mailed to the registered holder on the interest payment date with respect to which such payment is made or, if such interest payment date is not a Business Day (as defined in the Indenture), then on the first Business Day following such interest payment date. Both the principal of and the interest on this bond shall bear interest after their respective maturities until paid or until moneys sufficient for payment thereof have been deposited for that purpose with the said trustee at the per annum rate of interest stated above. The Indenture provides that all payments by the Authority or the Trustee to the person in whose name a bond is registered shall to the extent thereof fully discharge and satisfy all liability for the same. Any transferee of this bond takes it subject to all payments of principal and interest in fact made with respect hereto.

This bond is one of a duly authorized issue of bonds limited in aggregate principal amount of \$74,285,000 and designated "Lease Revenue Bonds, Series 2022" (the "Series 2022 Bonds"). The Series 2022 Bonds have been issued under a Mortgage Indenture and Deed of Trust dated the date of the Series 2022 Bonds (the "Indenture"), from the Authority to Regions Bank, Birmingham, Alabama (the "Trustee"), for the purpose of providing funds to acquire, construct, and equip a new city hall and related parking and other related facilities for use by the City.

The Authority has leased to the City, under a Lease Agreement dated the date of the Series 2022 Bonds (the "Lease Agreement") certain real property, the building to be constructed thereon and the equipment to be installed therein (said real property, the building and the furnishings and equipment forming a part thereof, as they may at any time exist, being herein together called the "Facility"). For so long as any of the Series 2022 Bonds shall remain outstanding and unpaid, the City has the option to renew the Lease Agreement for successive

terms of one year commencing on October 1 and ending on September 30 of the next succeeding calendar year (which terms of one year coincide with the fiscal year of the City). During the term of the Lease Agreement now in effect, and during each renewal term for which the City may renew the Lease Agreement, the City is obligated to pay rent directly to the Trustee, for the account of the Authority, in amounts sufficient to provide for the payment of the principal of and the interest on the Series 2022 Bonds that will become due and payable during each such term. The obligation of the City to pay the rental under the Lease Agreement and to perform the covenants contained therein shall be a limited obligation of the City to be payable and performed solely out of the current revenues of the City received during the fiscal year during which any amount is payable or obligation required to be performed.

The Series 2022 Bonds are initially issued in Authorized Denominations pursuant to a Book-Entry System to be administered by the Securities Depository and registered in the name of and held by the Securities Depository Nominee, all as more particularly provided in the Indenture. During a period in which the Book-Entry System is in effect for the Series 2022 Bonds, the provisions of the Indenture and the Series 2022 Bonds shall be construed in accordance with the Letter of Representations and to give full effect to such Book-Entry System. In the event the Book-Entry System for the Series 2022 Bonds is discontinued, Series 2022 Bonds in certificated form in Authorized Denominations will be distributed to the Beneficial Owners thereof, the Series 2022 Bonds will be registered in the names of the owners thereof on the Bond Register, the Trustee shall make payments of principal of, premium (if any) and interest on the Series 2022 Bonds to the registered owners thereof as provided in the Series 2022 Bonds and the Indenture, and the provisions of this Series 2022 Bonds and of the Indenture, with respect to registration, transfer and exchange of Series 2022 Bonds by the registered owners thereof, shall apply.

The Series 2022 Bonds are issuable only as fully registered bonds in the denomination of \$5,000 each or any integral multiple thereof. Provision is made in the Indenture for the exchange of Series 2022 Bonds for a like aggregate principal amount of Series 2022 Bonds of the same maturity and in authorized denomination, all upon the terms and subject to the conditions set forth in the Indenture with respect thereto.

Those of the Series 2022 Bonds maturing or being subject to mandatory redemption on February 1, 2033, and thereafter, will be subject to redemption, at the option of the Authority (which option shall be exercisable upon direction of the City if the Lease Agreement is still in effect and no default exists thereunder) or, if at such time no default exists under the Lease Agreement, at the option of the City exercised on behalf of the Authority, as a whole or in part (but if in part only in installments of \$5,000 or any integral multiple thereof and in such order and amount of their maturities as the Authority or the City, as the case may be, shall determine, and if less than all the Series 2022 Bonds of a single maturity are to be redeemed, those to be called for redemption shall be selected by lot as determined by the Trustee) on February 1, 2032, and on any date thereafter, such redemption, whether in whole or in part, to be at and for a redemption price equal to the principal amount (or portion thereof) to be redeemed plus accrued interest thereon to the Redemption Date, without premium or penalty.

Those of the Series 2022 Bonds with a stated maturity on February 1, 2047 and on February 1, 2052 are subject to mandatory redemption to the extent and as provided in Section 7.2(b) of the Indenture and elsewhere in the Indenture.

The Series 2022 Bonds are further subject to extraordinary redemption and payment upon the occurrence of certain events as set forth and described in Section 7.2(c) of the Indenture.

If the Book-Entry System is in effect, then redemption shall be made as herein described under the Book-Entry System and in accordance with the provisions of the Letter of Representation and the Indenture. If less than all of the Series 2022 Bonds at the time outstanding are redeemed at the time the Book-Entry System is not in effect, then any redemption shall be in such amount and order of maturities as the Authority shall determine in its sole discretion. In the event that less than all of the principal of the Series 2022 Bonds of a maturity is to be redeemed, the Trustee shall assign a number to each \$5,000 principal portion of all of the Series 2022 Bonds of such maturity and shall, by process of random selection based upon such numbers, select the principal portion of Series 2022 Bonds of such maturity to be redeemed. Notice of any intended redemption shall be given by United States registered or certified mail not less than 30 days prior to the proposed redemption date to the registered owner of each Series 2022 Bonds, all or a portion of the principal of which is to be redeemed, at the address thereof as it last appears on the registration books of the Trustee pertaining to the Series 2022 Bonds. Notice having been so given and payment of the redemption price duly made or provided, (or portions thereof) so called for redemption shall cease to bear interest from and after the redemption date unless default is made in the payment of the redemption price.

The principal of and the interest (and premium, if any) on the Bonds are payable solely out of the rentals and other revenues to be derived by the Authority from the leasing of the Facility, and the payment of said principal and interest (and premium, if any) is secured, pro rata and without preference or priority of one Bond over another by a valid pledge of said revenues (including specifically the amounts payable to the Authority by the City under the Lease Agreement), by the provisions of the Indenture and by an assignment to the Trustee of all right, title and interest of the Authority under the Lease Agreement.

For the purposes and subject to the conditions specified in the Indenture, additional bonds, without express limit as to principal amount and secured on a parity of lien with the Series 2022 Bonds, may be issued in one or more series (the Series 2022 Bonds and all such additional bonds being herein together called the "Bonds"). Reference is hereby made to the Indenture and to the Lease Agreement for a description of the Facility, the nature and extent of the security afforded thereby, the rights and duties of the Authority and the Trustee with respect thereto, the rights of the holders of the Bonds and the terms and conditions on which additional series of Bonds may be issued. The Indenture provides, inter alia, (1) that in the event of default by the Authority in the manner and for the time therein provided, the Trustee may declare the principal of this bond immediately due and payable, whereupon the same shall thereupon become immediately due and payable and the Trustee shall be entitled to pursue the remedies provided in the Indenture, (2) that the Indenture shall not be subject to foreclosure in the event of default by the Authority thereunder, and (3) that all remedies thereunder are vested exclusively in the Trustee for the equal and pro rata benefit of all the holders of the Bonds, unless the Trustee

refuses or neglects to act within a reasonable time after written request so to act addressed to the Trustee by the holders of twenty-five per cent (25%) in principal amount of the outstanding Bonds, accompanied by indemnity satisfactory to the Trustee, in which event the holder of any of the Bonds may thereupon so act in the name and behalf of the Trustee or may so act in his own name in lieu of action by or in the name and behalf of the Trustee, but that otherwise no holder of any of the Bonds shall have the right to enforce any remedy thereunder, and then only for the equal and pro rata benefit of the holders of all the Bonds. The Indenture also provides that the Authority and the Trustee, with the written consent of the holders of not less than 66-2/3% in aggregate principal amount of the Bonds then outstanding under the Indenture, may at any time and from time to time amend the Indenture or any Indenture supplemental thereto, provided that no such amendment shall (1) without the consent of the holder of each bond affected, reduce the principal of, the rate of interest on, or the premium (if any) payable on redemption of, any bond, or (2) without the consent of the holders of all the bonds then outstanding under the Indenture, extend the maturity of any installment of principal or interest on any of the Bonds, create a lien or charge on the Facility or the revenues and receipts therefrom ranking prior to or on a parity with the lien and charge thereon contained in the Indenture, change any mandatory redemption provision, effect a preference or priority of any Bond over any other Bond or reduce the aggregate principal amount of Bonds the holders of which are required to consent to any such amendment.

The Authority is a political subdivision of the State of Alabama organized under the provisions of Chapter 56 of Title 11 of the Code of Alabama of 1975, and the Series 2022 Bonds are authorized to be issued for purposes for which bonds are authorized to be issued under and are issued under the provisions of said act. The covenants and representations herein contained or contained in the Indenture do not and shall never constitute a personal or pecuniary liability or charge against the general credit of the Authority, nor shall the City of Huntsville in any manner be liable for payment of the principal of or the interest on the Bonds or for the performance of the undertakings of the Authority contained herein or in the Indenture.

It is hereby certified that all conditions, actions and things required by the Constitution and laws of Alabama to exist, be performed and happen precedent to or in the issuance of this bond do exist, have been performed and have happened in due and legal form.

The Bonds are issuable only as fully registered bonds in the denomination of \$5,000 each or any integral multiple thereof. Provision is made in the Indenture for the exchange of bonds for a like aggregate principal amount of Bonds of the same maturity and interest rate and in an authorized denomination all as may be requested by the holder surrendering the Bond or Bonds and upon the terms specified in the Indenture.

This Bond is transferable by the registered holder hereof in person, or by duly authorized attorney, only on the registry books of the Trustee pertaining to the Bonds and only upon surrender of this Bond to the Trustee for cancellation, and upon any such transfer a new Bond of like tenor hereof will be issued to the transferee in exchange therefor, all as more particularly provided in the Indenture. Each holder, by receiving and accepting this Bond, shall consent and agree and shall be estopped to deny that, insofar as the Authority and the Trustee are concerned, this Bond may be transferred only in accordance with the provisions of the Indenture.

The Trustee shall not be required so to transfer or exchange this bond during the period of fifteen days next preceding any interest payment date with respect thereto; and in the event this bond (or any portion of the principal hereof) is duly called for redemption, the Trustee shall not be required so to transfer or exchange it during the period of forty-five days next preceding the date fixed for such redemption.

Execution by the Trustee of its authentication certificate hereon is essential to the validity hereof and is conclusive of the due issue hereof under the Indenture.

IN WITNESS WHEREOF, the Authority has caused this bond to be executed in its name and behalf by its Chairman, has caused its corporate seal to be hereunto imprinted, has caused this bond to be attested by the signature of its Secretary, and has caused this bond to be dated March 3, 2022.

**THE PUBLIC BUILDING AUTHORITY
OF THE CITY OF HUNTSVILLE**

By _____
Its Chairman

[SEAL]

Attest:

Secretary

Form of Trustee's Authentication Certificate

The within bond is one of those described in the within-mentioned Trust Indenture.

REGIONS BANK
Trustee

By _____
Its Authorized Officer

(Form of Assignment)

For value received, _____ hereby sell(s), assign(s) and transfer(s) unto _____ the within bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney, with full power of substitution in the premises, to transfer this bond on the books of the within-mentioned Trustee.

DATED this ____ day of _____.

NOTE: The signature on this assignment must correspond with the name of the registered owner as it appears on the face of the within bond in every particular, without alteration, enlargement or change whatsoever.

(Bank, Trust Company or Firm)*

By _____
Authorized Officer

Its Medallion Number: _____

* Signature(s) must be guaranteed by an eligible guarantor institution which is a member of a recognized signature guarantee program, i.e., Securities Transfer Agents Medallion Program (STAMP), Stock Exchanges Medallion Program (SEMP), or New York Stock Exchange Medallion Signature Program (MSP).

Section 7.4 Execution and Delivery of the Series 2022 Bonds and Book Entry System.

(a) All of the Series 2022 Bonds shall, upon the execution and delivery of this Indenture, be executed by the Chairman of the Board of Directors and the Secretary of the Authority and delivered to the Trustee for authentication and registration and the Trustee shall authenticate and register said Bonds and deliver them as the Authority may direct in writing. All of the Series 2022 Bonds shall be delivered at one time. The receipt of the Secretary of the Authority shall be full acquittal to any purchaser or purchasers for the purchase price of any Series 2022 Bonds, and such purchaser or purchasers shall be under no obligation to see to the application thereof. Nevertheless, the Secretary of the Authority shall hold the proceeds from the sale of the Series 2022 Bonds in trust and shall dispose of the same only as provided in Section 7.5 hereof.

(b) The Series 2022 Bonds shall initially be issued pursuant to a Book-Entry System administered by the Securities Depository with no physical distribution of any Bond to any person. One Bond for each maturity will be issued, registered in the name of the Securities Depository Nominee, and immobilized in the custody of the Securities Depository. Beneficial ownership interests in Series 2022 Bonds held by the Securities Depository may be purchased by or through Direct Participants. The holders of these beneficial ownership interests in the Series 2022 Bonds are referred to as the "Beneficial Owners." The Beneficial Owners will not receive certificated Series 2022 Bonds representing their beneficial ownership interests. Ownership of the interests in Series 2022 Bonds in Authorized Denominations will be evidenced on the records of the Securities Depository and the Direct Participants and Indirect Participants pursuant to rules and procedures established by the Securities Depository. During a period in which the Book-Entry System is in effect for the Series 2022 Bonds the Authority and the Trustee shall treat the Securities Depository or the Securities Depository Nominee as the only registered owner of the Series 2022 Bonds for all purposes under this Indenture, including, without limitation, receipt of all principal of, premium (if any) and interest on the Series 2022 Bonds, receipt of notices, voting, and requesting or directing the Trustee or the Authority to take or not to take, or consenting to, certain actions under this Indenture. In the event the Securities Depository or the Securities Depository Nominee assigns its rights to consent or vote under this Indenture to any Direct Participant or Indirect Participant, the City and the Trustee shall treat such assignee or assignees as the only registered owner or owners of the Series 2022 Bonds for the purpose of exercising such rights so assigned.

(c) During a period in which the Book-Entry System is in effect for the Series 2022 Bonds, payments of principal, interest, and redemption premium, if any, with respect to the Series 2022 Bonds will be paid by the Trustee directly to the Securities Depository, or the Securities Depository Nominee, as Holder, and as provided in the Letter of Representations; provided, however, that payment of the principal of (and premium, if any, on) the Series 2022 Bonds due at final maturity or upon redemption in whole of any of the Series 2022 Bonds shall be made only upon surrender thereof at the designated corporate trust office of the Trustee. The Securities Depository and the Direct Participants and the Indirect Participants shall be responsible for the disbursement of such payments to the Beneficial Owners. All such payments to the Securities Depository or the Securities Depository Nominee, as Holder, of principal of, premium (if any) and interest on the Series 2022 Bonds on behalf of the Authority or the Trustee shall be valid and effectual to satisfy and discharge the liability of the Authority and the Trustee to the extent of the amounts so paid, and the Authority and the Trustee shall not be responsible or liable for payment to any Beneficial Owner by the Securities Depository or by any Direct Participant or by any Indirect Participant, or for sending transaction statements or for maintaining, supervising or reviewing records maintained by the Securities Depository or the Direct Participants or the Indirect Participants.

(d) Transfers of ownership interests in the Series 2022 Bonds, by the Beneficial Owners thereof, and conveyance of notices and other communications by the Securities Depository to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners of the Series 2022 Bonds, will be governed by arrangements among the Securities Depository, Direct Participants, Indirect Participants and the Beneficial Owners, subject to any statutory and regulatory requirements as

may be in effect from time to time. For every transfer and exchange of beneficial ownership in the Series 2022 Bonds, the Beneficial Owners may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

(e) Redemption notices respecting Series 2022 Bonds held by the Securities Depository shall be sent to the Securities Depository Nominee by the Trustee, and redemption of Series 2022 Bonds shall be effected as provided in the face of the Bonds and as governed by the Letter of Representations.

(f) In the event that the Securities Depository ceases to act as the securities depository for the Series 2022 Bonds the Authority may discontinue the Book-Entry System for the Series 2022 Bonds. If the Authority fails to appoint another qualified securities depository to replace the then acting Securities Depository, the Authority will cause the Trustee to authenticate and deliver fully registered certificated Series 2022 Bonds to each Beneficial Owner in evidence of the ownership interests thereof. If the Book-Entry System is discontinued for the Series 2022 Bonds, payments to, and transfers of Series 2022 Bonds by, the Beneficial Owners shall be governed by the provisions set forth in the Indenture with respect thereto.

(g) The Authority may enter into a custody agreement with any bank or trust company serving as custodian (which may be the Trustee serving in the capacity of custodian) to provide for a Book-Entry System or similar method for the registration and transfer of the Series 2022 Bonds.

(h) During a period in which the Book-Entry System is in effect for the Series 2022 Bonds in accordance herewith, the provisions of this Indenture and the Series 2022 Bonds shall be construed in accordance with the Letter of Representations and to give full effect to such Book-Entry System.

(i) The Beneficial Owners of the Series 2022 Bonds, by their acquisition of any beneficial interest in a Series 2022 Bond or Series 2022 Bonds, and the Securities Depository, the Securities Depository Nominee, and all Direct Participants and all Indirect Participants, severally agree that the Authority and the Trustee shall not have any responsibility or obligation to any Direct Participant or any Indirect Participant or any Beneficial Owner with respect to (1) the accuracy of any records maintained by the Securities Depository or any Direct Participant or any Indirect Participant; (2) the payment by the Securities Depository or any Direct Participant or any Indirect Participant of any amount due to any Beneficial Owner in respect of the principal of, premium (if any) and interest on the Series 2022 Bonds; (3) the delivery or timeliness of delivery by the Securities Depository or any Direct Participant or any Indirect Participant of any notice due to any Beneficial Owner which is required or permitted under the terms of this Indenture to be given to Beneficial Owners; or (4) any consent given or other action taken by the Securities Depository, or the Securities Depository Nominee, as owner.

(j) The Securities Depository may determine to discontinue the Book-Entry System with respect to the Series 2022 Bonds at any time upon notice to the Authority and the Trustee and upon discharge of its responsibilities with respect thereto under applicable law. Upon such

notice and compliance with law the Book-Entry System for the Series 2022 Bonds will be discontinued unless a successor Securities Depository is appointed by the Authority.

(k) In the event the Book-Entry System for the Series 2022 Bonds is discontinued, Bonds in certificated form in Authorized Denominations will be physically distributed to the Beneficial Owners thereof and such Bonds will be registered in the names of the owners thereof on the Bond Register. The Trustee will make payments of principal of, premium (if any) and interest on such Bonds to the registered owners thereof as provided in the Series 2022 Bonds and this Indenture, and the provisions with respect to registration, transfer and exchange of the Series 2022 Bonds by the registered owners thereof heretofore set out in this Indenture shall apply.

(l) The Authority shall cause to be kept at the designated corporate office of the Trustee a register (the "Bond Register") in which, subject to such reasonable regulations as it may prescribe, the Authority shall provide for the registration of Series 2022 Bonds and registration of transfers of Series 2022 Bonds entitled to be registered or transferred as herein provided. The Trustee is hereby appointed "Bond Registrar" for the purposes of registering Series 2022 Bonds and transfers of Series 2022 Bonds as herein provided.

Section 7.5 Application of Proceeds from Sale of Series 2022 Bonds. The entire proceeds derived from the sale of the Series 2022 Bonds, less the sum of \$259,997.50 representing the underwriter's discount to be retained by the underwriter for the Series 2022 Bonds, shall be paid to the Trustee and promptly thereafter applied by the Trustee for the following purposes and in the following order (and in the amounts specified by or on behalf of the Authority to the Trustee):

(a) deposited into the Construction Fund the sum of \$90,000,000 for payment of the costs of the Facility (including reimbursement to the City of costs paid by the City for design, development, construction, equipping and installation of the Project); and

(b) the balance (\$276,575.35) shall be applied by the Trustee for payment of the costs of issuing the Series 2022 Bonds on the date of issuance thereof, with any remaining amount to be deposited into the Construction Fund and used for payment of the costs of issuing the Series 2022 Bonds or for the costs of developing the Facility as directed by an Authorized Authority Representative.

ARTICLE VIII ADDITIONAL BONDS

Section 8.1 Additional Bonds - In General. In the event the Authority desires (a) to provide funds to pay costs of the Project for the payment of which the moneys on deposit in the Construction Fund are insufficient, or (b) to acquire or construct Capital Improvements (including, without limitation, any additional real property and any additional personal property for use in the Facility), or (c) to refund or retire all or any portion of any one or more series of Bonds then outstanding hereunder or any other obligations of the Authority, or (d)

to accomplish any two or more of the objectives referred to in the preceding clauses (a), (b) and (c), it may at any time and from time to time, if it is not in default under the Indenture, issue Additional Bonds for such purpose, within the limitations of and upon compliance with the provisions of this Article VIII.

The Additional Bonds may be in such denomination or denominations, shall bear interest at such rate or rates, shall bear such dates not inconsistent with the provisions hereof, shall mature in such amounts and at such times as are not in conflict with the provisions hereof, shall be in such form and may contain such provisions for redemption prior to maturity, all as may be provided in the Supplemental Indenture under which they are issued. Any redemption of Additional Bonds prior to maturity shall be effected in the manner set forth in and shall be subject to the provisions of Article VI hereof. The Additional Bonds so issued shall contain an appropriate series designation.

Section 8.2 Conditions Precedent to Issuance of Additional Bonds. Prior to the issuance of any Additional Bonds, the Authority shall deliver to the Trustee the Additional Bonds proposed to be issued, duly executed and sealed, accompanied by the following:

(a) **Supplemental Indenture.** A Supplemental Indenture duly executed, sealed and acknowledged on behalf of the Authority and containing the following: (i) a description of the Additional Bonds proposed to be issued, including the aggregate principal amount, the numbers and series designation, the denomination or denominations, the date, the interest rate or rates and the maturity or maturities thereof, the provisions for redemption thereof prior to maturity and the forms of such Additional Bonds, (ii) a statement that all property acquired and to be acquired by the Authority with the proceeds of such Additional Bonds shall be subject to the demise of the Lease Agreement, (iii) a provision requiring that all such property be located in the Facility or elsewhere on the Site, and (iv) any other provisions that do not conflict with the provisions hereof;

(b) **Proceedings.** A certified copy of the proceedings taken by the Directors authorizing the issuance of the Additional Bonds proposed to be issued and the execution and delivery of the Supplemental Indenture providing therefor, which said proceedings shall include a Resolution requesting the Trustee to authenticate and deliver the Additional Bonds proposed to be issued and reciting the following: (i) that the Authority is not at the time in default hereunder and that no such default is imminent, (ii) the person or persons to whom such Additional Bonds have been sold and awarded and shall be delivered, (iii) the purchase price of such Additional Bonds, and (iv) a list of all Additional Bonds previously issued by the Authority hereunder and at the time outstanding and of the Supplemental Indentures under which they were issued;

(c) **Supplemental Lease.** A fully executed and acknowledged copy of an agreement between the Authority and the City supplemental to the Lease Agreement containing the following: (i) an agreement by the City to pay additional Basic Rent in amounts at least sufficient to pay the principal of, premium (if any) and the interest on such Additional Bonds (except any amount of such interest that is specifically provided in the aforesaid Supplemental Indenture to be initially paid out of the proceeds from the sale of such Additional Bonds) on or prior to the respective due dates of such principal, premium (if any) and interest, (ii) a

recognition and agreement by the City and the Authority that from and after the issuance of such Additional Bonds, any reference in the Lease Agreement to the "Bonds" shall, unless the context clearly indicates otherwise, be construed to refer both to all the Bonds then outstanding under the Indenture and to the Additional Bonds proposed to be issued, (iii) a statement that all property acquired and to be acquired by the Authority out of the proceeds of such Additional Bonds shall be subject to the demise of the Lease Agreement, (iv) a provision requiring that all such property be located in the Facility or elsewhere on the Site, and (v) any other provisions not in conflict with the Indenture or the Lease Agreement; and

(d) **Opinion of Bond Counsel.** An opinion dated on the date of issuance of such Additional Bonds, signed by Bond Counsel and approving the validity and legality of such Additional Bonds.

Upon receipt of the documents required by the provisions of this section to be furnished to it, the Trustee shall, unless it has cause to believe any of the statements set out in said documents to be incorrect, thereupon execute the Supplemental Indenture so presented, and the Trustee shall further authenticate the Additional Bonds with respect to which the said documents shall have been made and shall, upon receipt of evidence satisfactory to it that the Authority has received the purchase price or other consideration therefor, deliver the Additional Bonds so authenticated to the person or persons to whom the Resolution provided for in subsection (b) of this Section directed that such Additional Bonds be delivered.

ARTICLE IX

AGREEMENTS RESPECTING COMPLETION OF CONSTRUCTION OF FACILITY

Section 9.1 Construction of Facility. The Authority will proceed with all due diligence to complete the acquisition, construction, and equipment of the Facility in accordance with the plans and specifications approved by the City therefor, delays incident to strikes, riots, acts of God and the public enemy and similar acts or circumstances beyond the reasonable control of the Authority only excepted. In the manner and subject to the conditions provided in Section 9.2, the Authority will pay, as and when due, all costs and expenses incurred in connection with the foregoing undertakings and all other Development Costs, but the Authority's obligation to pay such costs shall be limited to moneys on deposit in the Construction Fund and such other funds for the payment of such costs as may be made available by the City under the provisions of the Lease Agreement.

The Authority will not suffer or permit any mechanics' or materialmen's liens that might be filed or otherwise claimed or established upon or against the Project or any part thereof, and which might be or become a lien superior to the lien hereof, to remain unsatisfied and undischarged for a period exceeding thirty (30) days after the filing or establishment thereof; provided however, that the Authority may in good faith contest any such mechanics' or materialmen's lien claims so filed or established, and, in the event that such lien claims are so contested, may permit the mechanics' or materialmen's liens so contested to remain unsatisfied and undischarged during the period of such contest and any appeal therefrom, irrespective of

whether such period extends beyond the thirty (30) day period after the filing or establishment of such liens, unless the Trustee shall be of the opinion that by such action the lien of the Indenture to any part of the Project shall be materially endangered or that the Project or any part thereof shall be subject to loss or forfeiture, in which event such mechanics' or materialmen's liens shall (unless they are warranted or superseded in a manner satisfactory to the Trustee) be satisfied prior to the expiration of said thirty (30) day period.

Section 9.2 Construction Fund. There is hereby created a special fund in the name of the Authority to be held by the Trustee and designated as the "Construction Fund." The Trustee shall be the depository, custodian and disbursing agent for the Construction Fund. The proceeds of the Series 2022 Bonds shall be deposited in the Construction Fund and applied to the payment of approved issuance expenses and the acquisition, construction, and equipment of the Project. The Trustee may pay approved issuance expenses without the need for a requisition form, but for all construction costs the Trustee must receive a signed requisition form, a form of which is attached hereto as Exhibit B and incorporated herein by reference.

Section 9.3 Trustee Protected in Construction Fund Payments. Additional Evidence May Be Required. The Trustee shall be fully protected in making withdrawals and payments out of any account forming a part of the Construction Fund for the purposes specified in Section 9.2 hereof.

ARTICLE X

APPLICATION OF REVENUES OF AUTHORITY AND CREATION OF SPECIAL FUNDS

Section 10.1 Bond Fund. There is hereby created a special trust fund, the full name of which shall be the "Bond Fund." The Trustee shall be and remain the depository, custodian and disbursing agent for the Bond Fund. There shall be paid into the Bond Fund, the following:

(a) On or before each August 1 and February 1, commencing August 1, 2022, the Authority will cause to be paid into the Bond Fund an amount equal to the interest that will be payable with respect to the Bonds on the next succeeding Interest Payment Date; and

(b) On or before each February 1, commencing February 1, 2023, the Authority will cause to be paid into the Bond Fund an amount equal to the principal maturing on such February 1.

Any sums deposited in the Bond Fund in accordance with Section 7.5 of this Indenture and amounts transferred to the Bond Fund from the Construction Fund pursuant to the last paragraph of Section 11.2 shall be credited on the then ensuing payments required by the provisions of this subsection to be paid into the Bond Fund until the entire amount of the said sums shall have been so credited.

All moneys paid into the Bond Fund shall be used only for payment of the principal, interest and scheduled mandatory redemption requirements under any Mandatory Redemption Provision on the Bonds, upon or after the respective maturities of such principal and interest; provided, however, that if at the final maturity of the Bonds, howsoever the same may mature, there shall be in the Bond Fund a sum in excess of the amount required to pay in full the principal and interest then due on the Bonds, then any such excess shall thereupon be returned to the Authority. When the amount of moneys on deposit in the Bond Fund equals or exceeds the aggregate of the principal and interest then remaining unpaid with respect to the Bonds, no further payments need be made into the Bond Fund except to make good moneys paid therein which may have become lost or which may not be immediately available for withdrawal under the provisions of this section.

There shall also be credited on the payments due under this Section 10.1 to be made into the Bond Fund on each Interest Payment Date all earnings on investments made pursuant to the provisions of Section 11.2 hereof and all amounts transferred into the Bond Fund pursuant to the provisions of the last paragraph of Section 11.2 hereof, to the end that all moneys held in the Bond Fund (exclusive of amounts constituting interest capitalized beyond the then next succeeding Interest Payment Date and amounts held therein for the payment of matured but unrepresented Bonds) shall be paid out for purposes for which the Bond Fund was created within (13) months from the date such moneys first become available for such purposes.

Section 10.2 Depository. The Trustee shall at all times be the depository, custodian and disbursing agent for the Bond Fund and the Construction Fund; and all moneys herein required to be paid into any of said funds shall be remitted to the Trustee. Out of the moneys deposited with it in the Bond Fund or transferred thereto, the Trustee shall make provision for payment of the interest on the Bonds as said interest matures; and out of the moneys deposited with it in the Bond Fund or transferred thereto, the Trustee shall make provision for payment of the principal of the Bonds as said principal matures and for payment, on the applicable required Redemption Date, of the Redemption Price of any Bonds required to be redeemed prior to their respective maturities by any Mandatory Redemption Provision.

Section 10.3 Continuance of Special Funds. The special funds created in this Article shall be continued until all of the Bonds shall have been paid or surrendered for cancellation, or until provision for such payment has been made, in the manner contemplated by Section 17.1.

ARTICLE XI

SECURITY FOR FUNDS; INVESTMENTS

Section 11.1 Security for Funds. The moneys at any time on deposit in the Construction Fund and the Bond Fund shall be and at all times remain public funds impressed with a trust for the purpose for which each of said funds was created. The Trustee shall at all times keep the moneys on deposit in any such fund continuously secured for the benefit of the Authority and the Holders of the Bonds, either

(a) by holding on deposit, as collateral security, Federal Securities having a market value at any date of calculation (exclusive of accrued interest) not less than the amount of moneys on deposit in the fund being secured, or

(b) if the furnishing of security in the manner provided in (a) above is not permitted by the then applicable law and regulations, then in such other manner as may be required or permitted by the then applicable state and federal laws and regulations respecting the security for, or granting a preference in the case of, the deposit of trust funds;

provided, however, that it shall not be necessary for the Trustee to secure (i) any portion of the moneys on deposit in any such fund that may be insured by the Federal Deposit Insurance Corporation or by any agency of the United States of America that may succeed to its functions, or (ii) any portion of the moneys that are invested in Eligible Investments as herein provided.

Section 11.2 Investment of Funds

(a) All funds held by the Trustee hereunder shall be invested or reinvested by the Trustee, to the extent permitted by law, at the written request of and as directed in writing by the Authority, in Eligible Investments.

(b) Any moneys held as a part of the Bond Fund or the Construction Fund shall be invested or reinvested by the Trustee, at the written direction of the Authority, with such maturities as shall be required in order to assure full and timely payment of amounts required to be paid from the Bond Fund.

ARTICLE XII

PARTICULAR COVENANTS OF THE AUTHORITY

Section 12.1 Payment of the Bonds. The Authority will pay or will cause to be paid out of the revenues from the leasing or operation of the Facility, the principal of and the interest (and premium, if any) on the Bonds as specified therein, and it will otherwise perform all obligations that, either expressly or by reasonable implication, are imposed on it in the Indenture, and it will not default hereunder.

Section 12.2 Priority of Pledge. The pledge herein made of the rentals and other receipts from the Facility shall be prior and superior to any pledge thereof hereafter made for the benefit of any other securities (other than Additional Bonds) hereafter issued payable, in whole or in part, out of the rentals and other receipts to be derived from the Facility or for which any part of the Facility may be mortgaged (on a non-foreclosable basis) or any contract hereafter made by the Authority. In the event the Authority should hereafter issue any other securities (other than Additional Bonds) payable, in whole or in part, out of said rentals or other receipts or for which any part of said rentals or other receipts may be pledged or any part of the Facility may be mortgaged (on a non-foreclosable basis), or in the event the Authority should hereafter make

any contract payable, in whole or in part, out of said rentals and other receipts or for which any part of said rentals and other receipts may be pledged or any part of the Facility may be mortgaged (on a non-foreclosable basis), the Authority will, in the proceedings under which any such securities or contract are hereafter authorized, recognize the priority of the pledge of said revenues and receipts made herein for the benefit of the Bonds. The Authority agrees

(a) not to issue any securities, other than the Bonds, that are payable out of or secured by a pledge of the rentals and other receipts derived by the Authority from the Facility or any part thereof, and

(b) not to place any (non-foreclosable) mortgage or other encumbrance (other than the Indenture or Supplemental Indentures contemplated thereby) on the Facility or any part thereof,

without, in either case, the prior written consent of the City.

Section 12.3 Concerning the Lease Agreement. The Indenture and the rights and privileges of the Trustee and the Holders of the Bonds hereunder are specifically made subject to the rights, options and privileges of the City under the Lease Agreement, and nothing herein contained shall be construed to impair the rights, options and privileges granted to the City by the Lease Agreement. The Authority will perform and observe, or cause to be performed and observed, all agreements, covenants, terms and conditions required to be observed and performed by it in the Lease Agreement. Without relieving the Authority from the consequences hereunder of any default in connection therewith, the Trustee (on behalf of the Authority) may perform and observe, or cause to be performed and observed, any such agreement, covenant, term or condition, all to the end that the Authority's rights under the Lease Agreement may be unimpaired and free from default.

The Authority will promptly notify a Responsible Officer of the Trustee in writing of (a) the occurrence of any event of default by the City under the Lease Agreement (as the term "event of default" is used and defined in the Lease Agreement), provided that the Authority has knowledge of such default, and (b) the giving of any notice of default under the Lease Agreement. The Authority will also promptly notify a Responsible Officer of the Trustee in writing if, to the knowledge of the Authority, the City fails to perform or observe any of the agreements or covenants on its part contained in the Lease Agreement. In the event of any such occurrence of an event of default, any such giving of notice of default or any such failure, whether notice thereof is given to the Trustee by the Authority, as aforesaid, or whether the Trustee independently has knowledge thereof, the Trustee will promptly give written notice thereof to the City and shall in such notice expressly require the City to perform or observe the agreement or covenant with respect to which the City is delinquent, all to the end that if the City does not perform or observe such agreement or covenant (or cause such agreement or covenant to be performed or observed) in the manner and within the time provided by the Lease Agreement, a default may be declared thereunder without delay.

So long as the Lease Agreement shall remain in effect the Authority will cause the Basic Rent payable thereunder to be paid to the Trustee as provided in the Lease Agreement.

The Authority will not cancel, terminate or modify, or consent to the cancellation, termination or modification of, the Lease Agreement (except as is specifically provided, authorized or contemplated therein or herein) unless and until the principal of and the interest (and premium, if any) on the Bonds shall have been paid in full or provision for such payment, as specified in Section 17.1 hereof, shall have been made. In the event of any default under the Lease Agreement, the Authority will exhaust or cause to be exhausted, as promptly as may be practicable, all legal remedies that it may have against the City to obtain compliance with the lease provisions, including payment of the rentals therein provided and performance and observance of all agreements and covenants on the part of the City therein contained.

Section 12.4 Maintenance, Repairs, Changes, Alterations, Taxes and Other Charges. The Authority will continuously maintain the Facility, the Equipment and the other improvements located on the Site in good repair and in good operating condition (reasonable wear and tear excepted), making from time to time all necessary and proper renewals thereof and repairs and replacements thereto (including, without limitation, exterior and structural repairs, renewals and replacements); or it will cause the Facility, the Equipment and said improvements to be so maintained and such repairs and replacements to be so made; provided however, that the Authority shall not be obligated to renew, repair or replace any of the Equipment that may become inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary in the City's use of the Facility, or to cause any such Equipment to be renewed, repaired or replaced. Without the prior written consent of the Trustee (and, unless the City is in default under the Lease Agreement, the City) the Authority will not itself make, or permit to be made, any change or alteration in the Facility or the other buildings and improvements situated on the Site other than those permitted or contemplated by the Lease Agreement.

The City will pay, or will cause to be paid, (a) all taxes and governmental charges of any kind whatsoever that may be lawfully assessed or levied against or with respect to the Project or any part thereof including, without limiting the generality of the foregoing, any taxes levied upon or with respect to the Project (or the receipts, income or profits of the Authority therefrom) which, if not paid, would become a lien on the Project prior to the lien of the Indenture or a charge on the rentals and other receipts therefrom prior to the charge thereon and the pledge and assignment thereof created and made therein, (b) all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Project, and (c) all assessments and charges lawfully made by any governmental body for public improvements that may be secured by a lien on the Project, provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Authority shall be obligated to pay, or cause to be paid, only such installments as come due while any part of the principal of and the interest on the Bonds remains outstanding and unpaid. The Authority may, however, defer or cause to be deferred payment of any such taxes, charges or assessments pending the bona fide contest thereof unless the Trustee shall be of the opinion that by such action the lien of the Indenture as to any part of the Project shall be materially endangered or the Project or any part thereof shall be subject to loss or forfeiture, in which event any such payment then due shall not be deferred.

Section 12.5 Warranty of Title. The Authority warrants its title to the property described on the attached Exhibit A as being free and clear of every lien, encumbrance, trust or

charge prior hereto, other than Permitted Encumbrances; warrants that it has power and authority to subject the said property to the lien hereof and that it has done so hereby; and warrants that it will forever warrant and defend the title to the said property unto the Trustee against the lawful claims of all persons whomsoever, except those claiming under Permitted Encumbrances.

Section 12.6 Sale of Project Prohibited. The Authority will not hereafter sell or otherwise dispose of the whole or any integral part of the Project until the principal of and the interest (and premium, if any) on all the Bonds have been paid in full, or unless and until provision for such payment has been made.

Section 12.7 Freedom of Facility from Prior Liens. The Authority will keep the Facility free from all liens and encumbrances prior to the lien hereof (other than Permitted Encumbrances).

Section 12.8 Inspections by Trustee. The Authority will permit the Trustee and its duly authorized agents to inspect, at any reasonable time, any and every part of the Project and will permit the Trustee and the Holder of any Bond to inspect, at any reasonable time, the books and records of the Authority pertaining to the Project. The Authority will assist in furnishing facilities for any such inspection. The Authority will discharge, pay or satisfactorily provide to the Trustee, or cause to be discharged, paid or provided, all liabilities, expenses and advances reasonably incurred, disbursed or made by the Trustee in the execution of the trusts hereby created (including the reasonable compensation and expenses and disbursements of its counsel and of all other persons not regularly in its employ), and it will from time to time pay to the Trustee, or cause to be paid, reasonable compensation for its services hereunder, including extra compensation for unusual or extraordinary services.

Section 12.9 Recordation. Further Assurances. The Authority will file the Indenture, and all Supplemental Indentures hereafter executed, in such public office or offices in which said documents are required by law to be filed in order to constitute constructive notice thereof and to preserve and protect fully the rights and security afforded thereby to the Trustee and the Holders of the Bonds. In addition, the Authority

(a) will, upon reasonable request, execute and deliver such further instruments and do such further acts as may be necessary or proper to carry out more effectually the purpose of the Indenture, and in particular (without in any way limiting the generality of the foregoing) to make subject to the lien hereof any property hereafter acquired as a part of the Facility and to transfer to any successor trustee or trustees the assets, powers, instruments and funds held in trust hereunder and to confirm the lien of the Indenture with respect to any bonds issued hereunder, and

(b) will take all actions that at the time and from time to time may be necessary (or, in the opinion of the Trustee, may be necessary) to perfect, preserve, protect and secure the interests of the Authority and the Trustee, or either, in and to the Facility.

No failure to request such further instruments or further acts shall be deemed a waiver of any right to the execution and delivery of such instruments or the doing of such acts or be deemed to affect the interpretation of any provisions of the Indenture.

Section 12.10 Concerning the Tax Code. (a) **General.** The Authority recognizes that the Tax Code imposes certain conditions to the exemption from Federal income taxation of interest income on the Bonds. Accordingly, the Authority agrees that it will continually comply with all requirements imposed by the Tax Code as a condition to the exemption from Federal income taxation of the interest income on the Bonds. With respect to any question arising under this Section 12.10, the Authority may rely upon an opinion of nationally recognized Bond Counsel acceptable to it.

(b) **Bonds Not To Be "Private Activity Bonds".** The Authority will not permit the application of proceeds of the Bonds or the use of any facilities financed with proceeds of the Bonds to be used in a manner that would cause any of the Bonds to be "private activity bonds" within the meaning of Section 141(a) of the Tax Code. The City has agreed in the Lease with the Authority that no federal prisoners will be housed in the Facility and the City will not enter into any agreement with any private party, including the federal government, to house any prisoners or other private occupants at the Facility.

(c) **Concerning the Arbitrage Provisions of the Tax Code.** The Authority agrees that it will comply with all provisions of the Tax Code necessary to preclude the Bonds being considered "arbitrage bonds" within the meaning of Section 148 or Section 149 of the Tax Code. Anything herein to the contrary notwithstanding, the Authority will not request any investment of any moneys held under the Indenture, or any sale or other conversion into cash of any such investments, or take any other action if as a result thereof any of the Bonds would be considered "arbitrage bonds" within the meaning of Sections 103(b)(2) and Sections 148 and 149 of the Tax Code and any applicable regulations and, in particular, will not make any investment that would result in amounts on deposit in the funds held hereunder by the Trustee being invested at a yield in excess of the yield on the Bonds, as such yield is required to be computed in accordance with the Tax Code and applicable regulations.

The Trustee will, on behalf of the Authority, keep and maintain such records respecting the investment of funds held under the Indenture for such period of time as shall be necessary in order to determine the yield on investment of proceeds of the Bonds of paragraphs (2) and (3) of Section 148(f) of the Tax Code, and any applicable regulations thereunder; and it will make available to the Authority such information as shall be necessary or desirable to enable the Authority to determine what action (if any) should be taken, under the provisions of Section 148(f) of the Tax Code and any applicable regulations, to avoid the treatment of the Bonds as "arbitrage bonds" within the meaning of said Section 148(f) and applicable regulations (if any).

If, a rebate to the United States of America should be necessary in order to preserve the exemption of the interest income on the Bonds from federal income taxation, the Authority agrees to make such rebate out of rental payments made by the City for such purpose or out of any other funds lawfully available to it.

ARTICLE XIII

CERTAIN PROVISIONS RELATING TO THE POSSESSION, USE AND RELEASE OF THE PROJECT AND TO THE DISPOSITION OF INSURANCE PROCEEDS AND CONDEMNATION AWARDS

Section 13.1 Retention of Possession of Project by Authority. While the Authority is not in default hereunder, it may retain actual possession of the Project and may manage and lease the same, and may collect, use and enjoy the rents, revenues, income and profits thereof to such extent as is in nowise violative of the Authority's covenants herein contained or contained in the Lease Agreement.

Section 13.2 Release of Equipment. Reference is hereby made to Section 6.2 of the Lease Agreement which permits the City to remove, in some cases without any accountability to the Authority or the Trustee, items of the Equipment from the Site and to sell or otherwise dispose of the same free and clear of the demise of the Lease Agreement and of the lien of the Indenture. Any item of the Equipment released from the demise of the Lease in accordance with the provisions thereof shall also be released from the lien of the Indenture, and the Trustee shall at the request of the Authority or the City execute and deliver all instruments that may be necessary to confirm such release.

Section 13.3 Release Upon Payment of Condemnation Award to Trustee. If the Project or any part thereof shall be taken through the exercise of the power of eminent domain, the entire condemnation award referable thereto shall be paid directly to the Trustee. Upon payment to the Trustee of such award, the Trustee shall, at the expense of the Authority, execute and deliver to the Authority or to the corporation or governmental agency successfully exercising such power of eminent domain any and all instruments that may be necessary (i) to release from the demise of the Lease all property forming part of the Project that shall be so taken and (ii) to release from the lien of the Indenture all property forming part of the Project that shall be so taken.

Section 13.4 Disposition of Condemnation Award. Reference is hereby made to the Lease Agreement wherein it is provided that if title to all or any part of the Project shall be taken through the exercise of the power of eminent domain, the entire condemnation award referable thereto shall be paid to and held by the Trustee and shall thereafter be applied by the Trustee in the manner and for the purposes specified in Section 7.2 of the Lease Agreement. The Trustee hereby accepts the duties and obligations on its part specified in the Lease Agreement with respect to such condemnation award and agrees that such condemnation award shall be applied in accordance with the applicable provisions of the Lease Agreement.

Section 13.5 Disposition of Insurance Proceeds. Reference is hereby made to the Lease Agreement wherein it is provided that if the Facility is destroyed, in whole or in part, or is damaged, by fire or other casualty, then all "Net Insurance Proceeds" (as defined in the Lease) recovered by the Authority, the City and the Trustee shall be paid to and held by the Trustee and shall thereafter be applied by the Trustee in the manner and for the purposes specified in Section 7.1 of the Lease Agreement. The Trustee hereby accepts the duties and

obligations on its part specified in the Lease Agreement with respect to such proceeds and agrees that such proceeds shall be applied in accordance with the applicable provisions of the Lease Agreement. All proceeds of insurance shall be deposited into the Construction Fund and applied for payment of the costs of restoration of the Facility or the redemption of Series 2022 Bonds, at the direction of and upon requisition approved by the Authority and the City.

ARTICLE XIV

EVENTS OF DEFAULT AND REMEDIES OF TRUSTEE AND BONDHOLDERS

Section 14.1 Events of Default Defined. Any of the following shall constitute default hereunder by the Authority:

(a) Failure by the Authority to pay the principal of, the interest on or the premium (if any) on any Bond as and when the same become due as therein and herein provided (whether such shall become due by maturity, any Mandatory Redemption Provision or otherwise);

(b) A default by the City under the Lease Agreement and the continuance thereof during the grace period, if any, provided in the Lease Agreement;

(c) Failure by the Authority to perform and observe any of the agreements and covenants on its part herein contained, other than (i) its agreement to pay the principal of, the interest of and the premium (if any) on the Bonds, and (ii) any other agreement with respect to which its failure to perform is the result of an "event of default" by the City under the Lease Agreement, after thirty (30) days' written notice to it of such failure made by the Trustee or by the Holders of not less than twenty-five per cent (25%) in principal amount of the Bonds then outstanding and secured hereby, unless during such period or any extension thereof the Authority has commenced and is diligently pursuing appropriate corrective action; or

(d) Any warranty, representation or other statement by or on behalf of the Authority in the Lease Agreement or this Indenture or in any certificate furnished with respect thereto being false and misleading in any material respect at the time made.

Section 14.2 Remedies on Default. Upon any default in any one of the ways defined in the preceding Section 14.1 hereof, the Trustee shall have the following rights and remedies:

(a) **Acceleration.** The Trustee may, by written notice to the Authority, declare the principal of and the interest accrued on all the Bonds forthwith due and payable, and such principal and interest shall thereupon become

and be immediately due and payable, anything herein or therein to the contrary notwithstanding. If, however, the Authority makes good that default and every other default hereunder (except for those installments of principal and interest declared due and payable that would, absent such declaration, not be due and payable), with interest on all overdue payments of principal and interest, and makes reimbursement of all the reasonable expenses of the Trustee, then the Trustee may (and, if requested in writing by the Holders of a majority in principal amount of the then outstanding Bonds, shall), by written notice to the Authority, waive such default and its consequences, but no such waiver shall affect any subsequent default or right relative thereto.

(b) **Suits at Law or in Equity.** The Trustee is empowered, (i) to sue on the Bonds, (ii) by mandamus, suit or other proceeding, to enforce all agreements of the Authority herein contained, including the fixing of rentals, the collection and proper segregation of the revenues from the Facility and the proper application thereof, (iii) by action or suit in equity, to require the Authority to account as if it were the trustee of an express trust for the Holders of the Bonds, and (iv) by action or suit in equity, to enjoin any action or things which may be unlawful or a violation of the rights of the Holders of the Bonds.

(c) **Receivership.** The Trustee shall be entitled to and shall have, regardless of the sufficiency of any security or the availability of any other remedy, the appointment of a receiver to administer and operate the Facility and to perform the covenants on the part of the Authority herein contained. Any receiver so appointed shall be entitled to take over and administer all of the following then on hand which shall be applicable to the Facility: cash on hand or on deposit, accounts and notes receivable, stocks, evidences of indebtedness, choses in action, and lease agreements with respect to the Facility or any part thereof.

Nothing herein contained, however, shall be construed to give any authority to the Trustee or the Holders of any of the Bonds to compel a sale of the Facility or any part thereof, and no foreclosure proceedings or sale shall ever be had under the authority of this Indenture with respect to the Facility or any part thereof.

Section 14.3 Application of Moneys Received from Facility. Any moneys received by the Trustee or by a receiver from the Facility pursuant to the provisions of this article or pursuant to any right given to it or action taken by it under the provisions of this article, together with all other funds then held by it hereunder, shall, after payment of all proper costs, expenses and liabilities incurred and disbursements made by the Trustee hereunder, and all liens and charges on the Facility prior hereto which in the opinion of the Trustee it is advisable to pay, be applied as follows:

(a) Unless the principal of all the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

FIRST - To the payment to the persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest, with interest on overdue installments of interest, and, if the amount available shall not be sufficient to pay in full any particular installment plus said interest thereon, then to the payment ratably, according to the amounts due on such installments and with respect to said interest, to the persons entitled thereto, without any discrimination or privilege;

SECOND - To the payment to the persons entitled thereto of the unpaid principal of and premium, if any, on any of the Bonds which shall have become due (other than Bonds matured or called for redemption for the payment of which moneys are held pursuant to the provisions of this Indenture), with interest on overdue installments of principal, and, if the amount available shall not be sufficient to pay in full all such principal (and premium, if any), together with such interest, then to the payment of such principal, premium (if any) and interest ratably, without any discrimination or privilege; and

THIRD - The surplus, if any there be, into the Bond Fund, or in the event the Bonds have been fully paid, to the Authority or to whomsoever may be entitled thereto.

(b) If the principal of all the Bonds shall have become or been declared due and payable, all such moneys shall be applied as follows:

FIRST - To the payment of the principal and interest then due and unpaid upon the Bonds (with interest on overdue principal and interest), without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege; provided however, that if the principal of all the Bonds shall have been declared due and payable and if such declaration shall thereafter have been rescinded under the provisions of Section 14.2, then, subject to the provisions of this subsection (b) in the event that the principal of all the Bonds shall later become or be declared due and payable, such moneys shall be applied in accordance with the provisions of subsection (a) of this Section 14.3; and

SECOND - The surplus, if any there be, or in the event the Bonds have been fully paid, to the Authority or to whomsoever may be entitled thereto.

Whenever moneys are to be applied pursuant to the provisions of this Section 14.3, such moneys shall be applied at such time or times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal and interest to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date and shall not be required to make payment to the holder of any unpaid Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Section 14.4 Remedies Vested in Trustee. All remedies hereunder are vested exclusively in the Trustee for the equal and pro rata benefit of all the Holders of the Bonds, unless the Trustee refuses or neglects to act within a reasonable time after written request so to act addressed to the Trustee by the Holders of twenty-five per cent (25%) in principal amount of the outstanding Bonds, accompanied by indemnity satisfactory to the Trustee, in which event the Holder of any of the Bonds may thereupon so act in the name and behalf of the Trustee or may so act in his own name in lieu of action by or in the name and behalf of the Trustee. Except as above provided, no Holder of any of the Bonds shall have the right to enforce any remedy hereunder, and then only for the equal and pro rata benefit of the Holders of all the Bonds.

Notwithstanding any other provision hereof, the right of the Holder of any Bond, which is absolute and unconditional, to receive payment of the principal of and the interest on such Bond on or after the due date thereof, but solely from the revenues from the Facility as therein and herein expressed, or to institute suit for the enforcement of such payment on or after such due date, or the obligation of the Authority, which is also absolute and unconditional, to pay, but solely from said revenues and receipts, the principal of and the interest on the Bonds to the respective Holders thereof at the time and place in said Bonds expressed, shall not be impaired or affected without the consent of such Holder.

Section 14.5 Delay No Waiver. No delay or omission by the Trustee or by any Bondholder to exercise any available right, power or remedy hereunder shall impair or be construed a waiver thereof or an acquiescence in the circumstances giving rise thereto; every right, power or remedy given herein to the Trustee or to the Bondholders may be exercised from time to time and as often as deemed expedient.

ARTICLE XV

CONCERNING THE TRUSTEE

Section 15.1 Acceptance of Trusts. The Trustee accepts the trusts hereby created and agrees to perform the duties herein required of it, either expressly or by reasonable implication, subject, however, to the following conditions:

(a) It shall not be liable hereunder except for its non-compliance with the provisions hereof, its willful misconduct or its gross negligence.

(b) It may execute any of the trusts and powers conferred on it hereunder or perform any duty hereunder either directly or through agents and attorneys in fact who are not regularly in its employ and who are selected by it with reasonable care.

(c) It may consult Counsel on any matters connected herewith and shall not be answerable for any action taken or failure to take any action in good faith on the advice of Counsel, provided that its action or inaction is not contrary to any express provision hereof.

(d) It need not recognize a Holder of a Bond or Bonds as such without the satisfactory establishment of his title to such Bond or Bonds.

(e) It shall not be answerable for any action taken in good faith on any notice, request, consent, certificate or other paper or document which it believes to be genuine and signed or acknowledged by the proper party.

(f) It need not notice any default hereunder unless requested so to do by the Holders of twenty-five per cent (25%) of the then outstanding Bonds.

(g) In the event of default by the Authority hereunder, the Trustee need not exercise any of its rights or powers specified in Section 14.2 hereof or take any action under said Section 14.2 unless requested in writing so to do by the Holders of twenty-five per cent (25%) of the then outstanding Bonds; it may exercise any such rights or powers or take any such action, if it thinks advisable, without any such request; it shall do so when so requested; provided that the furnishing of indemnity, satisfactory to the Trustee, against its prospective liabilities and expenses by the Holders requesting any action by the Trustee under said Section 14.2 shall be a condition precedent to the duty of the Trustee to take or continue any action under said Section 14.2 which in the opinion of the Trustee would involve it in any such liabilities or expenses. Whenever it has a choice of remedies under said Section 14.2 or a discretion as to details in the exercise of its powers thereunder, it must follow any specific directions given by the Holders of a majority of the Bonds at the time outstanding, anything therein or herein to the

contrary notwithstanding, unless the observance of such directions would, in the opinion of the Trustee, unjustly prejudice the non-assenting Bondholders.

(h) It shall be entitled to reasonable compensation for its services hereunder, including extra compensation for unusual or extraordinary services, and reimbursement of all advances, reasonable counsel fees and other reasonable expenses reasonably made or incurred by the Trustee in connection with such services. It shall pay the fees and charges of any co-paying agents for any of the Bonds (for which it shall be entitled to reimbursement from the Authority).

(i) Any action taken by the Trustee at the request of and with the consent of the Holder of a Bond will bind all subsequent Holders of the same Bond and any Bond issued hereunder in lieu thereof.

(j) It may be the Holder of Bonds as if not Trustee hereunder.

(k) It shall not be liable for the proper application of any moneys other than those that may be paid to or deposited with it.

(l) It shall not unreasonably withhold or delay any consent or approval required of it under the provisions hereof or of the Lease Agreement.

(m) All moneys received by the Trustee to be held by it hereunder shall be held as trust funds until disbursed in the manner herein provided therefor. The Trustee shall not be liable to pay or allow interest thereon or otherwise to invest any such moneys except as specifically required herein.

(n) It may make any investments permitted hereby through its own Bond Department, and any Eligible Certificates issued by it hereunder shall be deemed investments and not deposits.

(o) It shall, upon reasonable request, advise the Authority or the City of the amount at the time on deposit in any of the special funds herein created.

(p) It shall, upon reasonable request, issue to the Authority or the City certificates indicating whether, to the knowledge of the Trustee, the Authority or the City is in default under the provisions of the Indenture or the Lease Agreement, respectively.

(q) The recitals of fact herein and in the Bonds are statements by the Authority and not by the Trustee, and the Trustee is in no way responsible for the validity or security of the Bonds, insuring the Facility, the existence of any part of the Facility, the value thereof, the title of the Authority thereto, the security afforded hereby or the validity or priority of the lien hereof.

(r) The Trustee shall have no responsibility for filing or recording of this Indenture or any other document or instrument including, without limitation, any initial financing statements.

(s) The Trustee shall have no responsibility for any information in any offering memorandum or other disclosure material distributed with respect to the Bonds, and the Trustee shall have no responsibility for compliance with any state or federal securities laws in connection with the Bonds.

(t) When the Trustee incurs expenses or renders services after the occurrence of an act of bankruptcy with respect to the Authority, the expenses and the compensation for the services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

(u) The Trustee shall not be required to take notice or be deemed to have notice of any default hereunder except for the default specified in Section 14.1(a), unless a Responsible Officer of the Trustee shall be specifically notified in writing of such default by the Authority or by the Holders of at least fifty percent (50%) in aggregate principal amount of outstanding Bonds, and all notices or other instruments required by this Indenture to be delivered to the Trustee, must, in order to be effective, be delivered at the designated office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no default except as aforesaid.

(v) As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a certificate signed by an Authorized Authority Representative or an Authorized City Representative as sufficient evidence of the facts therein contained and prior to the occurrence of a default of which a Responsible Officer of the Trustee has been notified as provided in Section 15.1(v) hereof, or of which by said subsection the Trustee is deemed to have notice, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed by it to be necessary or advisable, but shall in no case be bound to secure the same.

(w) The Trustee may accept a certificate of the officials of the Authority (or their successors in office) who executed the Bonds to the effect that a Resolution in the form set forth in such certificate has been adopted by the Authority as conclusive evidence that such Resolution has been duly adopted and is in full force and effect.

(x) The Trustee's rights to immunities and protection from liability hereunder and its rights to payment of its fees and expenses shall survive its resignation or removal and final payment, redemption or defeasance of the Bonds.

All indemnifications and releases from liability granted herein to the Trustee shall extend to the directors, officers, employees and agents of the Trustee.

Section 15.2 Trustee Authorized to Pay Certain Charges. Without relieving the Authority from the consequences of any default in connection therewith, the Trustee may pay any charge which the failure of the Authority to pay has made or will make an encumbrance or lien prior hereto on the Facility, and in the event the City or the Authority shall fail to take out or cause to be taken out insurance on the Facility to the extent required by the Indenture, the Trustee may take out any such insurance on the Facility that the Authority has failed to furnish or cause to be furnished and may pay the premiums thereon; provided that in each case (a) the Trustee first gives to the Authority such notice as is reasonable under the circumstances of the Authority's failure to pay such charge or take out or cause to be taken out such insurance, and (b) the Authority does not within such time thereafter as the Trustee deems reasonable under the circumstances pay such charge or take out or cause to be taken out such insurance. The Trustee, however, shall not be required to pay any such charge or take out any such insurance, and it shall not be liable in any manner for any failure to do so. All sums expended by the Trustee under the provisions of this section shall be secured by the Indenture, shall bear interest at the rate of 2% above the Trustee Prime Rate from the date of payment thereof, and shall be entitled to priority of payment over the principal of or the interest (and premium, if any) on any of the Bonds. The Authority will reimburse the Trustee on demand for all sums so expended by the Trustee, together with interest at said rate.

Section 15.3 Trustee May File Claims. The Trustee may at any time file a claim in its own name or for the benefit of the Holders of the Bonds in any court proceeding where any such claim may be permitted or required, whether such proceeding be by way of reorganization, bankruptcy, receivership or of any other nature. The Holders of the Bonds do hereby constitute and appoint the Trustee as their irrevocable agent and attorney in fact for the purpose of filing any such claim, but such authorization shall not include the power to agree to accept new securities of any nature in lieu of the Bonds or to alter the terms of the Bonds.

Section 15.4 Resignation and Discharge of Trustee. The Trustee may resign and be discharged of the trusts hereby created upon thirty (30) days written notice to the Authority and the Holders of the Bonds specifying the effective date of such resignation. The Trustee may at any time be removed by a written instrument upon thirty (30) days written notice signed by the Authority (so long as no event of default exists hereunder) or by Holders of a majority in Outstanding Amount of the Bonds then outstanding. No resignation or removal of the Trustee shall be effective until the appointment of a successor as provided below. If the Trustee shall resign or be removed, it shall be reimbursed for all its proper prior expenses reasonable under the circumstances and that would be due under this Indenture.

Section 15.5 Appointment of Successor Trustee. If the Trustee shall resign, be removed, be placed by a court or governmental authority under the control of a receiver or other public officer or otherwise become incapable of acting, a successor may be appointed by a written instrument signed by the Holders of a majority in outstanding amount of the Bonds and in the interim by an instrument executed by the Authority, such interim successor Trustee to be immediately and ipso facto superseded by the one appointed as above by the said Holders. The

Authority shall give written notice of such interim appointment, in the event such is made, to the Holders of the Bonds, and when the appointment of a successor Trustee, as selected by the Holders of a majority in outstanding amount of the Bonds, becomes effective, such successor Trustee shall give written notice of that fact to the Holders of the Bonds. Any successor Trustee shall be a bank or trust company authorized to administer trusts and having, at the time of its acceptance of such appointment combined capital, surplus and undivided profits of at least \$50,000,000. If no successor Trustee shall have been appointed and accepted appointment within sixty (60) days of the resignation, removal, or the occurrence of a vacancy in the office of Trustee in the manner herein provided, the Trustee or any Holder may petition any court of competent jurisdiction for the appointment of a successor Trustee until a successor shall have been appointed as above provided.

Section 15.6 Concerning Any Successor Trustee. Any successor Trustee shall execute and deliver to the Authority an instrument accepting the trusts and shall thereupon ipso facto succeed to all the estate and title of the retiring Trustee to the Facility and to its rights, powers and responsibilities hereunder. The Authority will, upon request of the successor Trustee, execute and deliver to it any instrument reasonably requested in further assurance thereof. Any such instrument so executed shall be filed for record in the office of the Judge of Probate of the county in which the Facility is located. Any successor Trustee may effectively adopt the authentication certificate of a predecessor Trustee on Bonds already authenticated and not delivered, and may so deliver them; and it may effectively authenticate Bonds in its own name.

ARTICLE XVI

AUTHORIZATION OF SUPPLEMENTAL INDENTURES, MODIFICATION OF THE INDENTURE, THE LEASE AGREEMENT AND SUPPLEMENTAL INDENTURES

Section 16.1 Supplemental Indentures without Bondholder Consent. The Authority and the Trustee may at any time and from time to time enter into such Supplemental Indentures (in addition to such Supplemental Indentures as are otherwise provided for herein or contemplated hereby) as shall not be inconsistent with the terms and provisions hereof, for any one or more of the following purposes:

(a) To add to the covenants and agreements of the Authority herein contained other covenants and agreements thereafter to be observed and performed by the Authority, provided that such other covenants and agreements shall not either expressly or impliedly limit or restrict any of the obligations of the Authority contained in the Indenture;

(b) To cure any ambiguity or to cure, correct or supplement any defect or inconsistent provision contained in the Indenture or in any Supplemental Indenture or to make any provisions with respect to matters arising under the Indenture or any Supplemental Indenture for any other purpose if such provisions are necessary or desirable and are not inconsistent with the provisions of the Indenture or any Supplemental Indenture and do not adversely affect the interests of the Holders of the Bonds; and

(c) To subject to the lien of the Indenture and the pledge herein contained additional property and the revenues therefrom.

Any Supplemental Indenture entered into under the provisions of and pursuant to this section shall not require the consent of any Bondholders.

Section 16.2 Supplemental Indenture Requiring Bondholder Consent. In addition to those Supplemental Indentures permitted by Section 16.1, the Authority and the Trustee may, at any time and from time to time, with the written consent of the Holders of not less than sixty-six and two-thirds per cent (66-2/3%) of the Bonds then outstanding, enter into such Supplemental Indentures as shall be deemed necessary or desirable by the Authority and the Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any Supplemental Indenture; provided, that without the written consent of the Holder of each Bond affected, no reduction in the principal amount of, rate of interest on, or the premium payable upon the redemption of, any Bond shall be made; and provided further, that without the written consent of the Holders of all the Bonds none of the following shall be permitted:

- (a) An extension of the maturity of any installment of principal of or interest on any Bond;
- (b) The creation of a lien or charge on the Facility or the revenues therefrom ranking prior to or on a parity with the lien and charge thereon contained herein;
- (c) A change in any Mandatory Redemption Provision;
- (d) The establishment of preferences or priorities as between the Bonds; or
- (e) A reduction in the aggregate principal amount of Bonds the Holders of which are required to consent to such Supplemental Indenture.

Upon the execution of any Supplemental Indenture under and pursuant to the provisions of this section, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Authority, the Trustee and all Holders of the Bonds then outstanding shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such modifications and amendments.

Section 16.3 Execution of Supplemental Indentures. The Authority and the Trustee recognize that, to the extent specified in Section 9.1 of the Lease Agreement, they may not make any amendment of the Indenture or any Supplemental Indenture without the prior written consent of the City. Subject to such consent, the Trustee is authorized to join with the Authority in the execution of any Supplemental Indenture authorized under the provisions of this article and to make the further agreements and stipulations which may be contained therein, but

the Trustee shall not be obligated to enter into any such Supplemental Indenture which affects its rights, duties or immunities under the Indenture. Any Supplemental Indenture executed in accordance with the provisions of this article shall thereafter form a part of the Indenture, and all the terms and conditions contained in such Supplemental Indenture as to any provisions authorized to be contained therein, shall be deemed to be a part of the terms and conditions of the Indenture for any and all purposes.

Section 16.4 Amendments to Lease Agreement. The Authority may, with the written consent of the Trustee but without the consent of or any notice to the holders of any of the Bonds,

(a) amend, change or modify the Lease Agreement so as to identify more precisely the Equipment or additional rights and interests in property acquired in accordance with the provisions of the Lease Agreement, and

(b) amend, change or modify the Lease Agreement to cure any ambiguity or to cure, correct or supplement any defect or inconsistent provision contained in the Lease Agreement, or to make provision with respect to matters arising under the Lease Agreement for any other purpose if such provisions are necessary or desirable and are not inconsistent with the provisions of the Lease Agreement or the Indenture and do not, in the sole and uncontrolled judgment of the Trustee, adversely affect the interests of the holders of the Bonds.

The Authority may, at any time and from time to time, with the written consent of the Trustee and the written consent of the holders of not less than sixty-six and two-thirds per cent (66-2/3%) of the Bonds then outstanding, amend, change or modify the Lease Agreement to such extent as shall be deemed necessary or desirable by the Authority and the Trustee, provided that without the written consent of the holders of all the Bonds, no such amendment, modification or change with respect to the Lease Agreement shall permit (i) a reduction in the amount of Basic Rent prior to payment in full of the principal of and the interest (and premium, if any) on the Bonds, (ii) any reduction of or change in the due dates of Basic Rent payments prior to such full payment of the Bonds, or (iii) any other change that, in the sole and uncontrolled judgment of the Trustee, might adversely affect the interests of the holders of the Bonds.

Section 16.5 Discretion of the Trustee. In the case of any Supplemental Indenture or amendment, modification or change with respect to the Lease Agreement authorized under the provisions of this article, the Trustee shall be entitled to exercise its discretion in determining whether or not any proposed Supplemental Indenture or amendment, modification or change with respect to the Lease Agreement, or any term or provision therein contained, is proper or desirable, having in view the purposes of such instrument, the needs of the Authority and the Facility and the rights and interests of the Bondholders, and the Trustee shall not be under any responsibility or liability to the Authority or to any Bondholder or to anyone whomsoever for any act or thing which it may in good faith do or decline to do under the provisions of this article. The Trustee shall be entitled to receive, and shall be fully protected in relying upon, an opinion of Independent Counsel acceptable to it as conclusive evidence that any

such Supplemental Indenture or any such amendment, modification or change with respect to the Lease Agreement complies with the provisions of the Indenture and that it is proper for the Trustee acting under the provisions of this article to join in the execution of such Supplemental Indenture or to consent to such amendment, modification or change with respect to the Lease Agreement.

ARTICLE XVII
PAYMENT AND CANCELLATION OF THE BONDS
AND SATISFACTION OF THE INDENTURE

Section 17.1 Satisfaction of Indenture. Whenever the entire indebtedness secured by the Indenture, including all proper charges of the Trustee hereunder, shall have been fully paid, the Trustee shall cancel, satisfy and discharge the lien of the Indenture and shall execute and deliver to the Authority such deeds and instruments as shall be requisite to satisfy of record the lien hereof and to reconvey and transfer the Facility to the Authority. For purposes of the Indenture, any of the Bonds shall be deemed to have been paid when there shall have been irrevocably deposited with the Trustee for payment thereof the entire amount (principal, interest and premium, if any) due or to be due thereon until and at maturity, and, further, any of the Callable Bonds shall also be deemed to have been paid when the Authority shall have deposited with the Trustee the following:

(a) the applicable Redemption Price of such Bond, including the interest that will mature thereon to the earliest date on which it may, under the terms of the Indenture, be redeemed,

(b) a certified copy of the Resolution required by subsection (a) of Section 6.1 (if, under the terms of said subsection (a), the adoption of such a Resolution is required), and

(c) either (i) evidence satisfactory to the Trustee that notice of redemption of such Bond has been given as provided in Article VI, or (ii) irrevocable powers authorizing the Trustee to give such redemption notice.

In addition, any Bonds shall, for all purposes of the Indenture, be deemed fully paid if there shall be filed with the Trustee each of the following:

(1) a trust agreement between the Authority and the Trustee making provision for the retirement of such Bonds by creating for that purpose an irrevocable trust fund sufficient to provide for payment and retirement of such Bonds (including payment of the interest that will mature thereon until and on the dates they are retired, as such interest becomes due and payable), either by redemption prior to their respective maturities, by payment at their respective maturities or by payment of part thereof at their respective maturities and redemption of the remainder prior to their respective maturities, which said trust fund shall consist of (A) Federal Securities which are not subject to redemption prior to their respective maturities at the option of the issuer and which, if the

principal thereof and the interest thereon are paid at their respective maturities, will produce funds sufficient so to provide for payment and retirement of such Bonds, or (B) both cash and such securities which together will produce funds sufficient for such purpose, or (C) cash sufficient for such purpose;

(2) a certified copy of a Resolution calling for redemption those of such Bonds that, according to said trust agreement, are to be redeemed prior to their respective maturities; and

(3) evidence that notice of such redemption has been given pursuant to the requirement of Article VI or that irrevocable powers for the giving of such redemption notice have been conferred on the Trustee.

Section 17.2 Cancellation of Paid Bonds. When and as the Bonds are paid, those so paid shall be forthwith cancelled by the Trustee and delivered to the Authority. Likewise all mutilated Bonds replaced by new Bonds shall forthwith be cancelled by the Trustee and delivered to the Authority. The Trustee may, in either case, deliver to the Authority a certificate of cancellation in lieu of the delivery of the cancelled Bonds.

Section 17.3 Payment of Certain Surplus Moneys to the City. At such time as the Bonds and any other indebtedness secured by the Indenture shall have been fully paid in accordance with the provisions of Section 17.1, the Trustee shall, if the Lease Agreement has not theretofore been terminated as a result of a default by the City, pay to the City any surplus moneys then remaining in any of the funds created under the Indenture.

ARTICLE XVIII MISCELLANEOUS PROVISIONS

Section 18.1 Disclaimer of General Liability. It is hereby expressly made a condition of this Indenture that any agreements, covenants or representations herein contained or contained in the Bonds do not and shall never constitute or give rise to any personal or pecuniary liability or charge against the general credit of the Authority, and in the event of a breach of any such agreement, covenant or representation, no personal or pecuniary liability or charge payable directly or indirectly from the general revenues of the Authority shall arise therefrom. Further, none of the members of the Directors and none of the officers, employees or agents of the Authority shall have any personal or pecuniary liability whatever hereunder or any liability for the breach by the Authority of any of the agreements on its part herein contained. Nothing contained in this section, however, shall relieve the Authority from the observance and performance of the several covenants and agreements on its part herein contained.

Section 18.2 Retention of Moneys for Payment of Bonds. Should any of the Bonds not be presented for payment when due, whether by maturity or otherwise, the Trustee shall, subject to the provisions of any applicable escheat or other similar law, retain from any moneys transferred to it for the purpose of paying said Bonds so due, for the benefit of the Holders thereof, a sum of money sufficient to pay such Bonds when the same are presented by the Holders thereof for payment (upon which sum the Trustee shall not be required to pay

interest). All liability of the Authority to the Holders of such Bonds and all rights of such Holders against the Authority under the Bonds or under the Indenture shall thereupon cease and determine, and the sole right of such Holders shall thereafter be against such deposit. Moneys set aside for payment of matured but unrepresented Bonds may not, any provisions hereof to the contrary notwithstanding, be invested, and such moneys shall not, for the purposes of determining the amount on deposit in any of the funds, be considered as moneys on deposit therein. If any Bond shall not be presented for payment within a period of three (3) years following the date when such Bond becomes due, whether by maturity or otherwise, the Trustee shall, subject to the provisions of any applicable escheat or other similar law, return to the Authority any moneys theretofore held by it for payment of such Bond, and such Bond shall (subject to the defense of any applicable statute of limitation) thereafter be an unsecured obligation of the Authority.

Section 18.3 Form of Requests, etc., by Bondholders. Any request, direction or other instrument required to be signed or executed by Holders of the Bonds may be in any number of concurrent instruments of similar tenor, signed, or executed in person or by agent appointed in writing. Such signature or execution may be proved by the certificate of a notary public or other officer at the time authorized to take acknowledgments to deeds to be recorded in Alabama, stating that the signer was known to him and acknowledged to him the execution thereof.

Section 18.4 Limitation of Rights. Nothing herein or in the Bonds shall confer any right on anyone other than the Authority, the Trustee, the City, and the Holders of the Bonds.

Section 18.5 Manner of Proving Ownership of Bonds. The ownership at any given time of a Bond may be proved by a certificate of the Trustee stating that on the date stated the Bond described was registered on its books in the name of the stated party.

Section 18.6 Indenture Governed by Alabama Law. It is the intention of the parties hereto that the Indenture shall in all respects be governed by the laws of the State of Alabama.

Section 18.7 Notices. All notices, demands, requests and other communications hereunder shall be deemed sufficient and properly given if in writing and delivered in person to the following addresses or received by certified or registered mail, postage prepaid with return receipt requested, at such addresses:

(a) If to the Authority:

The Public Building Authority of the City of Huntsville
308 Fountain Circle
Huntsville, Alabama 35810

(b) If to the City:

the City of Huntsville

308 Fountain Circle
Huntsville, Alabama 35810

(c) If to the Trustee:

Regions Bank
1900 5th Avenue North, 26th Floor
Birmingham, Alabama 35203

Any of the above-mentioned parties may, by like notice, designate any further or different addresses to which subsequent notices shall be sent. The Trustee and the Authority will send a copy of each notice that either thereof gives to the other pursuant to the provisions hereof to the City so long as no default under the Lease Agreement shall have occurred and be continuing; provided however, that the failure of either the Authority or the Trustee to send a copy of any such notice to the City shall not invalidate such notice or render it ineffective unless notice to the City is otherwise expressly required herein. Any notice hereunder signed on behalf of the notifying party by a duly authorized attorney at law shall be valid and effective to the same extent as if signed on behalf of such party by a duly authorized officer or employee.

IN WITNESS WHEREOF, the Authority has caused this Indenture to be executed in its corporate name and behalf by its Chairman, has caused its corporate seal to be hereunto affixed and has caused this Indenture to be attested by its Secretary, and the Trustee, to evidence its acceptance of the trusts hereby created, has caused this Indenture to be executed in its name and behalf, has caused its seal to be hereunto affixed and has caused this Indenture to be attested, by its duly authorized officers, all as of the 3rd day of March, 2022.

**THE PUBLIC BUILDING AUTHORITY OF
THE CITY OF HUNTSVILLE**

By *Mrs. Powell*
Its Chairman

[SEAL]
ATTEST:
[Signature]
Its Secretary

REGIONS BANK

By *Dian Wilson*
Its *Vice President*

ATTEST:
Rob Feste
Its *Vice President*

STATE OF ALABAMA)
 :
MADISON COUNTY)

I, Sherry L. Bush, a Notary Public in and for said county in said state, hereby certify that **MARK RUSSELL**, whose name as Chairman of **THE PUBLIC BUILDING AUTHORITY OF THE CITY OF HUNTSVILLE**, a political subdivision of the State of Alabama, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of the within instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation.

GIVEN under my hand and official seal of office, this 3rd day of March, 2022.

(NOTARIAL SEAL)



Sherry L. Bush

Notary Public

STATE OF ALABAMA)
 :
JEFFERSON COUNTY)

I, Sherry L. Bush, a Notary Public in and for said county in said state, hereby certify that Dian Wilson, whose name as a duly authorized representative of **REGIONS BANK**, a banking corporation under the laws of the State of Alabama, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of the within instrument, she, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation.

GIVEN under my hand and official seal of office, this 3rd day of March, 2022.

(NOTARIAL SEAL)



Sherry L. Bush

Notary Public

EXHIBIT A

SITE DESCRIPTION

Lot 4 according to the Subdivision Plat of Urban Renewal Project ALA R-32 Big Spring Area, Huntsville, Alabama, Section "A," as the same is recorded in the Madison County Probate Records in Plat Book 8, Page 22, with said Property being bounded on the west and north by Fountain Circle, on the south by Gates Avenue, and on the east by Madison Street.

Less and Except and reserving unto the City of Huntsville, however, the designated rights-of-way for Fountain Circle, Gates Avenue, and Madison Street.

EXHIBIT B

REQUISITION AND PAYMENT REQUEST

No. _____

TO: Regions Bank, the Trustee of the Construction Fund under that certain Mortgage Indenture and Deed of Trust dated _____, 2022 (the "Indenture"), between The Public Building Authority of the City of Huntsville and Regions Bank. Capitalized terms not otherwise defined herein shall have the meanings assigned in the Indenture.

A requisition and payment request is hereby made to you, as custodian of the Construction Fund, for the payment of _____ to:

(Name of person to whom payment is to be made)

whose address is _____

The purpose for which such payment (or reimbursement) is to be made is as follows:

The Authorized Authority Representative does hereby certify that the purpose for which such payment is to be made is one for which Construction Fund moneys are authorized under the Indenture to be expended. Attached hereto is an invoice (or invoices) from the payee named showing that the amount requested to be paid is or was due and payable for the purpose stated in this requisition and payment request, or, in the case of reimbursement, certification from the payee as to the amount to be reimbursed and the purpose or purposes for which such payee expended funds for which reimbursement is hereunder requested for Capital Improvements for the Project or otherwise for the Project.

This ____ day of _____, 202__.

THE PUBLIC BUILDING
AUTHORITY OF THE CITY OF
HUNTSVILLE

By: _____
Authorized Authority Representative

FIRST SUPPLEMENTAL INDENTURE

between

**THE PUBLIC BUILDING AUTHORITY
OF THE CITY OF HUNTSVILLE**

and

REGIONS BANK

Dated _____, 2025

This **FIRST SUPPLEMENTAL INDENTURE** dated _____, 2025 (the "First Supplemental Indenture") between **THE PUBLIC BUILDING AUTHORITY OF THE CITY OF HUNTSVILLE**, a public corporation under the laws of Alabama (herein called the "Authority"), and **REGIONS BANK**, an Alabama banking corporation (herein called the "Trustee"),

RECITALS

(a) The Authority has heretofore executed and delivered a Trust Indenture dated March 3, 2022 (herein called the "2022 Indenture") between the Authority and the Trustee.

(b) Under and pursuant to the 2022 Indenture, the Authority issued its \$74,285,000 initial principal amount Lease Revenue Bonds, Series 2022, dated March 3, 2022 (herein called the "Series 2022 Bonds").

(c) Under the provisions of Article VIII of the 2022 Indenture, the Authority reserved the right to issue additional bonds (herein called "Additional Bonds") to be secured by the pledge contained in the 2022 Indenture, as at any time supplemented, on a parity of lien with the Series 2022 Bonds, upon compliance with the conditions set out in said Article VIII.

(d) The Series 2022 Bonds constitute the only obligations that have heretofore been issued under the 2022 Indenture.

(e) The Authority has, by proper corporate action and pursuant to the provisions of Article VIII of the 2022 Indenture, duly authorized the issuance of its Lease Revenue Bonds, Series 2025, dated [_____, 2025] (herein called the "Series 2025 Bonds") in order to provide funds to pay the costs of completing the new city hall and related parking and other related facilities financed by the Series 2022 Bonds (collectively, the "Facility") and to pay the expenses of issuing the Series 2025 Bonds.

(f) The Series 2025 Bonds will be secured by the 2022 Indenture, as supplemented and amended by this First Supplemental Indenture (the 2022 Indenture, together with this First Supplemental Indenture, herein together called the "Indenture"), on a parity of lien with the Series 2022 Bonds any Additional Bonds that may hereafter be issued pursuant to the provisions of Article VIII of the 2022 Indenture. In order to specify the details with respect to the Series 2025 Bonds and to comply with certain provisions of the 2022 Indenture, the Authority and the Trustee are entering into this First Supplemental Indenture.

NOW, THEREFORE, THIS FIRST SUPPLEMENTAL INDENTURE

WITNESSETH:

It is hereby agreed among the Authority, the Trustee and its successors in trust under the Indenture and the Holders at any time of the Series 2025 Bonds hereinafter referred to (the said Holders evidencing their consent hereto by their acceptance of the said Series 2025 Bonds), each with each of the others, as follows:

ARTICLE I

DEFINITIONS AND USE OF PHRASES

Section 1.1 Definitions. The words and phrases and others evidently intended as the equivalent thereof which are set forth in Section 1.1 of the 2022 Indenture shall, in the absence of clear implication herein otherwise, be given the same interpretation herein as in the 2022 Indenture. In addition, the following words and phrases and others evidently intended as the equivalent thereof shall, in the absence of clear implication herein otherwise, be given the following respective interpretations herein:

"**Facility**" shall have the meaning given to such term in the recitals hereof.

"**First Supplemental Lease Agreement**" means that certain First Supplemental Lease Agreement dated the date of the Series 2025 Bonds between the Authority and the City.

"**Indenture**" shall have the meaning given to such term in the recitals hereof.

"**Lease Agreement**" means the 2022 Lease Agreement, as supplemented and amended by the First Supplemental Lease.

"**Series 2022 Bonds**" means the \$74,285,000 initial principal amount Lease Revenue Bonds, Series 2022, dated March 3, 2022, issued under the 2022 Indenture.

"**Series 2025 Bonds**" means those of the Bonds bearing the designation "Series 2025."

"**2022 Lease Agreement**" means that certain Lease Agreement dated the date of the Series 2022 Bonds between the Authority, as lessor, and the City, as lessee.

**ARTICLE II
THE SERIES 2025 BONDS**

Section 2.1 Authorization and Description of Series 2025 Bonds. There is hereby authorized to be issued under the Indenture an issue or series of Bonds designated Lease Revenue Bonds, Series 2025, limited in aggregate principal amount to \$_____. The Series 2025 Bonds shall be dated their date of issuance (_____, 2025), and shall mature and become payable on February 1 in the following years and in the following amounts and shall bear interest from their date at the following per annum rates (payable on August 1, 2025, and on each February 1 and August 1 thereafter):

Year of Maturity	Principal Amount Maturing	Interest Rate
-----------------------------	--	--------------------------

Interest on the Series 2025 Bonds shall be computed on the basis of a 360-day year of twelve (12) consecutive thirty (30) day months. The Series 2025 Bonds shall be initially issued in the Authorized Denominations and registered in the names of the Holders as shall, pursuant to the provisions of Article V of the Indenture, be designated by the purchaser of the Series 2025 Bonds from the Authority. All installments of principal of and interest (and premium, if any) on each Series 2025 Bond shall bear interest after the respective maturities of such principal and interest (and premium, if any) until paid or until moneys sufficient for payment thereof shall have been deposited for that purpose with the Trustee, whichever first occurs, at the rate of interest borne by such Series 2025 Bond. Principal of the Series 2025 Bonds shall be payable at the designated office of the Trustee in the City of Birmingham, Alabama, upon surrender and presentation of the Series 2025 Bonds as the same become due and payable.

Section 2.2 Redemption Provisions. The Series 2025 Bonds may be redeemed and paid prior to maturity as follows:

(a) Optional Redemption. Those of the Series 2025 Bonds maturing or being subject to mandatory redemption on [____], and thereafter, will be subject to redemption, at the option of the Authority (which option shall be exercisable upon direction of the City if the Lease Agreement is still in effect and no default exists thereunder) or, if at such time no default exists under the Lease Agreement, at the option of the City exercised on behalf of the Authority, as a whole or in part (but if in part only in installments of \$5,000 or any integral multiple thereof and in such order and amount of their maturities as the Authority or the City, as the case may be, shall determine, and if less than all the Series 2025 Bonds of a single maturity are to be redeemed, those to be called for redemption shall be selected by lot as selected by the Trustee) on [____], and on any date thereafter, such redemption, whether in whole or in part, to be at and for a redemption price equal to the principal amount (or portion thereof) to be redeemed plus accrued interest thereon to the Redemption Date, without premium or penalty.

(b) Mandatory Redemption. (i) Those of the Series 2025 Bonds with a stated maturity on [____], are required to be redeemed on February 1 in the following principal amounts at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest thereon, without any premium or penalty:

Year	Principal Amount to be Redeemed
-------------	--

(ii) Those of the Series 2025 Bonds with a stated maturity on [____], are required to be redeemed on February 1 in the following principal amounts at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest thereon, without any premium or penalty:

Year	Principal Amount to be Redeemed
-------------	--

In the event the City or Authority shall have caused to be partially redeemed Series 2025 Bonds or shall have provided for a partial redemption of Series 2025 Bonds in such a manner that, under the provisions of this Indenture, the Series 2025 Bonds for the redemption of which provision is made are considered as fully paid, the City, on behalf of the Authority, may elect to apply all or any part (but only in integral multiples of \$5,000) of the principal amount of such Series 2025 Bonds so redeemed or to be redeemed to the reduction of the principal amount of

Series 2025 Bonds required to be redeemed pursuant to the schedule set forth immediately above on any February 1 coterminous with or subsequent to the date such optional redemption actually occurs. Such notice shall be deemed effective only if it is given prior to the Trustee having given notice of redemption contrary to the provisions of such notice pursuant to the provisions of the Indenture.

(c) Extraordinary Redemption. The Series 2025 Bonds will be subject to redemption to the extent of moneys on deposit with the Trustee for such purpose at any time, at and for a redemption price equal to the principal amount thereof plus accrued interest thereon to the redemption date, in the event that (a) the Facility, or any parts thereof, is damaged or destroyed to such extent that in the opinion of the City, (i) the Facility cannot reasonably be substantially restored to the condition thereof immediately preceding such damage or destruction within a period of six (6) consecutive months, (ii) the City will thereby be prevented, or is likely to be thereby prevented, from using the Facility for a period of not less than six (6) consecutive months, or (iii) the cost of restoration thereof would exceed by more than \$10,000 the sum of the net insurance proceeds referable to such damage or destruction, or (b) title to, or the temporary use of, any part of the Facility is taken under the exercise of the power of eminent domain by any governmental authority or person, firm or corporation acting under governmental authority and such taking or takings result (or, in the opinion of the City are likely to result) in the City being thereby prevented from using the Facility for a period of not less than six (6) consecutive months, or (c) as a result of any changes in the Constitution of the State of Alabama or the Constitution of the United States of America or of legislative or administrative action (whether state or federal) or by final decree, judgment or order of any court or administrative body (whether state or federal), entered after the contest thereof by the City in good faith, the Lease Agreement becomes void or unenforceable or impossible of performance in accordance with the intent and purposes of the parties as expressed to herein or unreasonable burdens or excessive liabilities are imposed on the Authority or the City.

Section 2.4 Form of Series 2025 Bonds. The Series 2025 Bonds and the Trustee's Authentication Certificate applicable thereto shall be in substantially the following forms, respectively, with such insertions, omissions and other variations as may be necessary to conform to the provisions hereof:

(Form of Series 2025 Bonds)

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Authority or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. R-__

\$ _____

UNITED STATES OF AMERICA

STATE OF ALABAMA

**THE PUBLIC BUILDING AUTHORITY OF
THE CITY OF HUNTSVILLE
Lease Revenue Bond
Series 2025**

INTEREST RATE

MATURITY DATE

CUSIP NUMBER

Subject to prior payment and other provisions herein provided

For value received, **THE PUBLIC BUILDING AUTHORITY OF THE CITY OF HUNTSVILLE**, a public corporation under the laws of Alabama (herein called the "Authority"), hereby promises to pay to **CEDE & CO.**, or registered assigns, solely out of the revenues hereinafter referred to, the principal sum of

_____ **DOLLARS**

on the date specified above, with interest thereon from the date hereof until the maturity hereof at the per annum rate of interest specified above (computed on the basis of a 360-day year of twelve consecutive 30-day months), payable semiannually on February 1 and August 1, commencing August 1, 2025, in each year until the due date hereof.

The principal of and premium (if any) on this bond is payable in lawful money of the United States of America at the designated corporate trust office of Regions Bank in the City of Birmingham, Alabama, or its successor as trustee under the Indenture hereinafter referred to, and the interest on this bond shall be remitted, by the trustee hereinafter referred to, by check or draft mailed to the then registered holder hereof on the Record Date (as defined in the Indenture) at the address shown on the registry books of the Trustee pertaining to the Series 2025 Bonds. Payment of interest on this bond shall be deemed timely made if mailed to the registered holder on the interest payment date with respect to which such payment is made or, if such interest

payment date is not a Business Day (as defined in the Indenture), then on the first Business Day following such interest payment date. Both the principal of and the interest on this bond shall bear interest after their respective maturities until paid or until moneys sufficient for payment thereof have been deposited for that purpose with the Trustee at the per annum rate of interest stated above. The Indenture provides that all payments by the Authority or the Trustee to the person in whose name a bond is registered shall to the extent thereof fully discharge and satisfy all liability for the same. Any transferee of this bond takes it subject to all payments of principal and interest in fact made with respect hereto. Anything herein to the contrary notwithstanding, so long as the Series 2025 Bonds are subject to the Book-Entry Only System of The Depository Trust Company ("DTC"), payments on the Series 2025 Bonds shall be made in accordance with the rules, regulations and operational arrangements of DTC.

This bond is one of a duly authorized issue of bonds limited in aggregate principal amount of \$ _____ and designated "Lease Revenue Bonds, Series 2025" (herein called the "Series 2025 Bonds"). The Series 2025 Bonds have been issued under a Mortgage Indenture and Deed of Trust dated March 3, 2022 (herein called the "2022 Indenture"), as supplemented and amended by a First Supplemental Indenture dated [_____, 2025] (herein called the "First Supplemental Indenture" and, together with the 2022 Indenture, the "Indenture"), from the Authority to Regions Bank, Birmingham, Alabama, as trustee (herein called the "Trustee"), for the purpose of providing funds to financing the completion of the acquisition, construction and equipping of a new city hall and related parking and other related facilities for use by the City, the initial costs of which were financed, in part, by the \$74,285,000 initial principal amount Lease Revenue Bonds, Series 2022, dated March 3, 2022 (herein called the "Series 2022 Bonds") heretofore issued under the 2022 Indenture.

The Authority has leased to the City, under a Lease Agreement dated March 3, 2022 between the Authority, as lessor, and the City as lessee, as supplemented and amended by a First Supplemental Lease Agreement between the said parties dated [_____, 2025] (collectively, the "Lease Agreement"), certain real property, the building located thereon and the equipment installed therein (said real property, the building and the furnishings and equipment forming a part thereof, as they may at any time exist, being herein together called the "Facility"). For so long as any of the Series 2025 Bonds shall remain outstanding and unpaid, the City has the option to renew the Lease Agreement for successive terms of one year commencing on October 1 and ending on September 30 of the next succeeding calendar year (which terms of one year coincide with the fiscal year of the City). During the term of the Lease Agreement in effect through September 30, 2025, and during each annual term for which the City may renew the Lease Agreement, the City is obligated to pay rent directly to the Trustee, for the account of the Authority, in amounts sufficient to provide for the payment of the principal of and the interest on the Series 2022 Bonds and the Series 2025 Bonds that will become due and payable during each such term. The obligation of the City to pay the rental under the Lease Agreement and to perform the covenants contained therein shall be a limited obligation of the City to be payable and performed solely out of the current revenues of the City received during the fiscal year during which any amount is payable or obligation required to be performed.

The Series 2025 Bonds are initially issued in Authorized Denominations pursuant to a Book-Entry System to be administered by the Securities Depository and registered in the name of and held by the Securities Depository Nominee, all as more particularly provided in the Indenture. During a period in which the Book-Entry System is in effect for the Series 2025

Bonds, the provisions of the Indenture and the Series 2025 Bonds shall be construed in accordance with the Letter of Representations and to give full effect to such Book-Entry System. In the event the Book-Entry System for the Series 2025 Bonds is discontinued, Series 2025 Bonds in certificated form in Authorized Denominations will be distributed to the Beneficial Owners thereof, the Series 2025 Bonds will be registered in the names of the owners thereof on the Bond Register, the Trustee shall make payments of principal of, premium (if any) and interest on the Series 2025 Bonds to the registered owners thereof as provided in the Series 2025 Bonds and the Indenture, and the provisions of this Series 2025 Bond and of the Indenture, with respect to registration, transfer and exchange of Series 2025 Bonds by the registered owners thereof, shall apply.

The Series 2025 Bonds are issuable only as fully registered bonds in the denomination of \$5,000 each or any integral multiple thereof. Provision is made in the Indenture for the exchange of Series 2025 Bonds for a like aggregate principal amount of Series 2025 Bonds of the same maturity and in authorized denomination, all upon the terms and subject to the conditions set forth in the Indenture with respect thereto.

Those of the Series 2025 Bonds maturing or being subject to mandatory redemption on [_____], and thereafter, will be subject to redemption, at the option of the Authority (which option shall be exercisable upon direction of the City if the Lease Agreement is still in effect and no default exists thereunder) or, if at such time no default exists under the Lease Agreement, at the option of the City exercised on behalf of the Authority, as a whole or in part (but if in part only in installments of \$5,000 or any integral multiple thereof and in such order and amount of their maturities as the Authority or the City, as the case may be, shall determine, and if less than all the Series 2025 Bonds of a single maturity are to be redeemed, those to be called for redemption shall be selected by lot as determined by the Trustee) on [_____], and on any date thereafter, such redemption, whether in whole or in part, to be at and for a redemption price equal to the principal amount (or portion thereof) to be redeemed plus accrued interest thereon to the Redemption Date, without premium or penalty.

[Those of the Series 2025 Bonds with a stated maturity on February 1, [_____] and on February 1, [_____] are subject to mandatory redemption to the extent and as provided in Section 2.2(b) of the First Supplemental Indenture.]

The Series 2025 Bonds are further subject to extraordinary redemption and payment upon the occurrence of certain events as set forth and described in Section 2.2(c) of the First Supplemental Indenture.

If the Book-Entry System is in effect, then redemption shall be made as herein described under the Book-Entry System and in accordance with the provisions of the Letter of Representation and the Indenture. If less than all of the Series 2025 Bonds at the time outstanding are redeemed at the time the Book-Entry System is not in effect, then any redemption shall be in such amount and order of maturities as the Authority shall determine in its sole discretion. In the event that less than all of the principal of the Series 2025 Bonds of a maturity is to be redeemed, the Trustee shall assign a number to each \$5,000 principal portion of all of the Series 2025 Bonds of such maturity and shall, by process of random selection based upon such numbers, select the principal portion of Series 2025 Bonds of such maturity to be redeemed. Notice of any intended redemption shall be given by United States registered or

certified mail not less than 30 days prior to the proposed redemption date to the registered owner of each Series 2025 Bonds, all or a portion of the principal of which is to be redeemed, at the address thereof as it last appears on the registration books of the Trustee pertaining to the Series 2025 Bonds. Notice having been so given and payment of the redemption price duly made or provided, (or portions thereof) so called for redemption shall cease to bear interest from and after the redemption date unless default is made in the payment of the redemption price.

The principal of and the interest (and premium, if any) on the Bonds are payable solely out of the rentals and other revenues to be derived by the Authority from the leasing of the Facility, and the payment of said principal and interest (and premium, if any) is secured, pro rata and without preference or priority of one Bond over another by a valid pledge of said revenues (including specifically the amounts payable to the Authority by the City under the Lease Agreement), by the provisions of the Indenture and by an assignment to the Trustee of all right, title and interest of the Authority under the Lease Agreement.

For the purposes and subject to the conditions specified in the Indenture, additional bonds, without express limit as to principal amount and secured on a parity of lien with the Series 2022 Bonds and the Series 2025 Bonds, may be issued in one or more series (the Series 2022 Bonds, the Series 2025 Bonds, and all such additional bonds being herein together called the "Bonds"). Reference is hereby made to the Indenture for a description of the nature and extent of the security afforded thereby, the rights and duties of the Authority and the Trustee with respect thereto, the rights of the Holders of the Bonds and the terms and conditions on which additional series of Bonds may be issued. The Indenture provides, inter alia, (1) that in the event of default by the Authority in the manner and for the time therein provided, the Trustee may declare the principal of and the interest accrued on this bond immediately due and payable, whereupon the same shall thereupon become immediately due and payable and the Trustee shall be entitled to pursue the remedies provided in the Indenture, (2) that the Indenture shall not be subject to foreclosure in the event of default by the Authority thereunder, and (3) that all remedies thereunder are vested exclusively in the Trustee for the equal and pro rata benefit of all the holders of the Bonds, unless the Trustee refuses or neglects to act within a reasonable time after written request so to act addressed to the Trustee by the holders of twenty-five per cent (25%) in principal amount of the outstanding Bonds, accompanied by indemnity satisfactory to the Trustee, in which event the holder of any of the Bonds may thereupon so act in the name and behalf of the Trustee, but that otherwise no holder of any of the Bonds shall have the right to enforce any remedy thereunder, and then only for the equal and pro rata benefit of the holders of all the Bonds. The Indenture also provides that the Authority and the Trustee, with the written consent of the Holders of not less than sixty-six and two-thirds per cent (66-2/3%) of the Bonds then outstanding under the Indenture, may at any time and from time to time amend the Indenture or any indenture supplemental thereto, provided that no such amendment shall (1) without the consent of the holder of each Bond affected, reduce the principal of, the rate of interest on, or the premium (if any) payable on redemption of, any Bond, or (2) without the consent of the Holders of all the Bonds then outstanding under the Indenture, extend the maturity of any installment of principal or interest on any of the Bonds, make any change in the schedule of required sinking fund or other similar payments with respect to any series of the Bonds, create a lien or charge on the Facility or the revenues therefrom ranking prior to or (except in connection with the issuance of additional bonds under the Indenture) on a parity with the lien or charge thereon contained in the Indenture, effect a preference or priority of any Bond over any

other Bond or reduce the aggregate principal amount of Bonds the Holders of which are required to consent to any such amendment.

The Authority is a public corporation existing under the provisions of Chapter 56 of Title 11 of the Code of Alabama 1975, as amended, and the Series 2025 Bonds are authorized to be issued for purposes for which bonds are authorized to be issued under the provisions of said Chapter 56. The covenants and representations herein contained or contained in the Indenture do not and shall never constitute a personal or pecuniary liability or charge against the general credit of the Authority, nor shall the City of Huntsville in any manner be liable for payment of the principal of or the interest on the Bonds or for the performance of the undertakings of the Authority contained herein or in the Indenture.

It is hereby certified that all conditions, actions, and things required by the Constitution and laws of Alabama to exist, be performed and happen precedent to or in the issuance of the Series 2025 Bonds do exist, have been performed and have happened in due and legal form.

The Bonds are issuable only as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof. Provision is made in the Indenture for the exchange of Bonds for a like aggregate principal amount of Bonds of the same maturity and interest rate and in an authorized denomination, all as may be requested by the holder surrendering the Bond or Bonds to be so exchanged and upon the terms and conditions specified in the Indenture.

This bond is transferable by the registered Holder hereof in person, or by duly authorized attorney, only on the registry books of the Trustee pertaining to the Bonds and only upon surrender of this bond to the Trustee for cancellation, and upon any such transfer a new Bond of like tenor hereof will be issued to the transferee in exchange therefor, all as more particularly provided in the Indenture. Each Holder, by receiving and accepting this bond, shall consent and agree and shall be estopped to deny that, insofar as the Authority and the Trustee are concerned, this bond may be transferred only in accordance with the provisions of the Indenture.

The Trustee shall not be required so to transfer or exchange this bond during the period of fifteen days next preceding any interest payment date with respect thereto; and in the event this bond (or any portion of the principal hereof) is duly called for redemption, the Trustee shall not be required so to transfer or exchange it during the period of fifteen days next preceding the date fixed for such redemption.

Execution by the Trustee of its authentication certificate hereon is essential to the validity hereof and is conclusive of the due issue hereof under the Indenture.

IN WITNESS WHEREOF, the Authority has caused this bond to be executed in its name and behalf by the Chairman of its Board of Directors, has caused its corporate seal to be hereunto impressed, has caused this Bond to be attested by the signature of its Secretary, and has caused this Bond to be dated [_____], 2025.

**THE PUBLIC BUILDING AUTHORITY OF
THE CITY OF HUNTSVILLE**

By _____

Chairman of its Board of Directors

[SEAL]

Attest:

Its Secretary

(Form of Trustee's Authentication Certificate)

Date of Registration and Authentication: [_____], 2025

The within bond is one of those described in the within-mentioned Trust Indenture.

REGIONS BANK
as Trustee

By _____

Its Authorized Officer

(Form of Assignment)

For value received, _____ hereby sell(s), assign(s) and transfer(s) unto _____ the within bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney, with full power of substitution in the premises, to transfer this bond on the books of the within mentioned Trustee.

DATED this ____ day of _____, ____.

NOTE: The signature on this assignment must correspond with the name of the registered owner as it appears on the face of the within bond in every particular, without alteration, enlargement or change whatsoever.

Signature guaranteed:

(Bank, Trust Company, or Firm)*

By _____
(Authorized Officer)

Its Medallion Number: _____

* Signature(s) must be guaranteed by an eligible guarantor institution which is a member of a recognized signature guarantee program, i.e., Securities Transfer Agents Medallion Program (STAMP), Stock Exchanges Medallion Program (SEMP), or New York Stock Exchange Medallion Signature Program (MSP).

Section 2.5 Execution and Delivery of the Series 2025 Bonds. The Series 2025 Bonds shall be forthwith executed and delivered to the Trustee and shall be authenticated and delivered by the Trustee from time to time upon receipt by the Trustee of an order signed on behalf of the Authority by the Chairman of the Directors requesting such authentication and delivery and designating the person or persons to receive the same or any part thereof.

Section 2.6 Application of Proceeds from Sale of Series 2025 Bonds. The entire proceeds derived by the Authority from the sale of the Series 2025 Bonds (except for the underwriter's discount of \$[_____], which shall be withheld by the underwriter of the Series 2025 Bonds) shall be paid to the Trustee and promptly thereafter applied by the Trustee for the following purposes and in the following order:

(a) deposited into the Construction Fund (unless otherwise directed in writing by the Finance Director of the City to the Trustee) the sum of \$[_____] for payment of the costs of the Facility (including reimbursement to the City of costs paid by the City for design, development, construction, equipping and installation of the Project); and

(b) the balance (\$[_____]) shall be applied by the Trustee for payment of the costs of issuing the Series 2025 Bonds on the date of issuance thereof, with any remaining amount to be deposited into the Construction Fund and used for payment of the costs of issuing the Series 2025 Bonds or for the costs of developing the Facility as directed by an Authorized Authority Representative.

Section 2.7 Book-Entry Only System. The Series 2025 Bonds shall be initially issued in book-entry only form, registered in the name of Cede & Co., the nominee of The Depository Trust Company. So long as the said book-entry only system remains in effect, the provisions of the Indenture, including the provisions governing the registration and exchange of Series 2025 Bonds, places and manner of payment of Series 2025 Bonds, requirements for presentment of Series 2025 Bonds and manner and effect of redemption of Series 2025 Bonds shall be subject to the standard procedures and operational arrangements of The Depository Trust Company.

ARTICLE III MISCELLANEOUS PROVISIONS

Section 3.1 Compliance with Certain Requirements of the Code. The Authority will comply with all conditions to and requirements for the exclusion from gross income of the recipients thereof for federal income tax purposes of the interest income on the Series 2025 Bonds imposed by Section 103 of the Internal Revenue Code of 1986 (herein called the "Code"). Without limiting the generality of the foregoing,

(a) the Authority will not apply the proceeds from the Series 2025 Bonds in a manner that would cause any of the Series 2025 Bonds to be "private activity bonds" within the meaning of Section 141(a) of the Code, and

(b) the Authority will comply with the requirements of Section 148 of the Code in order that the Series 2025 Bonds will not be "arbitrage bonds" within the meaning of said Section 148, including, without limitation, the requirement for the payment of certain amounts to the United States in accordance with the provisions of Section 148(f)(2) of the Code.

Section 3.2 Certain Required Statements Respecting Additional Bonds. In accordance with the requirements of Section 8.2 of the 2022 Indenture, the Authority does hereby state and declare as follows:

(a) The foregoing provisions of this First Supplemental Indenture set forth and provide a description of the Series 2025 Bonds, including the aggregate principal amount, the numbers and series designation, the denomination or denominations, the date, the interest rate or rates and the maturity or maturities thereof, the provisions for redemption thereof prior to maturity and the form of the Series 2025 Bonds, and

(b) all property acquired and to be acquired by the Authority with the proceeds of the Series 2025 Bonds shall be subject to the demise of the Lease Agreement, and all such property shall be located in the Facility or elsewhere on the Site.

Section 3.3 Confirmation of Indenture. All the terms, covenants and conditions of the Indenture, as supplemented and amended hereby, are hereby in all respects ratified and confirmed, and the Indenture, as so supplemented and amended, shall continue in full force and effect.

Section 3.4 Severability. In the event that any provision hereof shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

[Signature page follows]

IN WITNESS WHEREOF, the Authority has caused this First Supplemental Indenture to be executed in its corporate name and behalf its Chairman, has caused its corporate seal to be hereunto affixed, and has caused this First Supplemental Indenture to be attested by its Secretary, and the Trustee has caused this First Supplemental Indenture to be executed in its name and in its behalf, has caused its corporate seal to be hereunto affixed and has caused this First Supplemental Indenture to be attested, all by its duly authorized officers, and the Authority and the Trustee have caused this First Supplemental Indenture to be so executed in several counterparts, each of which shall be deemed an original, and have caused this First Supplemental Indenture to be dated [_____], 2025.

**THE PUBLIC BUILDING AUTHORITY OF
THE CITY OF HUNTSVILLE**

[S E A L]

By: _____
Chairman of its Board of Directors

Attest:

Its Secretary

REGIONS BANK.

[S E A L]

By: _____

Its: _____

Attest:

Its: _____

STATE OF ALABAMA)
 :
COUNTY OF MADISON)

I, Sherry L. Bush, a Notary Public in and for said county in said state, hereby certify that **MARK RUSSELL**, whose name as Chairman of **THE PUBLIC BUILDING AUTHORITY OF THE CITY OF HUNTSVILLE**, a political subdivision of the State of Alabama, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of the within instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation.

GIVEN under my hand and official seal of office, this ___ day of _____, 2025.

Notary Public

[NOTARIAL SEAL]

STATE OF ALABAMA)
 :
COUNTY OF JEFFERSON)

I, Sherry L. Bush, a Notary Public in and for said county in said state, hereby certify that Dian Wilson, whose name as a duly authorized representative of **REGIONS BANK**, a banking corporation under the laws of the State of Alabama, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of the within instrument, she, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation.

GIVEN under my hand and official seal of office, this ___ day of _____,
2025.

Notary Public

[NOTARIAL SEAL]

