

City of
Abilene, Texas

Annual Budget 2007-2008



2007-2008 Operating Budget

A Plan of Municipal Services

2007-2011 Capital Improvements

Protecting today, Building tomorrow



*We work together to build a community of the highest quality
for present and future generations*



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

City of Abilene

Texas

For the Fiscal Year Beginning

October 1, 2006

President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the City of Abilene, Texas for its annual budget for the fiscal year beginning October 1, 2006. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.



On the cover: The Abilene Zoo's \$3.7 million Adventure Center and Gift Shop opened to the public in September 2007. The Zoo entry was relocated to this area, improving its visibility from Highway 36. The 14,600+ square foot complex overlooks Nelson Lake and features the gift shop, education labs, lecture halls, and administrative offices.

Operating
Budget

Capital
Improvements

CITY OF ABILENE TEXAS

FISCAL YEAR 2007-08

As approved by the City Council on September 6, 2007

Norm Archibald.....Mayor
Anthony WilliamsMayor Pro Tempore
Celia DavisDeputy Mayor Pro Tempore
Laura MooreCouncilwoman
Sam ChaseCouncilman
Joe Spano.....Councilman
Stormy Higgins.....Councilman

Presented by:
Larry D. Gilley, City Manager

**TABLE OF CONTENTS
SECTIONS I AND II**

INTRODUCTION

SECTION I - CITY MANAGER'S LETTER

City Manager's Letter	i
Ordinance 39-2007	xv
Ordinance 40-2007	xviii

FY 2008 BUDGET OVERVIEW

SECTION II - CITIZENS' INSIGHT INTO THE BUDGET

Introduction	1
Profile of Abilene	2
Budget Organization	3
Chart - Organization Chart of City of Abilene.....	4
Major Programs and Projects	5
Graph - Personnel by Department.....	19
Graph - Employees Per 1,000 Citizens	20
Graph - Unemployment Rates.....	21
Fiscal Policies	22
Chart - City of Abilene Budget Process from Start to Finish	27
The Budget and Accounting Processes.....	28
Property Taxes.....	32
Graph - Total Appraised Valuation	33
Graph - Overlapping Property Tax Rates at 100%	34
Graph - Property Taxes Per Capita	35
Graph - Distribution of Taxes	36
Graph - Ratio of Debt to General Expenditures	37
Graph - Net Debt Per Capita	38
Graph - Sales Tax Per Capita	39
Graph - General Fund Revenue	40
Graph - Property, Sales and Franchise Revenue	41
Graph - Building Permit Values	42
Graph - General Fund Expenditures.....	43
Graph - General Fund Expenditures Per Capita.....	44
Graph - Water and Sewer Sales Revenue	45
Graph - Water Fund Expenditures.....	46

CITY MANAGER'S LETTER

MISSION STATEMENT

We work together to build a community of the highest quality for present and future generations.

VALUES STATEMENT

- Team Spirit
- Continuous Improvement
- Responsiveness
- Integrity
- Individual Worth





November 16, 2007

Honorable Norm Archibald, Mayor
and Members of the City Council

Dear Mayor and Council Members:

I am pleased to submit for your consideration the Fiscal Year 2008 (FY 08) budget for the City of Abilene. The recommendations contained in this budget are the result of your guidance and direction on the future of our community. As stated in our mission, our annual budget represents our continued efforts to work together to build a community of the highest quality for present and future generations.

This year's budget has been crafted to preserve and enhance the programs and services that are unique to Abilene. The FY 08 budget reflects the reputation of Abilene as a vigorous, innovative community, and continues Council's careful stewardship of our vibrant commercial areas and gracious residential neighborhoods, parks and cultural amenities.

Once again, the recommendations contained in this budget are the result of Council's strategic goals that focused on the Comprehensive Plan, City Management, Economic Development and Water. Planning for this budget took into account these goals, as well as the city's capital improvements program, the results of the budget workshop and input from citizens and groups who offered their thoughts and suggestions. This budget represents many hours of analysis by City staff and presents a financially sound plan for the continuation and improvement of vital public services.

The Council and City staff recognizes the quality work our employees perform to make our City a vibrant, exciting place to live and work. Human Resources staff has conducted a compensation analysis and salary survey to gather data and formulate a compensation plan strategy. We have budgeted \$1,283,000 for salaries and benefits to adjust compensation of non-civil service employees in pay ranges 15-59 by 3%, and increase all pay plan minimums by 10%. This action is recommended in order to adjust salaries more closely with market for retention and recruitment purposes. Non-civil service employees will also be eligible for salary increases of 0-5% based on performance.

Salary adjustments for civil service employees will continue to be addressed through the meet and confer process. In all cases, we will continue working to ensure our salaries are competitive with our ten comparable cities and with the local labor market in general.

Technology is a vital tool we use everyday to facilitate communication with our employees, our citizens and the Council. Our CodeRED system gives us the ability to alert citizens to various emergency and non-emergency situations, such as the potential for flooding in their neighborhood or street closures. We have budgeted \$37,500 to continue this initiative into FY 08.

Additionally, I have formed a planning committee charged with bringing online bill pay to the City of Abilene. As a preliminary step we have budgeted \$17,360 to give our customers the option of paying their water bills online. Not only will our customers be able to pay their utility bills online, they will also have access to various historical data pertaining to their account, such as monthly consumption. Municipal Court customers will also have the ability to pay their fines on-line at a cost of \$4,040. Additionally, we are working hard to make self-service functions such as this an option for our customers across the organization.

Our public safety departments are proposing to make necessary repairs and renovations at a number of their facilities this fiscal year. At the Law Enforcement Center, we are requesting \$90,550 in the revised FY 07 budget for a Phase II renovation which will include tile and carpet replacement, and painting on the second floor of the LEC. In addition, the fire department has requested \$7,700 in the revised FY 07 budget for needed renovations at Stations 1, 2 and 7.

The FY 08 budget includes an additional municipal court judge to increase the efficiency of the court by assisting the current judge and allow the potential for night court and increased service delivery.

Keeping our customers and our staff safe from potential threats is a priority. The Water Utilities Department is requesting \$15,000 in FY 08 to upgrade security features at the Billing office. The installation of security cameras will help secure lives and property, and the addition of security glass.

In the Solid Waste Services Division, we are proposing adding a new commercial frontloader route to keep up with growing demand in this area. There have been 280 new containers placed in operation since 2003, and we foresee additional growth in the coming year. We propose to purchase a new frontloader truck in the amount of \$180,000, and fund a full-time driver to operate. We anticipate \$89,480 in net revenue in FY08 due to the addition of the new route and the business it will generate.

A committee was formed to study our transit system and come up with recommendations for improvement. This committee, made up of a cross-section of the community, researched transit operations and generated a number of recommendations. These recommendations include the elimination of one route and various changes to service areas and fares. In total these recommendations, if implemented, could lead to a projected net budget change of \$382,000. A formal study will be conducted this fiscal year to review bus routes and fares, and make additional recommendations for improvement.

We continue to review our self-insurance fund. At this time we are recommending a transfer of \$400,000 in addition to the original \$100,000 in the FY 07 revised budget, as well as increases in the City's portion of employee premiums of \$20 per month per employee. This change for FY 08 will lead to a \$197,760 impact to the General Fund, and \$74,640 in all other funds. Human Resources staff, with assistance from benefits consultant Holmes Murphy and Associates, will continue to monitor the self-insurance fund and look for ways to manage costs while offering our employees and their family's quality coverage.

Economic Development activities are important to achieve long-term economic success for our community. The Development Corporation of Abilene (DCOA), the Abilene Industrial Foundation and the Abilene Chamber of Commerce continue to share their expertise and assist the city and region as we look for new opportunities to create jobs and expand resources. The ability of the DCOA to take advantage of opportunities has been and continues to be invaluable as we work to expand and diversify Abilene's economy. By participating in funding various economic development efforts, enhancing the downtown area, and strengthening our relationships with existing industries, we continue to provide an atmosphere where businesses can grow and prosper.

ECONOMIC OUTLOOK

The City has seen substantial increases in property values in 2007 with residential property leading the way. Preliminary numbers indicate an increase in residential property of 11%. Major increases in business personal property were noted as several drilling companies and other industrial accounts drove that category up 18.5%. Commercial real estate was the other category adding additional value this year with values rising from \$898 million in 2006 to \$950 million this year. Comparisons of net taxable values is complicated this year due to the passage of a tax cap on homesteads of persons over 65 years of age or those who are disabled. These properties amount to taxable value of \$407 million. The capped tax on those 8,089 accounts is \$2.497 million. Before this impact, net taxable values increased from \$4.01 billion to \$4.418 billion. The loss of net taxable value to the senior and disabled cap is \$45.83 million. Therefore, after consideration of the senior and disabled cap, the base value increase is 9.03%.

Sales tax growth is projected to continue. Staff estimates that FY 08 will

exceed FY 07 by 5%. This is after the 5% growth anticipated in FY 07.

The total FY 08 General Fund current revenue budget is an increase of \$1,586,420, or 2.4% as compared to revised FY 07.

According to the Texas Workforce Commission's Texas Labor Market Review, unemployment in Abilene is lower than the statewide average. At the end of August 2007, Abilene's unemployment rate was 3.5% compared to the state rate of 4.1%. Total civilian work force was down from 82,200 in August 2006, to 81,200 in August 2007.

During the past several years, industrial and commercial development has consisted of a combination of expansion of existing operations and location of new industry and commercial development in the community.

PWP Industries began leasing the Development Corporation of Abilene, Inc. (DCOA)-owned industrial building at 6450 Five Points Parkway in the Five Points Business Park. PWP manufactures plastic food storage containers and

currently has plants in West Virginia and California. The Company is a leader in innovative packaging with start-to-finish capabilities from design to production of finished goods. PWP began operations in September 2006 and has created 67 new manufacturing jobs in Abilene. Its initial capital investment in equipment is \$9 to \$12 million. An expansion of the building is expected within 30 months requiring additional employment of 55, for total Abilene employment of 120, with the potential to grow to 200.

The DCOA recently took steps to update the development master plan for Five Points Business Park (Park), including plans for the construction of a third speculative industrial shell building. Carter & Burgess is conducting site civil engineering work and designing the shell building. The new building will be constructed to meet the current demands of prospective tenants with the capability of being easily retrofitted to meet specific manufacturing needs. The benefits of having a shell building constructed and ready for finish-out in the Park are critical to companies looking for quick turn-around, accessibility to I-20, and large lots. The Park is ripe for further development with the presence of PWP Industries and new retail development on I-20.

Genesis Networks opened an Abilene office in the downtown in 2006 for the purpose of conducting software testing and development for large telecommunications companies such as Sprint, AT&T and Cingular. Genesis projects a workforce of 143 within 2 years with all salaries being above \$30,000/year. Integrated Clinical Research conducts ongoing retinal clinical drug trials and provides drug therapies to patients not available elsewhere in the country. The Abilene area has a demographic profile which is conducive to this type of research. An expansion of the program will provide an opportunity for local doctors to participate in drug trials in their designated fields, utilizing staff familiar with

the procedures and requirements of the drug companies.

Sears Methodist Retirement System has been in Abilene since 1965 and has considered moving its corporate headquarters to a larger metropolitan area to ease recruitment efforts for upper management personnel. In April 2005, the DCOA approved \$500,000 earnable by the company over 10 years to entice Sears to maintain its headquarters in Abilene. The funding will also allow Sears to leverage existing federal and private foundation funding available for telecommunications and Internet infrastructure upgrades. The DCOA will be given the first opportunity to consider assistance with expansions in aging research, development of a call center, and development of manufacturing to support existing technology ahead of other communities.

DCOA constructed for Eagle Aviation Services, Inc. a 4,500 sq ft addition to Hangar 0 at the Abilene Regional Airport to house offices, restrooms, and a break area, allowing the entire hangar floor to be available for jet maintenance. Eagle currently occupies four industrial hangars and a records and parts storage facility at the Airport. The DCOA also provided assistance with the purchase of a tail stand, composites oven, sanding booth, parking lot improvements, and improvements to its other hangars. The Abilene facility was recently chosen as the site for one-half of an additional maintenance dock line and Off-Load Shop and 33 new employees. The DCOA will assist with the purchase of a thermoformer for use in the Off-Load Shop and assist with marketing and mechanic recruitment efforts. A long-range development study was recently completed for the Eagle Aviation complex. Eagle is currently authorized for 380 full-time maintenance positions.

Bandag, Inc. is in the process of upgrading its equipment in the Abilene

plant and cross-training its employees. Glazer's Wholesale Drug Co. purchased an existing Abilene distributorship, retaining 12 jobs. Fehr Foods, a cookie manufacturer, purchased additional equipment and will create 66 new jobs for total employment of 326. Teleperformance USA recently expanded and relocated to a larger facility on S. Judge Ely Blvd and expects to increase employment from 136 to 550 total. Highland Campus Health has developed a medical billing program, which will allow participating universities to collect from insurance billing for services without development of their own department to oversee the process. Highland occupies 5,000 sq ft of office space at Century Plaza I and will create 93 new jobs. Robinson Fans is over 100 years old and manufactures and services industrial fans for agricultural and industrial use. Robinson Fans recently expanded into Abilene, completed construction of a new plant, and expects to employ 44. The Coca-Cola plant on Hwy 351 installed a new sanitary sewer line running from its plant connecting with a main line running along I-20. The DCOA approved funds to install the line to support Coke's potential expansion in the future. Abtex Beverages recently purchased an existing industrial facility adjacent to its current location for the purpose of upgrading its manufacturing processes and will purchase new equipment. Texas Metals & Recycling/RWL Recycling is in the process of expanding its operations to accommodate an increased demand for metal.

Texas Tech University opened a satellite campus in Abilene of its Health Sciences Center School of Pharmacy program. Campus construction was completed in the summer of 2007 and is located adjacent to Hendrick Health System on Pine St. The School employs 40 faculty and staff, and the first class of 40 doctoral students began in August 2007. An additional class of 40 will be added each of the 3 following years, after which total enrollment will reach 160

students. AT&T awarded a grant of almost \$1 million to support technology improvements for the new pharmacy school.

With the opening of the Texas Tech University Health Sciences Center (TTUHSC) School of Pharmacy and funding provided by the DCOA, Abilene is quickly becoming a center for biomedical and immunopharmaceutical research. Receptor Logic, Ltd. was formed to commercialize biotechnology licensed from the TTUHSC School of Pharmacy in Amarillo. The technology is a new class of antibodies that have the "selectivity" to seek out and destroy "targeted" diseased or infected cells. The company needed to expand and is in the process of relocating to Abilene to work in conjunction with the School of Pharmacy (SOP) here. Receptor Logic is currently setting up operations in available space in the new SOP facility on Pine Street while plans are being made by the DCOA to construct a life sciences accelerator facility to house the company and other life science companies.

Kenneth Ford is Founder and Director of the Institute for Human and Machine Cognition (IHMC), a not-for-profit research institute of the Florida University System and affiliated with several Florida universities. Since it was founded in 1990, IHMC has grown into one of the nation's leading research institutes with more than 110 researchers and staff. IHMC is located in downtown Pensacola, Florida and has had a major impact on the economic viability of the community. Dr. Ford is willing to assist the Abilene community and Texas Tech University to evaluate the feasibility of an Abilene-based research institute. In April 2007, the DCOA approved funding to contract for the study.

The DCOA teamed up with the West Central Texas Workforce Development Board and Cisco Junior College (CJC) in 2006 to offer a pilot training program to

help fulfill the need in Abilene for welders. Training is conducted on the campus of CJC. The program has been very successful producing trained welders that are employable by local manufacturers. The DCOA approved funding to support local researchers and entrepreneurs wishing to apply for research and development grant funding through the SBIR/STTR programs of the U.S. Small Business Administration. In January 2007, the DCOA approved funding to help establish a pilot program with the Workforce Board to train students to become Manufacturers Skills Standards Council (MSSC) Certified Manufacturing Production Technicians. Training will be conducted in 2 sessions during 2007 for up to 30 individuals.

Abilene Regional Medical Center (ARMC) began construction of a new three-story facility adjacent to the Women's Center and approximately 30,000 square feet of existing space will be renovated. Approximately 40 private rooms will be added, and all existing rooms at the hospital will be converted to private rooms, bringing the hospital's capacity to 211 beds. Senior Health, a Tennessee-based company, plans to open a 70-bed inpatient physical rehabilitation center at the northwest corner of S. Clack Street and Directors Parkway, south of ARMC. The facility will take up the western portion of the 5.5 acre tract of land and nearly 2 acres of the tract will be available for development along S. Clack Street, which could include space for restaurants or offices.

The Abilene Independent School District administrative offices recently moved into new space in One City Center on Pine St. to ease cramped conditions in the former administrative building on N. Mockingbird St. The Ely Building, located on Cypress St. and North 5th St., was demolished in 2006 to make way for additional parking for downtown employees. Also demolished was the former 325 Club at 201 Cedar St. to make

way for metered public parking across the street from the Abilene Public Library. Lauren Engineers & Constructors purchased from the City of Abilene two parking lots to accommodate the expansion of its current office space on South First Street. Lauren constructed a 21,500 square feet addition to its corporate headquarters, retaining its existing 120 jobs and creating 40 more.

The military housing at Dyess Air Force Base continues to be revitalized. The recent supplemental bill contained the \$49 million for the 199 units to be built on Base. Abilene's congressional delegation was instrumental in finalizing the funding. This is the final segment of funding for housing, and when it is completed, all the 1950's housing will have been replaced. Over \$10 million in federal funds have been allocated for projects designed to improve access to the base from I-20. The 42nd Annual World's Largest Barbecue was held in April 2007 to honor the men and women who serve at Dyess. The Military Affairs Committee will host an event at the quarters (called the Air House) of General Moseley, Air Force Chief of Staff, on Friday July 27, 2007 in Washington D.C. This is the second year to host the event and this year members of the Air Force Senior Leader Officers Course will be included as guests.

Kohl's Department Store recently opened on Southwest Dr., near the new Lithia Toyota dealership, which is also under construction. A second Super Wal-Mart opened in North Abilene on I-20, and Cracker Barrel and Chili's restaurants soon followed. Lowe's recently opened a new store in the same area on I-20. Other businesses are expected to follow as well. A new apartment complex recently completed is The Arbors at Rose Park, which is for low to moderate income senior citizens. Another new apartment complex is The Grove, which is located at N. Judge Ely and I20. A new restaurant that recently opened downtown is the Bee

Hive Restaurant. Starbucks recently opened a second location on S. 14th St. next to the HEB. The Hampton Inn recently opened, and the Howard Johnson (previously the KIVA Inn which was remodeled) opened June 1st. The following hotels are currently under construction: Super 8 Hotel, Hilton Garden Inn, Wingate Inn, and Comfort Suites. Currently there are 2,473 rooms. With these 398 new rooms, there will be a total of 2,871 hotel rooms available. Also, Prime Time Family Entertainment, a new family activity complex opened in October 2007, which includes laser tag, miniature golf, electric go-carts, bumper cars, climbing wall, bowling lanes, arcade, and a coffee bar.

Abilene Regional Airport continues to make improvements to better serve Abilene and the West Central Texas region by offering many of the services found at larger airports, while maintaining the convenience of a smaller airport. Passenger enplanements for calendar year 2006 were 96,959. Enplanements for 2007 year to date are approximately level with 2006. Abilene and the West Central Texas region are served with an average of 10 daily departures by American Eagle service to Dallas/Ft. Worth International and Continental Connection service to Houston's George Bush Intercontinental

Airport. The Airport will continue to work toward attracting new airline service to meet the needs of our customers. The West Central Texas Air Service Advisory Council was established this year to gather input from and promote the Airport to the 32 county regions we serve. Capital projects continue to progress and future projects are developing. These projects reconstruct and expand infrastructure to accommodate current and forecasted growth of general aviation, airline maintenance and passenger service. The first phase of the Air Carrier Ramp reconstruction is progressing and the second phase began in September 2007. Phase III of the general aviation ramp improvements and Phase II of the Taxiway D extensions were completed in the fourth quarter of FY07. In addition to the previously mentioned projects, the Airport Parking Lot Improvement project should begin construction in November 2007. Construction continues on Phase IV of Terminal Improvements, which will expand the ticket lobby and loading/unloading curb area, install a canopy over the curb area and improve pedestrian access from the parking lot to the upper level of the terminal with completion scheduled for early 2008.

Overall, the economy is projected to continue at a steady growth rate for FY 08.

OVERVIEW

MAJOR COST IMPACTS AND INITIATIVES

Revised FY 07

Several equipment items have been included in the revised FY 07 budget. These include a midsize SUV purchase for Custodial Services to provide courier services to 23 buildings daily at a cost of \$26,280, one midsize SUV and one club car passenger cart for Senior Services to transport senior citizens at costs of \$16,500 and \$9,500, a remains

processor to condense the remains of animals at a cost of \$2,700, eighteen (18) cages on casters for animal services at a cost of \$10,000, replacement of 530 padded chairs for the Civic Center at a cost of \$34,150, two (2) new School Resource Officer patrol sedans at a cost of \$56,750, and one (1) filing system for the law enforcement records division at a cost of \$26,000.

The revised FY 07 budget also includes several building maintenance and renovation items. These include forensic lab expansion to equip the lab with proper venting and evidence collection at a cost of \$39,070, carpet replacement at the LEC at a cost of \$42,500, tile for the 2nd floor LEC hallways at a cost of \$18,050, painting the 2nd floor LEC offices at a cost of \$20,000, maintenance of the infrastructure of Fire Stations 1, 2, and 7 at a cost of \$7,700.

Also in the revised budget is a leadership development program that will be conducted by the Fire Department at a cost of \$6,500.

The revised FY 07 budget for the Water Utilities Department includes the replacement of the roof and roof supporting structure at the Northeast Treatment Plant at a cost of \$65,000 and an Educational Program/Campaign to help implement the City's water conservation. The recently passed Senate Bill 1 requires retail and wholesale water providers to educate the public on water conservation.

Approved FY 08

The budget for FY 08 includes one additional (1) Municipal Court Judge; one (1) zoning inspector; two (2) new School Resource Officers (SRO); one (1) part-time building maintenance worker for the Abilene Zoo and one (1) reclassification of the Building Inspection's Executive Secretary to Development Permit Technician and one (1) webmaster/ videographer. Also approved are two (2) additional custodians for the new Zoo Entry and Learning Center and other City facilities at a cost of \$43,000 including benefits, supplies, and equipment.

The FY 08 General Fund expenditure budget is an increase of \$3,612,450, or 5.5%, as compared to

revised FY 07 after transfers. This includes the 27th pay period.

Solid Waste Services is proposing one (1) full-time welder, four (4) personnel reclassified from temporary to regular positions, one (1) Equipment operator and one (1) commercial front loader to add an additional route and reduce overtime costs.

The Stormwater Utility Division for FY 08 includes one (1) Construction Site Inspector and one (1) vehicle to be used by the inspector. The additional inspector is needed for the increased development in businesses and construction sites.

For FY 08, the Water Utility Department budget includes equipment purchases of a currency counter and an online bill payment system, security upgrades for the lab and building maintenance for the water utility office. These proposals would increase efficiency of money handling and provide a more secure and safe environment for the employees of the Water Utility Department.

For FY 08, the Fleet Maintenance Division budget includes one (1) Equipment Mechanic and one (1) two-post vehicle lift. These are due to the increase of fleet items in recent years, such as heavy equipment and vehicles.

Compensation and Benefits Issues

For FY 08, the City will experience a 27th pay period. The City has been setting aside in the fund balance the amount to cover this for the last eleven years. This amounts to \$1,995,500 that is being brought forward from fund balance to fund the additional pay period.

Each spring, we conduct a salary survey of our ten peer cities. Spring 2007 survey results indicate Civil

Service pay is about 9% below the ten city pay plan average. Non-Civil Service salary survey results indicate pay ranges 15 (the lowest range in the pay plan) through 44 are 17% below the ten city pay plan average and ranges 45 through 59 are about 8% below the average. We are seeing the impact of these pay plan issues in both recruiting and retention of employees.

In an effort to address the pay plan issues for Non-Civil Service employees, the budget includes a market adjustment of 3% across the board for all employees in ranges 15 through 59 as well as an adjustment to the pay plan by raising minimum salaries of each range by 10%. This results in \$800,000 to the general fund and \$483,000 to other funds, inclusive of related FICA and TMRS expenses. The market and pay plan adjustments do not affect management team positions (program managers and above). This is in addition to continuing the pay for performance program at a 0-5% range.

Effective October 1, 2006, Civil Service compensation began to be governed by the Meet and Confer agreement. Pursuant to Meet and Confer, Civil Service employees will receive a 3% increase effective October 2, 2007. This will result in an overall 9% increase for Civil Service employees over the two year term of the Meet and Confer agreement. In addition, a 1% increase in the City contribution to the fire pension fund will be effective October 1, 2007. The next opportunity for working on Civil Service pay plan strategies will be when we begin negotiating the Meet and Confer agreement for fiscal year 2009.

Public Safety Employees and Equipment

The Fire Department reorganization plan will address many of the issues identified over the past twelve months regarding communication and

leadership challenges. This reorganization will clarify the chain of command and will identify who is responsible for various programs and projects. This change will involve the promotion of one additional Battalion/Division Chief and the reassignment of two Captains, one Lieutenant, and one Fire Fighter. (Note: The total number of officer positions will not change. There will be one less Lieutenant and one additional Battalion Chief.) A major focus of this reorganization is the need to revitalize the Training/Safety Division. In addition to the Training/Safety focus, this new Division will be responsible for organizational development. This will include recruitment, testing, promotional processes, succession planning, etc. As the training demand continues to increase and as our scope of services continues to grow, this division will be vital to the department. The FY 08 budget includes \$44,380 for this reorganization.

The FY 08 budget includes incentive pay at a cost of \$2,400 a year per EMT-Paramedic for a total increase of \$34,060 including benefits. Currently we have twelve EMT-Paramedics. This will serve to encourage members of the Abilene Fire Department to obtain and retain higher levels of EMS certification.

The FY 08 budget includes a Police Academy to begin in August 2007. The projected cost of \$909,820 will allow for eighteen (18) cadets to participate in the academy.

Northeast Development Zone

In 2005, the City entered into an agreement with a local developer for the extension of East Lake Road from Hwy 351 to I-20. The developer constructed the street, and the City agreed to reimburse for one-half of the cost plus 5% per annum interest from growth in tax revenues within a specified zone. The base year of

taxable property in the zone was 2004. In addition, the City agreed to pay for the relocation of one off ramp on I-20 not to exceed \$300,000, and the developer agreed to pay for a second ramp relocation with one-half of the cost also reimbursed from growth in tax revenues in the zone. The City's total commitment to reimburse the developer is \$1,150,000 plus 5% per annum interest for a period not to exceed ten (10) years, and the City's ramp commitment of \$300,000 was to be reimbursed from

the increase in tax revenues before the developer received the one-half reimbursement of the funds. The taxable value of the base year (2004) was \$23,937,805 and the projected value for 2007 is \$80,561,599 or an increase of \$56,623,794. The City's reimbursement for the ramp is now complete and therefore it is estimated that in FY 08 the reimbursement to the developer will be approximately \$160,000, which includes interest on the original \$1,150,000 commitment.

GENERAL FUND SIGNIFICANT PROGRAMS

Programs/Projects	Estimated Amount
Pay for Performance (approximately 3% average) 0 – 5% range	\$447,000
Pay Plan Adjustments	800,000
Police Meet and Confer - 3% Increase Effective October 2, 2007	329,200
Police Meet and Confer - Annualized 2% April 2007	214,830
Fire Meet and Confer - 3% Increase Effective October 2, 2007	295,990
Fire Retirement Contribution - 1% Increase Effective October 1, 2007	101,830
Fire Meet and Confer - Annualized 2% April 2007	193,460
Fire Department Reorganization	44,380
Fire EMT-P Incentive Pay	34,060
Police Academy	909,820
Additional Municipal Court Judge - Revenue Neutral	0
Additional Zoning Inspector	62,450
2 School Resource Officers (SRO) - Revenue offset \$58,980	117,960
Part-Time Building Maintenance Worker for the Zoo	14,800
Reclassify Building Inspection's Executive Secretary to Development Permit Technician	2,790
Webmaster/Videographer	38,150

FY 08 FINANCING PLAN

General Fund

The tax rate of 66.78¢ is approved for FY 08. The rate will be allocated between the General Fund and the Debt Service Fund.

The FY 08 expenditures of \$69,320,170 will require a tax rate of 46.83¢ for the General Fund, which includes funds for the payments for the

fleet lease financing program. The FY 07 rate was 49.40¢. In addition, 19.85¢ will be required for the Debt Service Funds compared to the FY 06 rate of 17.38¢. This increase is due to the Public Safety Communication System debt issued in December 2005, and the rate increase for the bonds approved in March 2007 and sold on August 9, 2007.

Over the past year, staff has made many improvements in the Municipal Court based on the recommendations of a consultant. The consultant's report also recommended hiring one (1) additional Municipal Court Judge. An additional judge would allow the court system to work more efficiently on outstanding cases and allow more aggressive pursuit of older outstanding citations. The current jury trial docket is set four months out, a second judge would decrease the amount of time between citation and trial date. Also, this would allow the Court to consider offering night court for defendants. The cost of this position, including the required equipment and training, is \$110,420. It is anticipated that the position will be revenue neutral. Also for FY 2008 is one (1) zoning inspector. The Zoning Inspector will help alleviate the backlog of zoning complaints that Planners cannot address. Additionally the Zoning Inspector will also do routine inspections of developments. The cost of this position, including required equipment and a vehicle, is \$62,450.

Two (2) additional School Resource Officers (SRO) are budgeted to place a full time SRO at each Abilene Independent School District's (AISD) high school and middle school campus and provide Wylie Independent School District (WISD) with a SRO for the first time. With the expansion, one current position would be reclassified to a Sergeant for oversight of the SRO program. The cost for these positions is \$117,960. Half of the cost for the two new positions will be shared equally with AISD and WISD.

The FY 08 budget includes additional personnel for one (1) part-time building maintenance worker for the Abilene Zoo. This maintenance worker is needed to provide necessary maintenance and assist with in-house construction projects. The cost of this position is \$14,800. Additionally, the reclassification of the Building Inspection's Executive Secretary to a Development Permit Technician at a

cost of \$2,790 is included. This reclassification will enhance customer service at the front counter.

In addition, FY 2008 budget includes one (1) Webmaster/Videographer at a cost of \$38,150 including salary, benefits, supplies and service charges. The Webmaster/Videographer will perform videographer duties for the public service announcements, PowerPoint slides that appear on Channel 7, operation and troubleshooting of audio/video equipment, update the City web site, and assist in production of printed material for various projects and archive articles pertaining to city business.

The FY 08 budget also includes increases in permitting fees. Included is an increase for swimming pool/spa permit and inspections from \$50 to \$100 per year. At an estimated 140 inspections per year, it will create additional revenue of \$7,000. Also included is an increase in septic tank inspections from \$140 to \$190 per inspection. At an estimated 10 inspections per year, it will create additional revenue of \$500. These increases are necessary to recoup the cost of inspection services for both areas.

Water and Sewer Utility Fund

The expenditures for operating the utility system in FY 08 are estimated at \$25,585,580. The Water Utility Division budget for FY 2008 includes three equipment purchases and two lab upgrades and building maintenance. One (1) currency counter, at a cost of \$8,105, is requested due to the volume of currency counted daily. The addition of a currency counter would reduce the time spent on counting money and reduce the possibility of human error. Also approved is an online bill payment system to service the citizens of Abilene, at a cost of \$17,360. The online bill payment is regularly requested by our citizens and during a survey of walk-in and call-in customers 55% said they would use

online bill pay. Additional Building maintenance and improvement, at a cost of \$26,500, is included at the water utility office. This would include replacing existing loose and worn tile, installation of security glass in front of the cashiers, cameras for the front of the office. One (1) upgrade backhoe extendable boom at a cost of \$25,000 is included along with two lab upgrades at a cost of \$50,000 for a new Total Organic Carbon (TOC) analyzer and \$15,000 to replace the current ultraviolet/visible spectrum spectrophotometer. The extendable boom would replace the current fixed boom that has worn with age. An extendable boom is necessary for increased drilling reach and depth when responding to leak calls by the public. The TOC analyzer is used for compliance and quality control.

Transit Fund

As previously discussed, a citizen committee was established to review our transit system and the financial issues that we were confronting. The projected deficit of the system is estimated to be \$463,000. To address this deficit, the committee recommended changes in services as well as fees that would result in approximately \$382,000. The FY 08 budget includes these recommendations and will require that the General Fund increase its transfer by an additional \$200,000. This is included in the revised FY 07 budget. Also included is a route study for the system.

Abilene Transit System expenditures for FY 08 are projected at \$3,783,690. The revenues are estimated at \$3,250,660, which includes a transfer in the amount of \$450,000 from the General Fund, which leaves a projected balance of only \$118,581.

Solid Waste Services Fund

Solid Waste Services expenditures for FY 08 budget are projected at

\$11,861,640. The revenue is estimated at \$11,614,430. The Solid Waste Services FY 08 budget includes one (1) full time welder at a cost of \$30,770 including salary, benefits, uniforms and supplies. The welder will alleviate outstanding welding jobs and reduce overtime hours currently incurred with existing staff. The FY 2008 budget also includes four (4) personnel reclassification of temporary staff to regular positions at a cost of \$42,350. Also included is one (1) Commercial Frontloader Route at a cost of \$250,540 including one additional Equipment operator and heavy moving equipment plus supplies. The City currently has eight routes that will become saturated by next fiscal year as businesses open in the near future. The expense of the Commercial Frontloader Route will be offset by revenues associated with a new route.

Stormwater Utility Fund

The Stormwater Utility Fund expenditures for FY 08 are estimated at \$1,662,940. The FY 2008 budget for the Stormwater Utility Division includes one (1) Construction Site Inspector at a cost of \$56,720 including salary, benefits, vehicle and required maintenance. The addition of this position will provide the Stormwater Utility Division with the capacity to meet the mandated requirements of the City's Municipal Separate Storm Sewer System (MS4) permit. The continuous increase in development and growth in Abilene and the annexation of additional land has substantially increased the workload of construction site inspections. The Construction Site Inspector would be responsible for conducting construction site inspections and to help keep the City's street, drainage ways, creeks, and lakes free from construction site contaminants.

Fleet Maintenance Fund

One (1) additional Equipment Mechanic is included to enable faster and

more complete servicing of Heavy and Specialty Equipment at a cost of \$32,220 including salary, benefits, uniforms and equipment. One (1) additional two-post vehicle lift at a cost of \$4,950 is included to keep up with light vehicle repair. These items are necessary due to the approximately fifty (50) pieces equipment and vehicles added in the past six (6) years.

Debt Service Fund

Debt Service requirements for FY 08 amount to \$9,131,830 to be paid from property taxes, transfers, interest earnings, and the existing balance. Total tax support required is \$8,361,870, which will be funded at a tax rate of 19.85¢ an increase of 2.47¢ over FY 07. Debt issued in August 2007 was \$4 million in

general purpose projects and \$4.895 million for Airport parking lot improvements from certificates of obligation but does not increase the debt tax rate. An additional \$7.68 million was sold in general obligation bonds that will increase the tax rate by an estimated 1.86¢. The Public Safety System will require a tax rate increase of 1.27¢ over FY 07. However, due to not fully utilizing our 10.7¢ tax rate cap on our annual certificates of obligation program, the remaining increase is only .61¢ (1.86¢ + .61¢ = 2.47¢).

Volunteer Parks Donation Program

For the FY 08 Park Bucks Program, staff is recommending the replacement of the playground equipment at Scarborough Park in the amount of \$20,000.

ADDITIONAL ISSUES AND INITIATIVES

Self Insurance Fund

We changed third party administrators for our health benefits January 1, 2007 to Blue Cross/Blue Shield. Working with Holmes Murphy and Associates, our benefits consultants, rate structures were designed to offer three options to employees and retirees relative to contribution rates and out-of-pocket expenses. We also provided an alternative insurance coverage for Medicare-eligible retirees through Aetna. We are hopeful that these changes will result in a positive impact on health plan performance for the 2007 plan year.

We will continue working with Holmes, Murphy and Associates to analyze medical and prescription plan claims and trends and set the rate structure for 2008. We also will require, beginning January 1, 2008, all Medicare eligible retirees to go off the City's insurance plan and obtain coverage through the Aetna alternative, or an alternative of their choice. We continue to

search for viable alternative coverage options for non-Medicare eligible retirees to shift the associated claims risk out of the self-insurance fund.

The FY 08 budget includes a \$500,000 transfer from the general fund to the self insurance fund to enhance the balance. The budget also provides for the City's per employee per month contribution to increase by \$20. The City's contribution has gone unchanged for the last four years, while employee contributions and out-of-pocket amounts have steadily increased.

Facilities Survey/Facilities Improvement Fund

The City has historically maintained a Facilities Improvement Fund to address large maintenance needs of the various buildings owned by the City. Because of the aging and deteriorating conditions of our buildings and major building systems, the Fund has been depleted. The recently completed facilities survey points to an

increasing need to repair major building systems in the coming years. In 2005, we issued \$575,000 in certificates of obligation for roofing and boiler replacements. In 2006, we issued \$833,610 in certificates of obligation for municipal facilities improvements, and in 2007, we issued \$463,700.

Technology Fund

The FY 08 budget for the technology fund is structured to continue support of our technology applications and infrastructure to maintain quality program and service delivery. Currently, there are no projects recommended for funding in the technology fund. However, there is an unfunded project listing that we propose to review once we know the status of fund balance at year end.

Financial Accounting and Payroll Software System

We continue to have a significant need to obtain an integrated system solution to handle all our financial accounting, reporting, payroll, Human Resource Information Management (HRIM), fleet management, purchasing, and work order management processes. Once the required migration to new systems is accomplished, we will have much more effective and efficient management tools and processes for accounting, financial reporting, budgeting, and human resource management. However, replacement of the existing systems will represent a significant expense.

SUMMARY AND CONCLUSIONS

It is because of the City Council's focus on basic municipal services, conservative fiscal policies, and sound long range planning that we enter the 2008 fiscal year with an optimistic outlook for Abilene. This budget document represents a commitment to the ideals of the past, and optimism for the future.

Sincerely,



Larry D. Gilley
City Manager

ORDINANCE NO. 39-2007

AN ORDINANCE APPROVING REVISED BUDGET FIGURES FOR FISCAL YEAR 2006-2007; APPROVING AND ADOPTING BUDGET FOR THE FISCAL YEAR OCTOBER 1, 2007, THROUGH SEPTEMBER 30, 2008, FOR THE CITY OF ABILENE; APPROPRIATING FUNDS; REPEALING ALL ORDINANCES AND PARTS OF ORDINANCES IN CONFLICT HEREWITH; CALLING A PUBLIC HEARING.

WHEREAS, the City Manager has prepared a revision of certain figures in the 2006-2007 budget and submitted same to the City Council; and,

WHEREAS, the City Manager on July 10, 2007, filed a proposed budget with the City Secretary for the fiscal year commencing October 1, 2007; and,

WHEREAS, the City Council has reviewed and considered said proposed budget and made revisions of same; and,

WHEREAS, said proposed budget, as revised by the City Council, was duly set for a public hearing ordered to be called by the City Council and held on September 6, 2007, after due notice, as required by the Charter of the City of Abilene and laws of the State of Texas; now, therefore,

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF ABILENE, TEXAS:

PART 1: That the revised figures, prepared and submitted by the City Manager for the 2006-2007 budget, be, and the same are hereby, in all things, approved and appropriated, and any necessary transfers between accounts and departments are hereby authorized, approved, and appropriated.

PART 2: That the budget proposed by the City Manager for the fiscal year commencing October 1, 2007, as revised by the City Council, be, and the same is hereby approved, adopted, and appropriated including transfers of General Fund equity to various Funds.

PART 3: That the City Manager and his authorized and designated employees, at his direction, be, and are hereby, authorized to sign or release easements, permits, licenses, and change orders; to sign interlocal agreements as authorized by state law; to sign documents authorizing the payment of funds, and to expend public funds as authorized by state law unless otherwise authorized by the City Council; to settle paving assessment, weed mowing, demolition, and other disputes based on legal questions of whether the assessments are enforceable or other extenuating factual circumstances. The City Manager is authorized to adjust compensation, within Council policy guidelines, of any City employee, including appointees, when in his discretion an adjustment needs to be made to retain qualified personnel. The intent of this section is to provide the ability to conduct daily affairs of the City, which involves numerous decisions of a routine nature and to retain qualified personnel.

PART 4: That the City Council hereby approves grants and contracts that are set out by this budget and authorizes the City Manager and his authorized and designated employees, at his discretion, to sign said federal, state, and other such grant and contract documents, including interlocal agreements, on behalf of the City. The funds for said contracts, agreements, and purchases are hereby approved and appropriated. The intent of this section is to approve and simplify the grant process and approve expenditures that are exempt from the Purchasing and Contracting Authority of Municipalities, Chapter 252 of the Local Government Code.

PART 5: That upon passage of this ordinance on first reading, the City Secretary be, and is hereby authorized and directed to have published in the Abilene Reporter-News, a daily newspaper of general circulation in the City of Abilene, a notice that a public hearing will be held in the Council Chambers of the City Hall in Abilene, Texas, at 8:30 A.M., on the 6th of September, 2007, to permit the public to be heard prior to consideration of this ordinance for second and final reading, said publication to be made more than ten (10) days prior to the time designated for such public hearing in accordance with 102.0065 Local Government Code.

PART 6: That any ordinance, resolution, policy or any provision or section of the code of the City of Abilene, Texas, as amended, in conflict herewith, be, and the same is hereby repealed to the extent of any conflict. It is specifically provided that Resolution 40-1997 concerning liability claims shall remain in full force and effect.

PART 7: That the number, classification, and designation of each position, as provided in Texas Local Government Code Ann., Chapter 143 (Vernon 1988), Municipal Civil Service, for the Police and Fire Departments, as set out below, are hereby created, established, and adopted as the official plan for the classified service of the Police and Fire Departments of the City of Abilene for the fiscal year October 1, 2007, through September 30, 2008, or as may be amended by City Council. The Fire Department Captain who is assigned the duties of Fire Marshal may receive Assignment Pay in an amount necessary to make the Fire Marshal's base pay equivalent to Battalion Chief base pay. Any position in the classified service of the Police and Fire Departments of the City of Abilene not below listed, is hereby abolished:

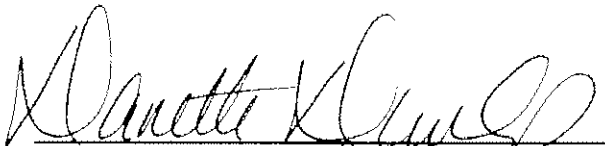
<u>Police Department</u>		<u>Fire Department</u>	
Deputy Police Chief	3	Assistant Fire Chief	2
Police Lieutenant	10	Battalion Chief	4
Police Sergeant	23	Fire Captain	14
Police Officers	<u>148</u>	Fire Lieutenant	32
	184	Fire Fighter	<u>119</u>
			171

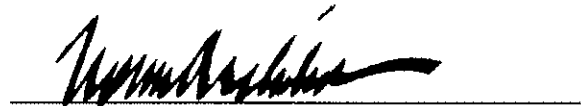
PASSED ON FIRST READING on the 20th day of July, A.D. 2007.

After passage on first reading, a notice of the time and place said ordinance would be given a public hearing and considered for final passage was published in the Abilene Reporter-News, a daily newspaper of general circulation in the City of Abilene. The same being more than ten (10) days prior to the time designated for said hearing. After such opportunity for the public to be heard, said ordinance was passed on its second and final reading.


PASSED ON SECOND AND FINAL READING AT A PUBLIC HEARING on the 6th day of September, A.D. 2007.

ATTEST:


CITY SECRETARY (Interim)


MAYOR

APPROVED:


CITY ATTORNEY

ORDINANCE NO. 40-2007

AN ORDINANCE OF THE CITY OF ABILENE, TEXAS, APPROVING THE ASSESSMENT ROLL FOR 2007, LEVYING AN AD VALOREM TAX FOR THE CITY OF ABILENE, TEXAS, FOR THE YEAR 2007; PROVIDING FOR THE ASSESSMENT AND COLLECTION THEREOF; REPEALING ALL ORDINANCES AND PARTS OF ORDINANCES IN CONFLICT HEREWITH; CALLING A PUBLIC HEARING; PROVIDING AN EFFECTIVE DATE.

WHEREAS, Section 26.05 of the Tax Code requires notice of a tax increase whether that increase occurs by an increase in the tax rate or a rise in property values or both; and

WHEREAS, the City of Abilene is proposing a tax rate increase and property values have risen in the City which trigger components of Section 26.05; and

WHEREAS, the components of Section 26.05 require Cities to post that an increase in property values even when the tax rate is held constant, is considered as an effective tax rate increase; now therefore,

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF ABILENE, TEXAS:

PART 1: That the assessment roll for the year 2007, as compiled by the Chief Appraiser of the Central Appraisal District of Taylor County, and amended and approved by the Appraisal Review Board of Taylor County, on the 20th day of July, 2007, be, and the same is hereby, in all things, approved and adopted.

PART 2: That there be, and is hereby levied, on all of the property located in the City of Abilene, Texas, on the 1st day of January, 2007, and not exempt from taxation by the Constitution and Laws of the State of Texas and the City of Abilene, an ad valorem tax in the aggregate total of --sixty-six and seventy-eight one-hundredths cents (66.78¢)-- on each one hundred dollars' (\$100.00) valuation of said property, apportioned as follows:

General Fund:

(a) Operations & Maintenance	\$.4643
(b) Fleet Lease Financing	<u>\$.0050</u>
	\$.4693

Debt Service Funds:

(a) 1997 C.O. Series	\$.0047
(b) 1998 C.O. Series	\$.0049
(c) 1999 C.O. Series	\$.0051
(d) 1999 G.O. Series	\$.0108
(e) 2000 C.O. Series	\$.0045
(f) 2000 G.O. Series	\$.0100
(g) 2001 C.O. Series	\$.0046
(h) 2001 G.O. Series	\$.0063

(i)	2002 C.O. Series	\$.0084
(j)	2002 G.O. Series	\$.0077
(k)	2002 Airport C.O. Series	\$.0035
(l)	2003 C.O. Series	\$.0060
(m)	2003C Refunding	\$.0137
(n)	2004 C.O. Series	\$.0048
(o)	2004 Airport C.O. Series	\$.0021
(p)	2005 C.O. Series	\$.0120
(q)	2005A C.O. Series - Public Safety	\$.0315
(r)	2006 C.O. Series	\$.0119
(s)	2006 G.O. Series	\$.0133
(t)	2006 Airport C.O. Series	\$.0036
(u)	2007 C.O. Series	\$.0108
(v)	2007 G.O. Series	\$.0156
(w)	2007 Airport G.O. Series	<u>\$.0027</u>
	Debt Rate	\$.1985

TOTAL RATE FOR THE YEAR 2007 \$.6678

PART 3: That there be, and are hereby authorized exemptions as follows:

- 1) Homestead exemption -- fifteen percent (15%)
- 2) Age 65 and over exemption -- \$15,000

PART 4: THE CITY OF ABILENE ADOPTED A TAX RATE THAT WILL LOWER TAXES FOR MAINTENANCE AND OPERATIONS THAN LAST YEAR'S TAX RATE. THE TAX RATE WILL LOWER TAXES FOR MAINTENANCE AND OPERATIONS ON A \$100,000 HOME BY APPROXIMATELY \$24.70.

PART 5: That notice for the public hearings on the 9th day of August, 2007, and the 23rd day of August, 2007, were given by publication in the Abilene Reporter-News on the 1st day of August, 2007.

PART 6: That notice for the public hearing on the 6th day of September, 2007, was given by publication in the Abilene Reporter-News on the 27th day of August, 2007.

PART 7: That a public hearing was held on the 6th day of September, 2007, in accordance with the City Charter.

PART 8: That any ordinance, resolution, policy or any provision or section of the Code of the City of Abilene, Texas, as amended, in conflict herewith, be, and the same is hereby repealed to the extent of any conflict.

PART 9: That this ordinance shall take effect immediately from and after its date of final passage.


PASSED ON FIRST READING on the 19th day of July, A.D. 2007.

PASSED ON SECOND AND FINAL READING AT A PUBLIC HEARING on the 6th day of September, A.D. 2007.

ATTEST:

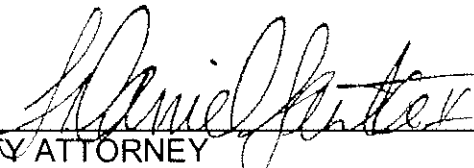


CITY SECRETARY *(Interim)*



MAYOR

APPROVED:



CITY ATTORNEY

**CITIZENS' INSIGHT INTO
THE BUDGET**



INTRODUCTION

The Future Great City of West Texas

Ranchers, land speculators and the railroad can all take credit for laying down the foundation for the Abilene of today. Back in the 1800s, nomadic Indians, U.S. soldiers and eventually, buffalo hunters and ranchers roamed the area. By the time the 1870s arrived, the Indians were long gone and cattlemen had taken over the land for their herds to graze upon. But it was the Texas & Pacific Railroad that truly transformed Abilene in 1881 by promoting Abilene as "The Future Great City of West Texas". By January 1883, residents voted to incorporate and later that fall, Abilene became the county seat of Taylor County. Within seven years, the city grew to 3,194 people.

Today, more than 115,000 friendly people reside in Abilene. The city is home to an eclectic mix of Old West heritage, contemporary culture and traditional values. Abilene is a Top Ten Destination where families can feed the giraffes at the Abilene Zoo and relive rugged western lore through cutting-edge technology at Frontier Texas! It's also where art enthusiasts can find inspiration at various museums and cultural events such as Art Walk, held in historic downtown. Abilene is known as a regional hub for employment, retail and medical services. And it's conveniently situated at the center of a 22-county area known as the Big Country.

Abilene is surrounded by a number of state highways, the Union Pacific railway service and air travel by way of Abilene Regional Airport. The airport has frequent passenger service provided by two commercial airlines. Charter service is also available. There are also many options located in Abilene for the pursuit of a higher education. Students may choose from four universities, a junior college, a technical college, a commercial college and a recently opened pharmacy school.

The city boasts attractive and affordable housing, a revitalized historic downtown, an assortment of tourist attractions, recreational possibilities, top notch medical facilities, a regional industrial hub, Dyess Air Force Base and a philanthropic community.

The Making of Abilene Government

The year 1881 is when the Texas & Pacific Railroad was completed. This year also signifies the establishment of Abilene. The city started out as a cattle shipping and oil center, later diversifying its economy in the mid-1900s. Abilene's strong relationship with the U.S. military was solidified in 1956 when the city fathers dedicated Abilene Air Force Base. It was renamed later that year as Dyess AFB in honor of Lt. Col. William Edwin Dyess. On November 6, 1962, Abilene was formally chartered as a "home-rule" city with a council-manager form of government.

The elected council is made up of the mayor and six council members. The council enacts legislation, adopts the budget, sets the tax rate, determines policies and approves the Mayor's appointment of the City Manager, City Secretary, City Attorney, Municipal Court Judge and all Boards and Commission members. The City of Abilene is organized into eleven departments: Administrative Services, Aviation, Community Services, Economic Development, Finance, Fire, General Government, Planning and Development Services, Police, Public Works, and Water. Through these departments, the City of Abilene offers a wide range of services for the promotion of citizen health, safety and welfare. For more information, please visit our website at www.abilenetx.com

CITY OF ABILENE, TEXAS

PROFILE OF ABILENE

City of Abilene

Population	115,981
Metropolitan Statistical Area (MSA) for Taylor County	128,256
MSA Civilian Labor Force	81,200
Square Miles	110.8
Date of Incorporation	1881
Original Charter	1911
Current Charter	1997
Members of Council	1 Mayor at Large 6 Council Members at Large
Form of Government	Council/Manager

Education

Universities	3
University Students	8,599
Junior College Students	2,552
Technical College Students	383
Public School Campuses	31
Public School Students	16,498

Military

Military Base	Dyess AFB
Active Duty Assigned Personnel	4,400
Civilian Personnel	800

Public Safety

Commissioned Police Officers	184
Police Calls	104,776
Professional Fire Fighters	171
Fire Stations	8
Fire Hydrants	3,063
Fire Calls	15,647

Parks, Recreation, and Library

Number of Parks	30
Total Parks Acreage	2,481
Recreation Centers	6
Recreation Participants	151,761
Senior Citizen Centers	5
Library Circulation	715,917
Library Cards in Force	49,101

Public Works

Lane Miles of Paved Streets	1,618
Water Accounts	38,688
Solid Waste Accounts	38,350

BUDGET ORGANIZATION

Budgets are produced by many organizations. But as a general rule they each try to fulfill similar criteria. First, seek to communicate a message to the reader. Second, try to produce a document, which demonstrates the financial condition of the organization. Third, develop a policy-oriented budget, which sets goals, objectives, etc. And finally, as an operations guide, a budget built to give direction to the organization.

The City of Abilene's budget seeks to meet each of these criteria. The City Manager's letter is a concise representation of the budget as a whole. It is the focal point of the City's budget presentation. The Citizens' Insight into the Budget offers a visual demonstration of the approved budget with historical information to help interpret. Narratives are included which describe policies and procedures and the basis of accounting of the City's funds. The intent of this section is to inform and bring about a better insight into the City of Abilene. After the Citizens' Insight section is the Financial Summary section. This section presents summaries by Funds with graphs, charts or narrative when appropriate. These are simple statements comparing revenues to expenditures.

The next sections are by Fund groupings with individual Funds displayed. Most sections are uniform in presentation and include Department Summaries, Department Revenue Detail, and Division Summaries. These forms provide service descriptions, financial detail and summations, full-time positions and service or performance analysis. Some funds have narrative presentations, also.

The Appendix is a collection of supplementary material including statistical information, a glossary of terms and financial detail.

What does it take to put a budget together?

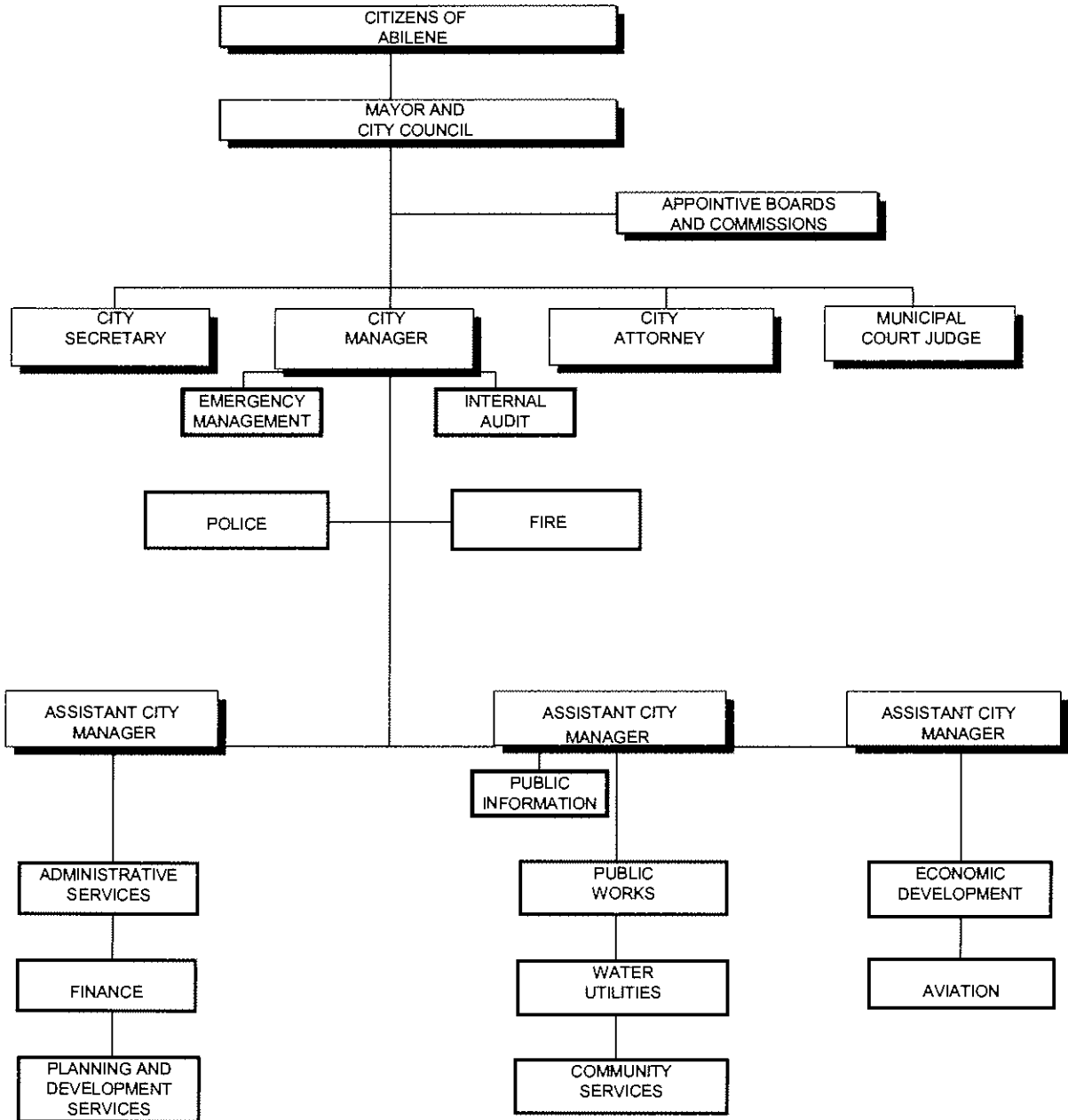
Revenue Budgeting

Revenue budgeting is completed prior to the expense budgeting process. All revenue assumptions are formulated by the responsible Department. Each Department considers historical information, current trends and projected activity in formulating their revenue budget. The Finance Department reviews the Departments revenue projections for accuracy and reasonableness and then compiles a projected statement of condition for City management to consider while reviewing expense budgets.

Expense Budgeting

After the revenue budgeting is complete, expense budgets are completed by each Division. After the Division Managers complete their budgets, the work is reviewed by the Department Director prior to being submitted to Finance. Finance reviews the documents in detail and formulates a comparison of revenue and expenses. City management then reviews the budgets with the Departments and Finance in order to compile the most reasonable and efficient budget to the City Council.

ORGANIZATION CHART OCTOBER 2007



Major Programs and Projects Fiscal Year 2007-2008

In keeping with our mission statement of working together to build a community of the highest quality for present and future generations, the resounding theme of the 2007-2008 budget is that of enhanced service levels both internal and external. Not only do the items in this budget address our need to prepare and plan for future growth, but also include items to ensure the highest levels of service to both the citizens of our community as well as those who visit our city.

The implementation of the new public safety communications system has been completed. During FY 2008, further enhancements to the mobile data system will be implemented to include development and integration with other public safety agencies in the region.

The CodeRED® Emergency Notification System will continue to be an integral part of the City's Emergency Management and Public Safety preparedness plans. This multi-dimensional emergency and critical alert system delivers emergency messages by telephone to homes, businesses, live individuals and answering machines at a rate of up to 60,000 calls per hour.

The 2008 debut of "ABILENE411", the City's Citizen Relationship Management initiative, will make available 24 hour computer access to city services and knowledge bases. Citizens may submit requests for services as well as obtain answers to many of their frequently asked questions on the City's website.

Abilene Regional Airport continues to see marked increases in the number of passenger enplanements. Major capital improvements enhancing all sectors of aviation have been completed with further enhancements scheduled for FY2008.

These include completion of the renovation of the terminal and the expansion of the parking lot to include covered parking for vehicles.

Great progress has been made on the projects passed by our citizens in the May 2006 Bond Election. Many of the street improvement and reconstruction projects have been completed with additional improvements scheduled for completion in FY 2008.

The Parks Division will move to Phase II of the sports lighting upgrade project replacing light poles and fixtures at the four older fields in Nelson Park and T-Bone Winters baseball field in Rose Park.

The City of Abilene is dedicated to being the "Employer of Choice" through workforce retention and development. The FY 2008 budget includes base salary adjustments for our classified employees and adjustments to our compensation plan beginning pay ranges to better align with current market conditions.

The entire City of Abilene organization continues its commitment to providing timely, accurate, and consistent information and services to our citizens and to addressing critical issues brought forth by the City Council, staff and residents.

Larry D. Gilley
City Manager

MAJOR PROGRAMS AND PROJECTS

FISCAL YEAR 2007-2008

AVIATION

The Department of Aviation continues its efforts to plan, develop, promote and manage the Abilene Regional Airport to accommodate the growing demand for commercial, military and private/corporate aviation facilities and services for the West Central Texas region. As we enter FY08 we note the following developments:

- The airport continued to experience growth in 2006/2007 and although the presence of Allegiant Air was brief, our incumbent airlines, American Eagle and Continental Connection/Colgan Air have seen growth.
- Major capital improvements enhancing the airport's ability to accommodate all sectors of aviation have been completed and more are underway;
- Passenger amenities have been provided, including food/beverage and gift shop concessions, and new parking and terminal access improvements are underway;
- Development of staff capabilities has resulted in consistently successful federal inspections of the safety and security operations and procedures, as well as operational efficiencies.

Programs and projects are underway to build upon these developments and continue to improve the Airport's ability to accommodate facility and service demands as follows:

Air Service Development

In August 2006, the U.S. Department of Transportation awarded the City its second Small Community Air Service Development Program grant, which contributes \$465,000 to fund about 70 percent of expenditures needed to pursue improved air service to the Abilene market, and particularly to gain service to the Western United States. These resources will enable the identification of airlines which are best able to provide these needed services and to develop the route analyses they need in order to consider establishing the service. In addition, the

resources available through the grant will enable the provision of financial assistance to reduce the market risk for qualifying new service, as well as defray operating costs through the provision of ground handling services.

Other ongoing efforts include the following:

- **Regional Air Service Advisory Council:** This was authorized by City Council in 2007 to provide a forum for regional business and economic leaders to address passenger and cargo air service deficiencies and air service development needs from a regional perspective. This will also provide a forum for regional business and economic leaders to learn about different aspects of the aviation industry, including how a thriving regional airport can contribute to their economies' well-being. The advisory council met in May and members will meet again in the fall.
- **Implementation of a Customer Knowledge and Research Program:** In the spring of 2007, airport staff developed a Request for Proposals and selected Zachry and Associates to conduct this program. This program will include four areas of integrated marketing communication and research activity:
 1. **Business – Corporate Market Research.** Primary research project targeting the business communities in Abilene Regional Airport's 32-county service area
 2. **Continuous Customer Satisfaction Research.** Development and execution of a primary on-site research program targeting air travelers
 3. **Airport Web Site.** Development and launch of a new, stand-alone site that incorporates an ongoing research component
 4. **Electronic Newsletter.** Development and production of a marketing-oriented newsletter targeting the

entire collected database of Abilene Regional Airport.

- **Fly Texas Initiative.** The airport will actively participate in this Texas Department of Transportation project designed to develop intra-state nonstop air service to/from Austin.

Capital Improvements for FY 2007-2008

Bolstered by voter approval of general obligation bonds and the aggressive pursuit of federal Airport Improvement Program funding, the following major projects are either underway or planned to begin this year:

- **Air Carrier Ramp Area A Reconstruction** (\$2,785,453) – This project should be completed in early 2008 and is the first of 3 phases of the reconstruction of the aircraft ramp serving the airline terminal. In addition to replacing the existing pavement which is failing under the loads of large aircraft, this project will update the geometry of the ramp to today's design standards which will better accommodate airline operations.
- **Air Carrier Ramp Area B Reconstruction** (\$2,599,392.00) – This project should be completed in mid 2008 and is the second of 3 phases of the reconstruction of the aircraft ramp serving the airline terminal. In addition to replacing the existing pavement which is failing under the loads of large aircraft, this project will update the geometry of the ramp to today's design standards which will better accommodate airline operations.
- **Terminal Renovation Phase IV** (\$2,573,000) - This project should be completed in early 2008 and is the final phase of improvements to the airline terminal that were started in 1999. Improvements include the enlargement of the ticket lobby and relocation of security functions behind the ticket counters; installation of new entrances; reconstruction of the upper level roadway and widening of the sidewalk for easier and safer loading/unloading of vehicles at the

curb; installing a fabric canopy over the upper level loading/unloading area; relocating the lower level roadway to allow more space; and to install an escalator for easy access from the parking lot to the upper level ticketing and departure areas.

- **Parking Lot Expansion** – This project will begin in late 2007 and should be completed by the fall of 2008. It will reconstruct and expand the parking lot from today's 213 paved spaces to more than 700 paved spaces to meet traveler needs into the near future. Entrance and exit improvements will make the use of the lot easier and minimize waiting time for travelers. Lighting will be updated and landscaping will improve the aesthetics of the entire terminal area. Finally, a covering to protect vehicles from the elements will be provided.
- **Terminal Area Drainage** – This project will begin in late 2007 and should be completed by the fall of 2008. It will provide a detention basin to contain storm water runoff from the terminal area to prevent flooding downstream.
- **Runway 17L-35R Lighting Rehabilitation** (\$560,000) – This project will begin in October 2007 and will rehabilitate the runway lighting circuit and fixtures, and result in greater reliability and energy efficiency of this system which is critical to aircraft safety.
- **T-Hangar Taxilane Reconstruction** (\$1,268,000 estimated) – This project, which will be bid during the first quarter of 2008, will reconstruct the pavement serving the hangars west of the terminal area, which has failed due to drainage problems, and will help ensure the long-term provision of services vital to the support of general aviation at the Abilene Regional Airport.

Financial and Administrative Projects

As the airport grows to accommodate greater travel-related demands of the West Central Texas region, it is necessary to

make sure the financial structure supporting the operation of the airport keeps up with the physical and service growth. Servicing debt, maintaining and upgrading facilities over time, and proper staffing to ensure safe and secure operations all require that the airport generate adequate revenues to fund these needs. To accomplish this, the following financial and administrative projects are underway, and the products of which will be implemented during 2007/2008:

- **Passenger Facility Charge (PFC)**
– The City implemented the federally authorized PFC in 1997 to provide funding for eligible capital improvements. In early 2007, the Airport sought and received authorization to continue this user-based funding program with a collection amount of \$2,519,008. The PFC collections are used to repay the City for CO's issued for eligible airport projects.
- **Customer Facility Charge (CFC)**
– Like the PFC, the CFC provides funding for capital improvements related to car rental facilities, which are not eligible for federal or PFC funding. The Airport began collecting this fee February 1, 2007. Projects anticipated to be funded with the CFC include parking lot improvements which support car rental operations and a new consolidated car rental service facility.
- **Rates and Charges Study** – This project was completed in October 2007 and identifies all costs of owning and operating the Abilene Regional Airport and establishes cost centers in which those costs can be allocated for purposes of setting a cost-based structure of rates and charges. The study examines the costs associated with providing infrastructure, facilities and services for all segments of aviation, including airlines, other commercial, general aviation. Using this information, updated rates for landing fees and terminal rents will be established, as well as fair market rates for land

and facility rental and other charges.

ADMINISTRATIVE SERVICES

Employee Training, Development and Retention

Engaged in Excellence – the City's core employee development program – continues to evolve. *Engaged in Excellence*, launched in 2006, focuses on building commitment and consistency throughout the entire organization. Each employee completes a core training tract, supported by leadership development initiatives as well as organizational communication processes. *Engaged in Excellence* is designed to create a workforce that is committed to the City's values and is trained to fulfill the City's mission statement. Customer service, ethics, civil treatment, safety, a supervisory series, time management, presentation skills and a leadership series are key components of the program.

An additional strategy for recruiting and retention was approved by the City Council for the FY 2008 budget. Pursuant to this strategy, we are adjusting our classified employees' base salaries and our compensation plan beginning pay ranges to better align with market conditions. We hope this strategy will result in effective recruitment and increased retention of employees. We also hope to continue this strategy in a maintenance mode for the pay plan.

Safety Program

The City-wide Safety Committee, chaired by the Director of Administrative Services with members assigned from each city department, was initiated in FY 2007. We will continue to evolve the functions of this committee as well as expand the recently published City Safety Manual that is the cornerstone of the safety program. The program is committed to providing a safe, healthful work environment for all employees by establishing and maintaining effective safety and health programs. To focus on continuous improvement of the safety program, we have trained over fifty supervisors to be Safety Coaches through

the Safety Leadership School. This initiative has introduced new safety management and safety awareness tools into the workplace. We will continue to train other employees through the Safety Leadership School. Risk Management staff are actively involved in this activity.

Health Benefits Plan

Much progress was made in FY 2007 with the administration of the City's self-insured health benefits plan. Looking to FY 2008, we will continue to work with Holmes Murphy and Associates, our benefits consultants, to assertively manage the health benefits plan. Progress made in 2007 has provided the ability to maintain employee contribution rates to the health plan at the same level and only raise retiree contributions by 2.5%. Additionally, COACH (the **City of Abilene Clinic for Health**) continues to provide free non-acute health care to employees, dependents and retirees who are on the health plan. COACH supplements the benefits plan as well as saves costs for both plan participants and the City.

Public Safety Communications

The implementation of the City's replacement public safety communications systems is virtually complete. FY 2008 will see further training of employees to fully learn and utilize the systems' functions and features. We will also be enhancing the mobile data system with an upcoming software release. Efforts will include additional development and integration with other public safety agencies in the region.

Meet and Confer Agreements for Police and Fire

City management will enter into negotiations of Meet and Confer agreements with the local Police Officers Association and local Firefighters Association during the FY 2008 for the fiscal years beginning October 1, 2008 and forward. These agreements provide the opportunity for all parties to outline exceptions to the Texas Local Government Code, Chapter 143 for Civil Service personnel. Our first experience with Meet and Confer agreements for the FY 2007 and 2008 periods was very positive and we hope to carry the experience forward to the next agreements.

COMMUNITY SERVICES

LIBRARY

Main Library Renovations

The existing boiler at the Main Library is slated to be replaced. In conjunction with the boiler replacement project, we plan to abate the asbestos on the lower level of the Main Library. Once the asbestos is abated, we will upgrade and/or replace lighting fixtures on that floor.

PARKS

Sports Lighting Upgrade

Phase Two of this project will include contracted replacement of light poles and fixtures at the four older fields in Nelson Park and T-Bone Winters baseball field in Rose Park. At the softball field in Cobb Park, only the poles will be replaced by the Parks crews.

Tree Plantings

Sixteen trees will be planted for shade at the Lake Kirby playground and 12 trees will be planted as replacements on Belmont Blvd.

CIVIC CENTER

Replacement of Banquet Chairs

This project which will be completed in December 2007, will replace 1,230 banquet chairs. The chairs being replaced were purchased for the Conference Center which opened for its first event on October 1, 1990.

Replacement of ADA Ramp with ADA Lift

This project which will be completed in December 2007, will replace our ADA Ramp. Purchase of the ADA Lift will allow us to provide instant service to our customers requiring assistance. Our current ramp requires several hours to install. There have been several occasions when the events planner has not had prior knowledge that a person sitting at the head table would require assistance. This new lift will alleviate any such problems.

Replacement of Auditorium Drapes and Fire Curtain

This project which will be completed in February 2008, will replace all drapes/curtains in the Theater. All of the drapes, with the exception of the Grand Drape, are original to the facility which opened in 1970.

Conference Center Dimmer System

This project which will be completed in July 2008, will allow us to provide a more versatile lighting control system for events.

ZOO

Creepy Crawler Center

This renovation of an existing structure will replace the need for constructing a new building as proposed in the Zoo Master Plan. This center will house the reptile, amphibian, and invertebrate collection in a safe, climate-controlled environment, while providing an exciting new experience for young adults and guests.

Wetlands Boardwalk

A boardwalk through the existing wetlands exhibits will be erected in conjunction with the construction of Phase 1A of the 2002 Master Plan. This boardwalk will be used to allow guests a closer look at species that inhabit wetlands and educate them on the importance of protecting wetland areas.

Wetlands Exhibits

This series of renovated and new exhibits will showcase a variety of animals found in the wetlands of the world. Some of the species will include alligators, flamingos, waterfowl, and the critically endangered Attwater's Prairie Chicken, which our zoo hatches here on grounds at our propagation center.

Animal Holding and Quarantine Area

In order for a zoological facility to grow, it needs space to hold animals off-exhibit during renovations or repairs. In addition, when acquiring animals it is standard policy to quarantine before placing them in the animal collection. This in-house renovation of existing structures and buildings will provide needed space.

Roof Repairs and Structural Revisions

Several of the existing animal night houses and service buildings in the zoo have faced ongoing leaks that are potentially dangerous to the staff and the animals they care for. Working with the Facilities Maintenance Services Department, we are currently addressing these issues to insure safe operations.

Commissary Renovation

The zoo commissary will undergo a minor renovation this year to insure animal diet preparation keeps pace with collection

growth. This will include an upgrade in overall condition, as well as an expansion of storage space to ensure that this existing workspace is maximizing its potential and time efficiency.

Veterinary Clinic Renovation

The veterinary clinic will undergo a minor renovation this year to insure the medical care of our animal collection. This will include an overall upgrade in condition, as well as an expansion of storage space, new surgical recovery caging, and modification of the surgery suite area to enhance daily operations.

Giraffe Exhibit Renovation

The existing moat around the giraffe enclosure will be filled in, almost doubling the space available to the animals. A barrier fence will be installed to ensure visitor safety, but will allow visitors to stand within a few feet of the giraffes. The barn renovation will provide holding space and facilitate breeding and operations.

Elm Creek Exhibits

This cutting edge design will take advantage of existing structures as well as new exhibits to present a cross-section of animals native to the Elm Creek area of Texas. Highlighted species will include cougars, coyotes, bobcats, ringtails, and river otters as well as a variety of birds, fish, reptiles, and amphibians.

South American Trails Exhibits

Currently unutilized space will be developed into a small series of exhibits featuring new animals. These exhibits will add to the new atmosphere at the zoo and focus on endangered species that are currently part of the Species Survival Program (SSP). Maned wolves and ocelots have been selected for this area.

Recycling Program

The zoo will undertake development of a recycling program to help do our part to protect the environment. We will institute a program that recycles aluminum and plastic beverage containers. In addition, we will begin recycling all animal waste into macrobiotic compost in cooperation with the COA Recycling Center.

Staff Training Program

As of this spring, we will develop and institute a new in-house training program

that will utilize not only local resources, but visiting wildlife and zoological professionals from across the country. This approach will enable us to realize training potential and maximize travel expenditures in a responsible manner.

Crisis Management Training Program

As of this spring, in an effort ensure staff safety and animal welfare, we will be instituting a training program to develop our Emergency Response Team at the zoo. This program will incorporate facets of fire safety, general safety, chemical anesthesia, marksmanship, and CPR, First Aid, and AED training.

Grounds Beautification Program

As part of our effort to insure that visitors at the zoo have an enjoyable and pleasant experience, we are developing and instituting an in-house clean up of all public areas to enhance customer satisfaction. Staff service areas are a consideration as well to ensure compliance with regulatory agencies and the AZA.

Research Program

As an AZA zoological institution, we have a responsibility to support and publish scientific research. We will continue to progress through our participation in the Attwater's Prairie Chicken SSP, as well as the Cougar Research Program studying felid behavior, environmental enrichment, and operant conditioning.

Conservation Program

In an effort to promote the conservation goals of Species Survival Programs (SSP), our Animal Management Team will be actively supporting in-situ research and education. An example of this would be our support of the Maned wolf SSP conservation posters and education bulletins being distributed throughout Central and South America in English, Spanish, and Portuguese. We will also be hosting the next Maned wolf SSP workshop with attendees both nationally and from South America.

HEALTH

Electronically Scan

Birth and death records will be scanned as they are submitted, and to include previously recorded files as possible. This project will help the staff retrieve records

more quickly and extend the life of paper records by reducing the wear from repeated access and copying.

Dental X-Ray Developer

Purchase and place in operation to make the film processing more efficient.

Data Collection Procedure

The new data collection procedure is designed to track client encounters and services more thoroughly. This data will also be used to make the retrieval of information for the City's monthly report and reports to the state health department more efficient.

Public Awareness Campaign

The Preparedness Section will be initiating a public awareness campaign concerning preparation for pandemic influenza. Billboards, television and radio advertising will be used to increase the public's awareness of prevention procedures that will improve hygiene and reduce the transmission of influenza viruses, both seasonal and pandemic strains. Age appropriate educational materials addressing hand washing, coughing and sneezing, and when to stay home with an illness will be made available to schools for use in classrooms. Audio-visual equipment will be updated to allow digital video signals to be transmitted and received throughout the Division's facility with maximum clarity. Additional PSAs for immunization will be aired and informational materials distributed to maintain the Division's emphasis on completing vaccinations when recommended.

GENERAL GOVERNMENT

Emergency Management

CodeRED® – Through the state of Texas Homeland Security grant program, the City of Abilene Emergency Management Division was able to acquire the CodeRED® Emergency Notification System in 2007.

CodeRED® is an extremely fast communication service available for mass emergency alerts and notifications. It employs a one-of-a-kind Internet mapping capability for geographic targeting of calls, coupled with a high speed telephone calling system capable of delivering customized

pre-recorded emergency messages directly to homes and businesses, live individuals and answering machines, at the rate of up to 60,000 calls per hour. It is a *multi-dimensional* emergency and critical alert system and has been used in a number of situations, most recently during the August 2007 flooding to notify citizens of imminent danger and evacuation instructions.

CodeRED® will continue to be an integral part of the City's Emergency Management and Public Safety preparedness plans in 2008.

Emergency Operations Center (EOC) –

The enhancement of the City's Emergency Operations Center (EOC) will continue to be a priority for the Emergency Management team for optimal response to local emergencies and disasters. EOC staff will continue to emphasize preparedness training and drills to be ready for activation at a moments notice.

Public Information

The Public Information Office will continue to provide timely, accurate and informative communications to the public and media about City of Abilene services and issues.

FY08 will bring the addition of a PIO Webmaster/Videographer. The position will help increase the City's communication efforts online and through video.

During FY07, the remote-control video camera system has enabled both live and taped, quality broadcasts of City Council meetings and news conferences over TV Channel 7. Some commercial stations even asked permission to broadcast live feeds from the City's Channel during emergency situations. For the upcoming fiscal year, the Information Office will broaden the system's use by broadcasting more public meetings including the Planning and Zoning Commission.

City-produced programming will expand in FY08. Currently, the City produces a half-hour magazine-style television show, "Abilene City Magazine". For the fall season, the program has evolved with the additional use of video from the field, showcasing City services in action. For the coming fiscal year, the Information Office will produce "On The Wild Side", a behind-

the-scenes look at animals and exhibits at the Abilene Zoo.

For FY08, the Information Office will produce its fourth, full-color printed Annual Report to Citizens. This office will continue to develop and distribute timely news releases to the media, City staff, elected officials and the community. Public Service Announcements about City-related programs will continue to be created and aired on television and radio stations. Internal communications includes the City Council Update, a monthly newsletter for the City Council and the City Scoop, a 2-page newsletter published thirteen times a year for and about City employees.

Other ongoing efforts include facilitating communications among City divisions, supporting community activities that promote City services and providing effective communications during emergency situations.

Records Management

As the City's records management officer (RMO), the City Secretary continues to assure that the City complies with the Local Government Records Act and the City's records management ordinance. The Cypress Street building now houses the City's records center. This area stores various departmental records. The center is designed to maintain records in compliance with the state-approved retention schedules, while also permitting relatively prompt retrieval. The City's records management ordinance will be updated. With assistance from the Texas State Library and Archives Commission (TSLAC), a records procedures program manual will be developed to assist each department records liaison in the locating, maintaining, retrieving and destruction of records from all departments within the city's jurisdiction. The RMO will continue to pursue record management training opportunities through the state and the Local Records Management Division of TSLAC. A complete inventory and documentation of records housed in the City vault is maintained by the records inventory specialist. Data entry of all records is done to provide City staff Intranet access to the records.

POLICE

New Police Forensics Lab

Planning is in the final stages, and construction should begin by November 2007, on the new 2,000 square foot Forensics Lab at the Taylor County Law Enforcement Center. The Lab will be in the basement area previously vacated by the 9-1-1 Dispatch when they moved into their new facility early in 2007. The Lab will provide much more space for work, as well as a cleaner, safer environment for the processing of forensics evidence. It will also have space necessary for future expansion as the technology of investigating crimes improves and evolves.

Citizens Police Academy

The Abilene Police Department will conduct its 16th Citizens Police Academy in March 2008. This program is an important part of the community policing program in our department and builds positive relationships between the Police Department and the community.

Youth Police Academy

The Abilene Police Department will conduct its annual Youth Academy in January 2008. This academy provides a positive exposure of the law enforcement profession to the youth in our community.

PUBLIC WORKS

Public Works Administration

Public Works Administration includes the director, two assistant directors, and two secretaries. The primary function of this division is the support and guidance of all divisions in the department, as well as the point of contact for the City Manager's office. This division also provides project management support to other city departments. A key project for FY 2008 will be formal development of division level strategic objectives and goals.

Engineering

This division is responsible for the design and construction of street and drainage facilities in the city, and is responsible for completion of related general obligation bond (GO) and certificate of obligation bond (GO) projects.

During FY 08, the GO project list includes:

- Buffalo Gap Rd. & Sayles Blvd – South 14th to South 20th
- Misc. Residential Streets – North Side
- N. 10th Street & Mockingbird Concrete Intersection
- N. 10th Street Phase IV – Willis Street to Grape Street
- South 27th Street – Treadaway to Catclaw Creek
- South 7th Street & Leggett Concrete Intersection
- South 7th Street – Pioneer Drive to Barrow Street
- Austin Street & E.N. 14th Street – Drainage project
- Clinton-Roosevelt Area – Drainage project
- S. 32nd & Waverly – Drainage project
- A.D.A. Curb Ramps – Phase 1
- Similarly, the CO project list includes:
 - Concrete Pavement & Sidewalk Repair (CBD) – N. 4th Street, Hickory to Walnut
 - Concrete Repairs at City Buildings – LEC, Rose Sr. Center, Cypress Plaza
 - Rebecca Lane Reconstruction – Buffalo Gap Road to Catclaw Drive
 - Stonecrest Drive – Buffalo Gap Road to Robertson
 - Chimney Rock/Catclaw Drive Drainage Channel
 - A.D.A. Curb Ramps – Phase II
 - Campus Court Underdrain System – E.N. 18th to Ambler
 - Judge Ely Hike & Bike Trail Phase II – E. Hwy 80 to RR tracks & south of tracks to Cal Young Park and Nelson Park

Streets Maintenance

Activities of this division have been primarily reactive with regard to street maintenance. Focus has been on repairing failed pavement sections as opposed to preventative maintenance. In FY 2008 this division will increase the level of preventative maintenance and volume of street reconstruction on a limited basis. This will be accomplished through internal changes related to divisional reorganization

and work item reassignment. Regardless of these internal changes, the level of annual resources made available for maintenance does not nearly keep pace with the rate of street system deterioration that the City of Abilene is experiencing.

Traffic and Transportation

The final phase of the traffic signal modification program will begin construction in the Fall of 2007. This program replaces obsolete equipment and makes upgrades to improve the operation at existing signal installations. The work includes new control equipment at each intersection and improvements to the signal facilities such as conduits, wiring, pedestrian indications, etc. The first phase, completed in August 2006, included 18 intersections. The second phase, completed in March 2007, included 16 intersections. The third and final phase will include 16 intersections.

CityLink

CityLink continues in its effort to ensure that quality public transportation is provided for both present and future generations. Challenges facing this effort lie in the areas of finance, personnel, and vehicle replacement. Major programs for FY 2008 include completion of a route optimization study, identification of cost saving and revenue generating measures, and continuous improvement in the area of customer service.

Solid Waste Services

The financial condition of this division continues to improve as greater revenues are realized due primarily to the acquisition of additional trucks and personnel in support of the commercial side of this operation. Major initiatives for FY 2008 include the development of a business plan for this \$11 million per year operation, and improved predictability of bulky waste collection in our alleyways.

Stormwater

In addition to routine creek maintenance activities during FY 2008, special attention will be paid to sediment removal from Catclaw Creek, and increasing the number and frequency of inspections of construction sites and industrial sites. Also in FY 2008 the division will begin funding limited

drainage improvement projects at various locations.

ECONOMIC DEVELOPMENT

Development Corporation of America, Inc. (DCOA)

The Development Corporation of Abilene, Inc. (DCOA), a 5-member board appointed by the City Council, was formed in 1989 to administer revenue collected through a half-cent sales tax for economic development authorized by Abilene voters in a 4A election. The DCOA has been aggressive in offering businesses incentive packages that allow Abilene to compete with much larger communities for new jobs in an attempt to further diversify the economy. From inception through September 2007, the DCOA has assisted 72 companies for a total of 8,928 jobs committed and a public to private investment ratio of approximately 1:2.9.

Workforce Training Programs

The DCOA contracted with the West Central Texas Workforce Center (WCTWC) to help launch two new job training programs. The Fast Track Welding program was introduced in August 2006 as an intensive 5-week course with class sizes up to 14 conducted on the Cisco Junior College campus. During the course, students are also trained on employability skills (completing employment applications and job interviewing). Local manufacturers that experience difficulty finding qualified welders have encouraged and supported the program.

Also introduced by the WCTWC in 2007 is the Manufacturing Skills Standards Council (MSSC) certification program designed to address skills deficiencies by: 1) assessing and certifying individuals on their abilities in math, science, reading, listening, communicating, computer technology, analysis, problem solving, teamwork and basic technical skills, all in a manufacturing context; and 2) certifying individuals who are equipped with foundational skills needed to fill a wide variety of occupations for a rapidly changing manufacturing environment. This is a 6-week course conducted on the campus of Texas State

Technical College in Abilene. Local manufacturers have also supported this program by enrolling some incumbent workers as well as hiring program graduates.

Technological and Pharmaceutical Research

One of the recommendations of the Wadley-Donovan Study was to "reinvent" our local and regional economy by encouraging growth of research and development (R&D). The largest source of venture capital funds is the federal government through the Small Business Innovation Research (SBIR) and the Small Business Technology Transfer (STTR) programs. It was agreed the best source for potential SBIR/STTR researchers is our local universities. The next step was to inform interested faculty about the SBIR/STTR programs and match them up with entrepreneurs. In 3/07, the DCOA approved funding to provide matches for grant funds to allow local researchers to take advantage of the programs. To date, 10 proposals have been submitted to federal agencies and one has been funded.

With the opening of the Texas Tech University Health Sciences Center (TTUHSC) School of Pharmacy and funding provided by the DCOA, Abilene is quickly becoming a center for biomedical and immunopharmaceutical research. Receptor Logic, Ltd. was formed to commercialize biotechnology licensed from the TTUHSC School of Pharmacy in Amarillo. The technology is a new class of antibodies that have the "selectivity" to seek out and destroy "targeted" diseased or infected cells. The company needed to expand and is in the process of relocating to Abilene to work in conjunction with the School of Pharmacy (SOP) here. Receptor Logic is currently setting up operations in available space in the new SOP facility on Pine Street while plans are being made by the DCOA to construct a life sciences accelerator facility to house the company and other life science companies.

Five Points Business Park

Occupation of the Spec 2 building at 6450 Five Points Parkway in 2006 by PWP leaves no existing structures in the Park to market to potential new industries. In 9/06, the DCOA contracted with Carter &

Burgess, Inc. (C&B) to perform a study of the existing development plan and propose improvements and enhancements to the plan in order to make the Park better suited for today's industrial needs. C&B developed four different concepts for the Park along with different site plans for a specific 100,000 to 120,000 square foot potential new speculative building. In 12/06, the board contracted with C&B to design a third spec building, and in 7/07 the board authorized staff to put the building construction plans out for bid. It is anticipated construction will be completed by fall 2008.

Downtown Development

Continued development in the downtown will be paramount to fulfill long range goals in business and tourism for Abilene. To enable Abilene to continue on the current successful path in downtown development, staff will focus this year on several issues:

The Abilene Reinvestment Zone No. One (TIF) sunsets on January 1, 2008. The board identified three goals for the use of remaining TIF funds; 1)

Destination/Wayfinding signage-the board approved in 5/07 \$432,000 to purchase signs relating to downtown including maintenance for the signs and funds to purchase replacement banners for the downtown, 2) Parking-the board approved in 5/07 \$128,225 to demolish the former 325 Club at Cedar St. and N. 2nd St. The funds will also be used to survey the lot plus the vacant lot immediately to the north at Cedar and N. 3rd, and for public parking lot design, materials, construction and revenue control equipment, and 3) Sidewalk/Streetscaping-the board is still considering how best to address this goal.

The destination/wayfinding signage project is being coordinated with the work of North Star Destination Strategies (from Nashville, TN) to develop a research-based brand and implementation strategy to replace the current Friendly Frontier brand with one that will differentiate Abilene from other travel destinations. A brand should define the community in positive terms and encourage residents and businesses to stay as well as attract visitors. The TIF board approved in 7/07 \$30,000 to help the Abilene Branding Partnership with contract

expenses for North Star Destination Strategies. Once developed, the new brand will be incorporated into the wayfinding signs to be installed in the City.

FIRE

Organizational Development Division

Organizational Development is a new division created by the reorganization of the Abilene Fire Department. The division consists of two branches; Training/Safety that is housed at the D.C. Musick Training Facility on East Lake Road and Personnel Development which offices at Central Station. The Organizational Development Division will work towards enhancing and improving the education, training, safety and personnel welfare of all Abilene Fire Department employees.

Fire Training/Safety

This branch has recently been upgraded with additional staff members and re-established the Fire Training Field at 4242 East Lake Road. Our mission remains to educate our fire crews using a combination of classroom instruction, skills training, and practical hands-on drills. We are currently looking to incorporate on-line training as an instructional aide. The development of on-line training would assist our department in meeting our education goals and enhance our classroom and hands-on training while minimizing equipment placed out of service for training. Renovations are being made to our existing Training Facility that will accommodate our new staff and serve as the classroom for Fire and EMS continuing education.

Personnel Development

This branch was created to handle the human resource needs of the Abilene Fire Department. The Personnel Development will deal with areas including but not limited to: promotional examinations; reviewing and/or revising fire department policies and procedures, General Orders and Standard Operating Guidelines; fitness/wellness and safety programs; recruitment, hiring, and retaining new employees.

Fire Prevention Division

Two of the fire department's four arson investigator positions are vacant due to promotion or reassignment of personnel.

Replacement personnel will complete fire investigation training in December and plan to attend the Abilene Police Department Academy beginning next spring. Completion of these training programs will enable them to become Texas Commission on Fire Protection certified Arson Investigators.

Public Education

The Abilene Fire Department has teamed with Safety City to permanently place the Fire Safety House at the Safety City location. This will allow fire safety education to be presented to a larger number of children. Along with this move are plans to build a new educational center on site.

M.I.M.E.S.

The Fire Department will continue to collaborate with the Abilene Independent School District to conduct two summer fire camps for middle-school students in 2008. M.I.M.E.S. is a mentoring-based summer program that exposes young Abilenians to a variety of businesses in their community.

PLANNING & DEVELOPMENT SERVICES

Building Inspections

The Building Inspections Division plans to implement the new web based VET permit program which will enable field staff to access all permit and inspection data while in the field. A computer based program for tracking commercial plan reviews will be developed which will enable developers, designers, and contractors to track the progress of plan reviews. A committee will be established for review of the 2008 National Electrical Code in preparation for adoption. Training and educational programs will be developed and provided to cover the new code changes.

Community Enhancement

Community Enhancement is a combination of Code Enforcement, Environmental Enforcement, Environmental Health, Animal Services, and Keep Abilene Beautiful. The Code Compliance section will continue educating citizens as enforcement of the updated nuisance code proceeds, as well as looking for ways to create community partnerships in preventing, reporting, and

abating nuisances. The Environmental Enforcement Officer will educate the public about environmental crimes using Channel 7, speaking to youth groups/schools, and speaking to business groups, and individual citizen contact. Environmental Health plans to update and begin enforcement of the swimming pool ordinance. Animal Services will work on plans for and renovation/expansion of the animal shelter. Keep Abilene Beautiful will look to expand recycling of paper and plastics into the local school system, as well as increase interaction with the Abilene and Wylie school districts.

Housing

The Housing Authority will begin working on a number of major projects stemming from three HUD approved Capital Fund Modernization Budgets totaling \$945,100. The projects consist of wrought iron fencing, roof replacement, porch and foundation repairs, and playground equipment installation. Staff will be working with the selected architect to develop specifications and drawings for these projects. The remaining projects listed in the budgets (a new maintenance building, gutters and down spouts, bathroom renovation, etc.) will likely be completed in the following year.

The Housing Authority is in the process of finalizing the implementation of ACH direct deposits, which will allow landlord payments and other vendor payments to be deposited electronically.

Public Housing staff will finalize the transition to new tracking software by manually entering information on 213 family units, including occupancy information, into the new system.

Office of Neighborhood Services

The Office of Neighborhood Services (ONS) administers the federal Community Development Block Grant (CDBG) and Home Investment Partnerships Grant (HOME). These two grants help fund six housing-related programs for low- to moderate-income individuals and households. The programs are delivered by ONS, including the newly developed Homeowner Reconstruction Program, which will construct the first two to four energy efficient houses this year. The five

remaining programs are: First Time Home Buyer, Critical/Limited Repair, Single-Family Rehab, Tenant Based Rental Assistance and supporting Community Housing Development Organization (CHDO) projects.

In addition to the internal programs, the ONS will help fund and administer three City public services, three capital improvement projects for outside non-profit agencies, and Section 108 debt repayments. ONS will continue its involvement with the Office of Neighborhood Services Advisory Council to provide improved service, education, and benefits to citizens and neighborhoods.

Planning

The Planning Division is continuing to work with Dunkin, Sefko, & Assoc. Inc. to write a new Land Development Code. This document will replace several existing development ordinances including the Zoning Ordinance and Subdivision Regulations. Completion of the 1st draft and public hearings on this project are anticipated to begin in late 2007 or early 2008. Other projects under development include the Development Plan for the Lake Fort Phantom Hill area, implementation of sidewalk projects authorized in the 2006 Bond Election, amendments to the City's Sign Ordinance in relation to on-premise signs, and the creation of a Sidewalk Improvement Program. The Division will continue to implement the Comprehensive Plan and respond to special projects such as neighborhood plans, corridor plans, transportation plans, hike/bike/sidewalk plans and other projects as needed.

WATER DEPARTMENT

Water Administration

The Water Administration Division oversees the operations of all functions of the Water & Wastewater systems for the City of Abilene. A major focus during this fiscal year will be continued review and improvements in the processes and controls to assure the highest quality of water is maintained throughout the water system and that it meets and exceeds all primary and secondary standards established by the State of Texas.

Water Customer Service Office

The Water Office Division is responsible for meter reading, billing, collection, and all functions of customer service for the Water Department. Each year, the Water Office handles over 450,000 transactions. The Division will be looking to implement an online-billing solution for additional convenience for the customers.

Water Production

The Water Production Division will continue to provide reliable delivery of raw, treated, and reclaimed water throughout the City's potable and non-potable distribution system. This year will see a comprehensive assessment of the pumps, motors, and facilities used to move water for the Department. The evaluation should identify future maintenance and replacement needs the City may face.

Water Treatment

The Water Treatment Division provides for the efficient treatment of raw water supplies to produce safe, potable water in compliance with State and Federal regulations. Having just completed major renovations to the City's Northeast Treatment Plant, this division will undertake a substantial project to provide preventative maintenance to the City's elevated and ground water storage tanks. They will also review current treatment operations in light of the pending Reservoir System Operations Plan.

Water Distribution

The Water Distribution Division is responsible for the safe, reliable delivery of treated water from the treatment plants to the faucets of our customers. This fiscal year, the Division will again replace approximately 25,000 linear feet of existing water mains. This program allows the City to replace aging infrastructure, and reduce the likelihood of main breaks and service interruptions. This Division also works to maintain accurate meters throughout the system.

Wastewater Collection

The Wastewater Collection Division is responsible for the safe collection of the City's wastewater flows and delivery of these flows to the City's Wastewater Treatment Plant. This Division will continue

an extensive video inspection program of 70,000 linear feet of sewer mains. This program allows the City to identify problem areas within the collection system to reduce the number of sewage overflows and repair damaged mains.

Wastewater Treatment

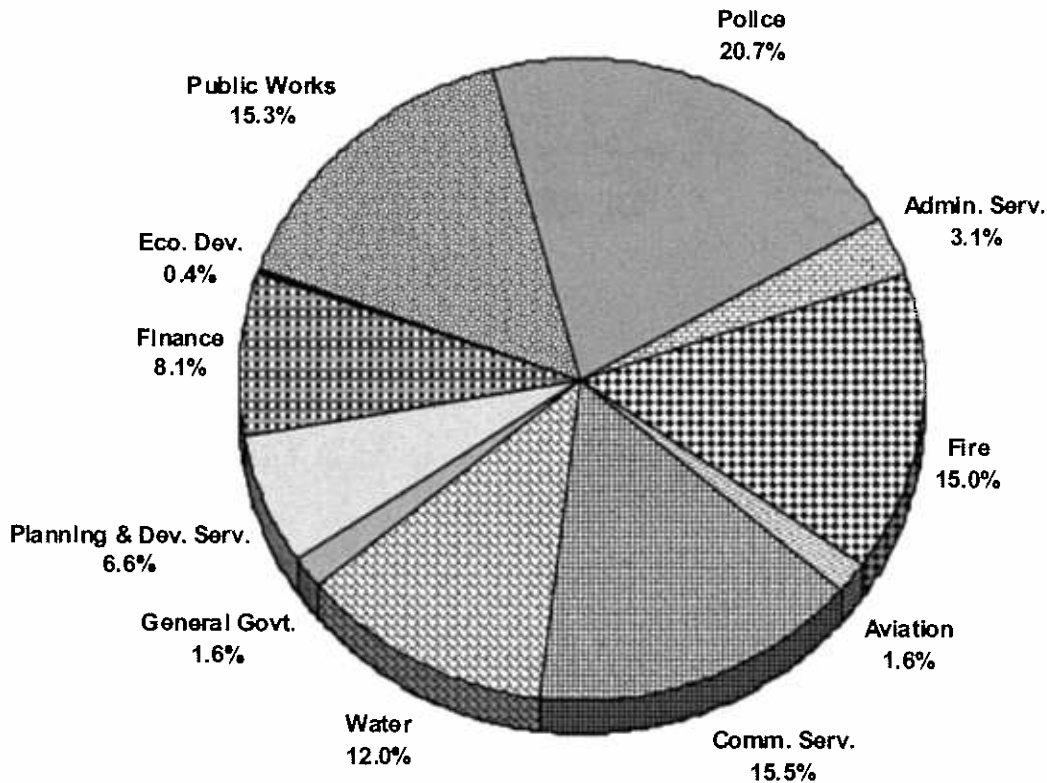
The Wastewater Treatment Division is responsible for receiving the wastewater flows of the City and treating these flows in compliance with State and Federal regulations. This Division will continue working on a \$4.0 million project to update and repair various facilities at the Wastewater Treatment Plant. The Wastewater Treatment Plant has been faithfully providing treatment services to the City's sewer for many years, and is due for renovations which will allow it to continue to serve the City for many years to come.

This Division is also responsible for the reuse water program which sends treated effluent back to the City's large irrigation customers. This activity significantly reduces the City's consumption of treated water resources. This fiscal year should see the completion of the Reuse System Evaluation. This study will identify strategic improvements to the Reuse distribution system and the availability of additional reuse water resources available to the City.

Environmental Lab

The Quality Control Division is responsible for insuring the City's compliance with the many environmental regulations regarding water & wastewater systems. This fiscal year, the Division will continue to assist the other Divisions of the Department to assure that the highest quality water is provided throughout the City's distribution system.

PERSONNEL BY DEPARTMENT FY 2007-08

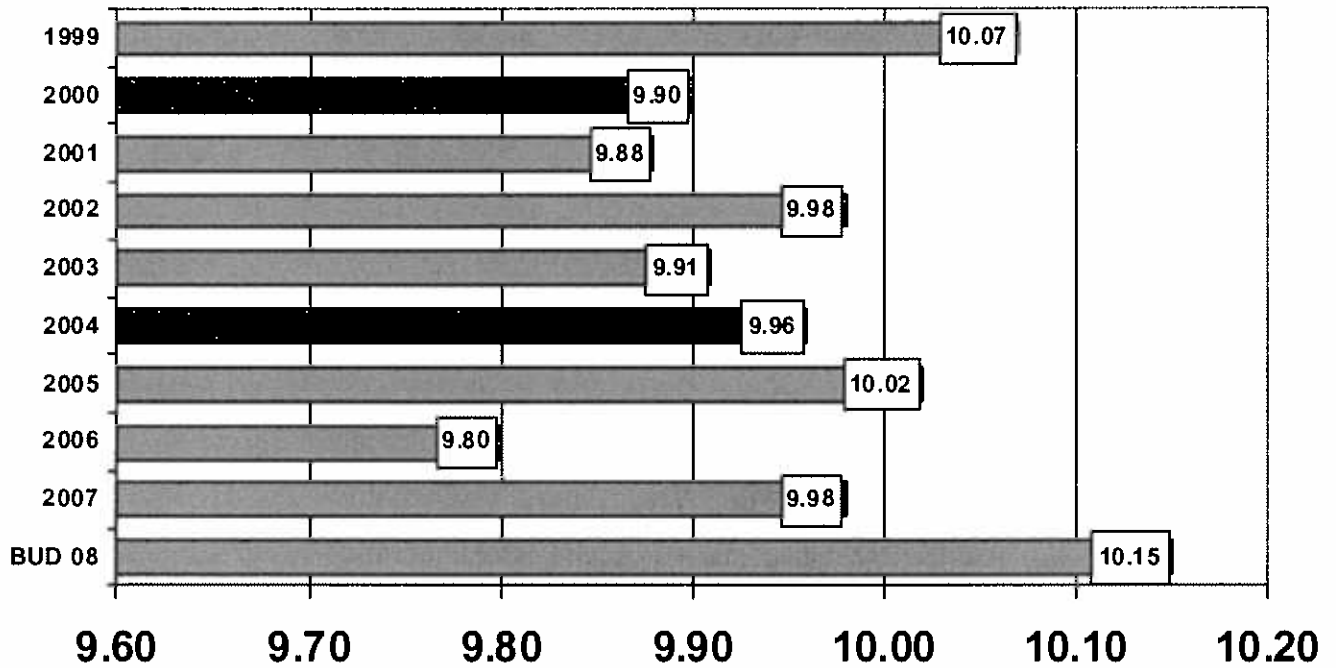


General Government	19
Administrative Services	37
Finance	95
Planning & Development Services	78
Economic Development	5
Public Works	180
Police	244
Fire	177
Aviation	19
Community Services	182
Water	141
	1,177

Discussion of the Graph

Public safety personnel in the Fire and Police Departments comprise 35.7% of the total authorized personnel. Public Works, Water, and Community Services comprise another 42.8%. These five Departments collectively comprise over 78.5% of the total authorized full-time personnel.

EMPLOYEES PER 1,000 CITIZENS ALL FUND - 10 YEAR COMPARISON

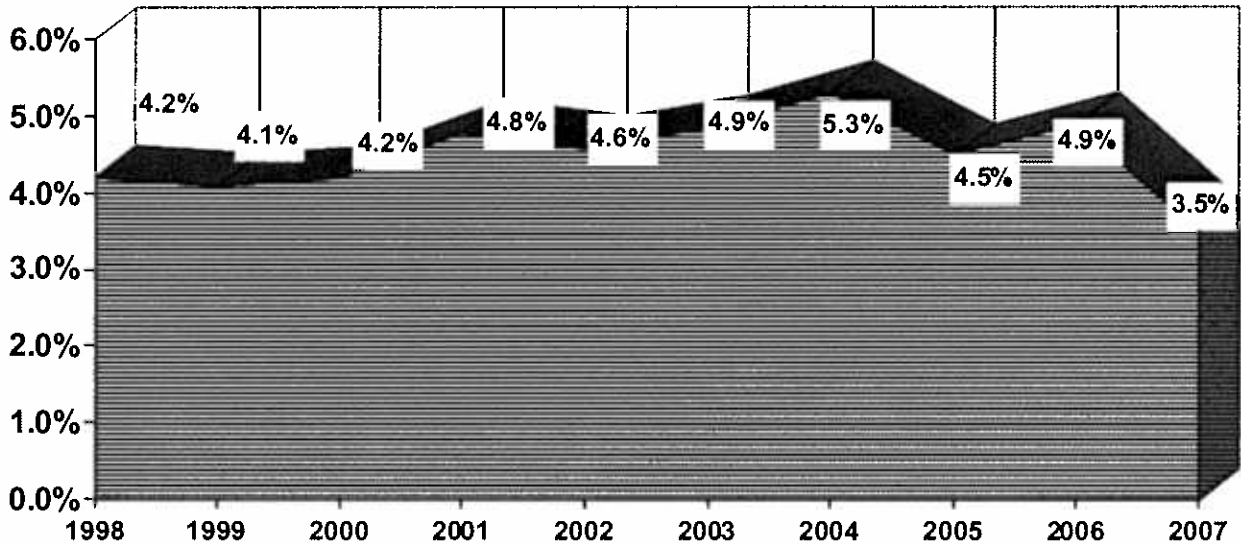


	POPULATION	# EMPLOYEES
1999	115,119	1,159
2000	117,111	1,162
2001	116,806	1,154
2002	115,930	1,157
2003	116,097	1,151
2004	114,729	1,143
2005	114,454	1,147
2006	116,482	1,141
2007	115,745	1,155
BUD 08	115,981	1,177

Discussion of the Graph

In FY 2008, the City will employ 1,177 personnel, an increase in ten years of 18 positions, or 1.56%.

UNEMPLOYMENT RATES TAYLOR CO. MSA - JUNE



	EMPLOYED	UNEMPLOYED	WORKFORCE
1998	58,800	2,600	61,400
1999	60,400	2,600	63,000
2000	55,700	2,400	58,100
2001	55,300	2,800	58,100
2002	57,700	2,800	60,500
2003	58,800	3,000	61,800
2004	76,800	4,300	81,100
2005	79,300	3,700	83,000
2006	79,800	4,100	83,900
2007	78,300	2,900	81,200

Discussion of the Graph

The Texas Employment Commission determines the civilian workforce for the Taylor County metropolitan statistical area (MSA). The Bureau of Labor Statistics (BLS) notified all states that the local area unemployment statistics inputs previously provided from 2000-2005 were in error. The above graph represents the restatement of 2004 and 2005.

FISCAL POLICIES

The City Council adopted the following Financial Policy on May 23, 1984, and amended the policy on February 9, 1995. The City of Abilene adheres to the Financial Policy for conducting the financial management of the City. The established long-range policies regarding financial management are to exercise a discipline which allows the City to retain a sound financial condition; strive to retain the best possible rating on bonds; provide future generations with the ability to borrow capital for construction of facilities without severe financial burden; and, give recognition to the community's needs and ability to pay. These goals are accomplished in the following manner:

- Prudent budgeting and effective budget control. The operating budgets will provide sufficient funding levels for ongoing maintenance of the infrastructure. Budget replacement of capital equipment as the need arises. (Office machines, automobiles, heavy equipment, etc.)
- The securing and/or approval of federal and state assistance will be based on established criteria. Such criteria is:

What benefit does the project have to the community as a whole,

What future impact will the City be responsible for due to the acceptance of the funding, and

How does the project relate to the Strategic Management Plan and/or other future plans of the organization.

- Private grants and donations will be actively pursued and will be subject to the same criteria as federal and state funds.

- Passing a share of the cost of extending utilities and improvements in subdivisions to property owners of the subdivisions rather than to the general public.
- Providing working capital in all funds sufficient to meet current operating needs.
- Funding Equipment Replacement at the required level.
- The Facilities and Infrastructure Improvement/Maintenance Program will be financed by dedicating a minimum of either 1/2¢ ad valorem tax or \$100,000.
- Pay as you go financing of capital improvements where feasible while planning for capital improvements on a five year basis and updated annually.
- Attempting to schedule bond issues so that an equal principal amount is retired each year over the life of the issue producing a total debt service schedule with a declining balance each year.
- The intent of this paragraph is to assure that the taxpayers of the City receive full benefit of "qualified" status on debt issued and not subsidize the interest expense of other debt issuers utilizing corporations created by the City on their behalf. Any differential in interest expense to the City between "qualified" and "non-qualified" tax exempt debt status that results from debt issued through corporations established by the City Council will be born by those issuers of debt. The differential will be prorated among the issuers utilizing the corporations based on the amount of debt it issues to total debt issued by all corporation issuers

during the calendar year. Any differential in the City's cost shall be calculated by the City's financial advisor based on market conditions on the date of the City sale of debt.

- The Minor Improvement Program will encompass basic capital needs whereby the amount of debt issued is equal to the amount of debt retired while maintaining the same tax rate for debt. The basic capital needs include streets, bridges, traffic control, parks, localized drainage/creek cleaning, and police/fire equipment. All projects will be financed through Certificates of Obligation or Contractual Obligations as appropriate.
- The Major Improvement Program will encompass major new construction such as large facilities, flood control, and other major infrastructure improvements. All projects will be approved through bond elections. A plan of major improvements that would require a bond election will be reviewed at least every three years. The identified needs would determine when a bond election would be needed.
- Financial accounting and reporting in accordance with methods prescribed by the Governmental Accounting Standards Board and the Government Finance Officers Association and making such reports available to bond rating agencies and other financially interested organizations.
- Achieving and maintaining a fund balance equivalent to three (3) months' operating costs of the general operating budget, at 95% liquidity, which should be sufficient to provide financing for necessary projects and meet unanticipated contingencies such as lawsuits, tax roll tie-ups, severe fluctuations in sales of the City owned utilities and other fiscal emergencies.

Deposit and Investment Policy Statement

The City's investment policy is governed by State statutes. In addition, the City has had its own written investment policy for many years. The updated policy was approved by the City Council on March 22, 2007. City funds are deposited in FDIC-insured banks located within the City. Permissible investments as defined by the Texas Public Funds Investment Act, Chapter 2256, Texas Government Code (The "Act") include the following:

1. U.S. Government Securities, Agencies, and Instrumentalities
2. Local Government Investment Pools
3. Repurchase Agreements
4. Certificates of Deposit
5. Money Market Mutual Funds
6. Commercial Paper

The City's Investment Program is divided into three portfolios: Core, Emergency/Liquidity, and Discretionary.

1. **CORE PORTFOLIO:** The core portfolio is specifically managed to achieve the first three objectives of safety, liquidity, and legality. This portfolio consists of instruments that have a stated maturity date covering a twelve (12) to eighteen (18) month period. The instruments are timed to meet payrolls, bond payments, accounts payable, and capital projects schedules. Derivatives are not purchased for core portfolio purposes.
2. **EMERGENCY/ LIQUIDITY PORTFOLIO:** The emergency/liquidity portfolio is managed to not only achieve the objectives of the core portfolio but also to achieve better yields and flexibility. This portfolio

consists of instruments with a stated maturity date that is not required to cover operations but is available for liquidity purposes, if necessary, or to take advantage of changes in the market. In addition, Local Government Investment Pools are maintained to provide immediate access to funds should conditions warrant. Derivatives are not purchased for emergency liquidity purposes.

3. DISCRETIONARY PORTFOLIO:
The discretionary portfolio is managed to achieve all of the objectives while allowing somewhat more flexibility including longer maturities. This portfolio is utilized to enhance the overall yield of the investment program by allowing flexibility in the type of instruments purchased from monies not needed in the immediate future. Derivatives are allowed in this portfolio as allowed by the Act only after careful analysis. For more detailed information, please refer to the complete Investment Policy document.

The City's demand deposits and certificates of deposit are entirely covered by FDIC insurance or by pledged collateral held in the City's name by third party banks. Obligations that may be pledged as collateral may include personal bonds, surety bonds, or any combination to secure municipal funds only if each personal bond and surety bond is specifically approved by the governing body of the municipality or its designated officer.

Budget Policies and Guidelines

In preparing the budget, certain policies and assumptions must be made in developing the figures. It is important that the assumptions be understood and followed by each budgeting unit so as to maintain consistency in budgeting.

Following are those policies and guidelines:

1. The City will maintain its current level of service to the citizens. No increase or decrease in service should be planned, with the exception of items related to the strategic planning process.

Any recommendations for increases in service should be made via the Expense Budget Strategy form and decreases on the Service Level Reduction form.

2. All services that are based on a user-fee concept should make every effort to be self-supported by those fees.

3. Budgeting units that are dependent upon variables such as weather conditions (rain, dust, temperature, etc.), should consider normal conditions as opposed to above or below normal, unless there is a specific knowledge otherwise.

4. City vehicles that are damaged and repairable, regardless of the extent, will be repaired by Equipment Services. If the cause of damage is found to be the fault of the user (employee), repair costs will come from the Division budget of the user. Any insurance recovered will accrue to Equipment Services unless the equipment is totaled and the recovery will go to Equipment Replacement.

5. When considering purchasing items with long lead times, the Purchasing Administrator should be contacted to determine those lead times.

6. Divisions within the same fund may NOT charge each other for work performed. However, if the material cost of such a project is over \$500, then the Division requesting the work must buy that material. For example: (1) If the Street Division repairs a sidewalk for the Parks Division, then the Street Division will absorb all the cost if the

materials are under \$500; (2) The Street Division will absorb the labor and the Parks Division will buy the materials if the cost is over \$500; (3) If the Street Division does work for the Water Department, regardless of the cost, the Street Division will interfund bill the Water Department for both labor and materials. In that case, the Street Division, which is in a different fund, must budget for both the revenue (interfund recovery) and the expense.

7. Materials bought and used for outside persons and businesses and later billed to them will be charged directly to the Departments buying them. Therefore, Departments should include in their budget, allowances to accommodate those charges. Also, in budgeting for revenue, allowances should be made for those expected revenues.

8. When budgeting for vehicles or equipment leases from Equipment Replacement, the following guidelines should be applied:

a. When replacing vehicles of a similar kind, no allowance is needed for any difference between what Equipment Replacement has accumulated in depreciation and the cost of the vehicle. Equipment Replacement will absorb any difference it did not charge.

b. When replacing vehicles which constitute an upgrading of equipment, in terms of size, features, etc., the replacing Division must budget for the difference for that upgraded equipment.

c. When making additions to your fleet of vehicles, you must present the total cost of purchase on the appropriate supplemental form.

9. Capital replacements should be limited to items, which are no longer functional, unable to be repaired, not economically repairable, or a safety hazard. Once the item is replaced, it

should be given to Purchasing to be included in the City auction. All additions of new capital should be requested on the appropriate supplemental form.

Capitalization Policy

Factors to be considered in determining capital items are as follows:

1. The expected normal useful life is two years or more.
2. The item has a unit cost of \$5,000 or more. Unit cost should include any charges for freight or installation.
3. The item is not consumed, unduly altered, or materially reduced in value immediately by use.
4. The item belongs to one of the general classes of property, which are considered fixed assets under generally accepted accounting terms.
5. Items to be inventoried on a group or collective basis are to be determined on an "exception basis." That is, each group or collective unit will be separately considered and a decision made as to whether or not to maintain a central control record for that particular group or collective unit. Examples of group or collective items are books, library periodicals, folding chairs, etc.
6. New Construction – All furnishings for new facilities will be grouped in like categories and capitalized when the category aggregate is \$5,000 or more. Additionally, each category will be assigned a useful life for depreciation purposes. As an example, secretarial chairs, executive chairs, and public chairs will be grouped into the category of "chairs" and capitalized and depreciated if the category is \$5,000 or more.

7. The item is such that it is normally used in sets, or multiple units, which as a collective unit, has a total value in excess of that established as the minimum and which otherwise satisfy requirements of a fixed property.

Further, factors to be considered in determining items which should be excluded from capitalization are as follows:

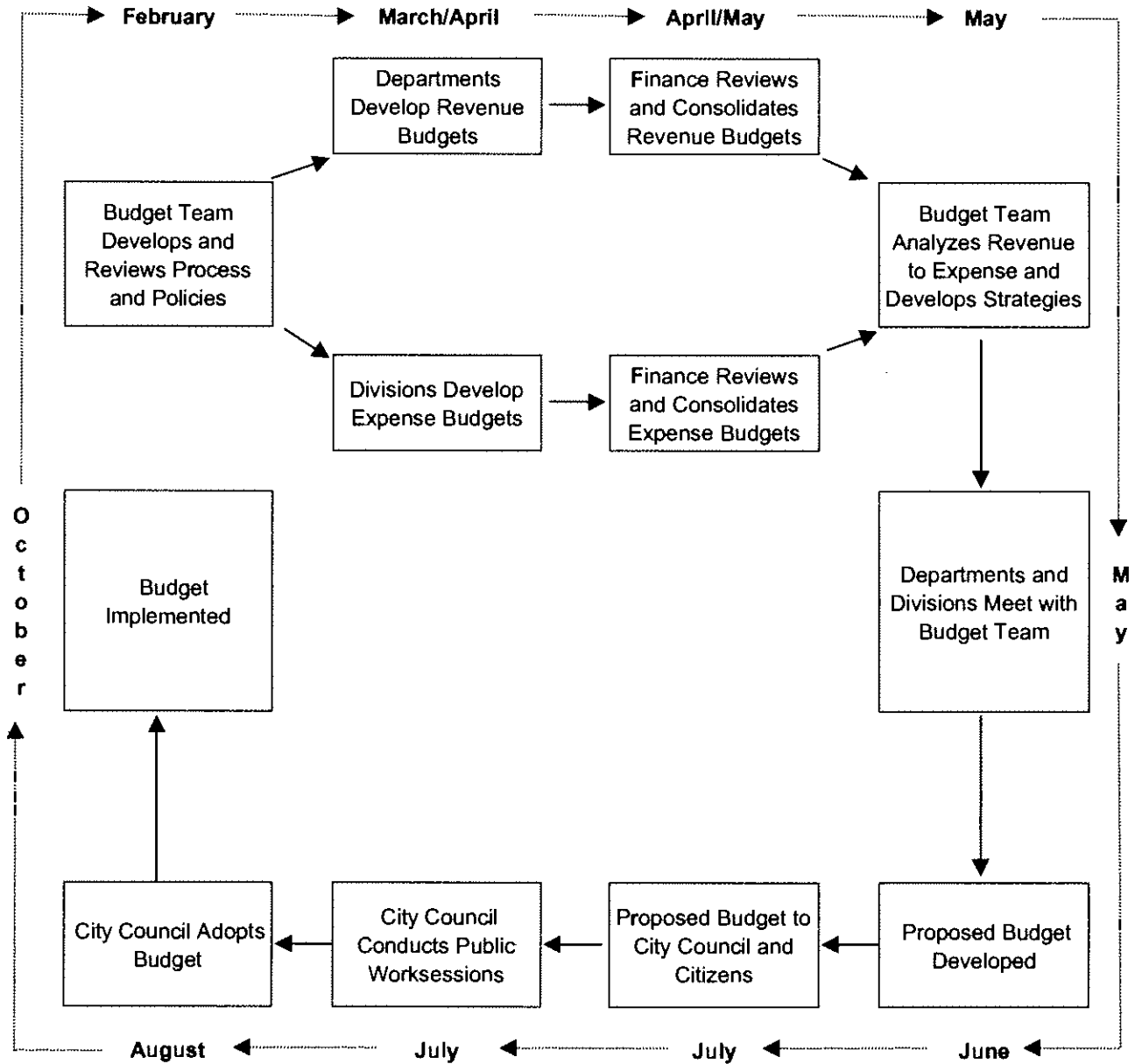
1. All computer software regardless of its cost will not be capitalized. Computer software should be budgeted in the supply Object 4215.
2. Item is such that it required regular replacement because of rapid wear.

3. Item is such that one-time use of it will destroy the item for further usefulness.

4. Item has such a nominal value, and is readily available, so that inclusion under property control would result in administrative costs and inconvenience in excess of the value of the article.

5. Items which are installed or otherwise added to an existing fixed asset where such additions are required merely to return the item to a functioning product, e.g. engine overhauls, unstopped drains.

CITY OF ABILENE BUDGET PROCESS FROM START TO FINISH



THE BUDGET AND ACCOUNTING PROCESSES

The City of Abilene, Texas is a municipal corporation incorporated under Article XI, Section 5, of the Constitution of the State of Texas (Home Rule Amendment). The City operates under a Council-Manager form of government and provides such services as are authorized by its charter to advance the welfare, health, morals, comfort, safety, and convenience of the city and its inhabitants.

The City's major activities or functions include police and fire protection, solid waste collection, street and drainage, parks and libraries, public health and social services, planning and zoning, and general administrative services. In addition, the City owns and operates four major enterprise activities - the water and sewer utility system, the transit system, the solid waste services system, and the stormwater utility system. This budget includes the funds and account groups required to account for those activities, organizations and functions that are related to the City and are controlled by or dependent upon the City's governing body, the City Council.

The Budget Process

The City prepares its annual operating budget on a basis (Budget basis), which differs from generally accepted accounting principles (GAAP basis). The major difference between GAAP and Budget basis is that on a GAAP basis, encumbrances are recorded as a reservation of fund balance, as opposed to Budget basis, where encumbrances are equivalent of expenditures for the budget year.

The City of Abilene uses modified zero base budgeting to develop the annual operating budget. This approach requires City Departments to present a basic

budget and supplements to the basic budget, which represent program additions or enhancements as presented in the Strategic Management Plan. The City Council adheres to the following procedures in establishing the budget:

1. Under the City Charter, the City Manager is responsible for preparing and recommending an operating budget for City Council consideration. The City Manager, working with staff in all Departments, reviews and evaluates all basic budget and supplemental requests to determine whether they address the Strategic Management Plan, fulfill City Council goals and objectives, improve management effectiveness, or increase productivity. The proposed budget, which the City Manager submits to the City Council, includes recommendations of the program of services, which the City should provide, and which can be financed by the City's projected revenue for the budget year. The Manager must submit a balanced budget for the next fiscal year not later than 30 days prior to the end of the current fiscal year.
2. The City Council considers the Manager's recommended budget in a series of work sessions and in public hearings at which citizen comment is invited. Citizens are encouraged to participate in the budget process. A copy of the proposed budget and the revised Budget are filed in the City Secretary's Office. Additional or supplemental information is available upon request.
3. The budget for the next fiscal year is legally enacted by the City Council through passage of an ordinance not later than the twenty-fifth day of the last month of the current fiscal year. If the City Council does not enact the budget within this time period, then the budget as

submitted by the City Manager becomes the legally authorized budget.

4. Expenditures may not legally exceed appropriations at the Fund/Department level for each legally adopted annual operating budget. The City Manager may, without Council approval, transfer appropriation balances from one expenditure account to another within a Department of the City. The City Council, however, must approve any transfer of unencumbered appropriation balances or portions thereof from one Department to another.

5. Annual budgets are legally adopted for all governmental funds. Budgets for the Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles. The budgets for the Capital Project Funds are legally adopted for specific projects using project length budgeting rather than on a fiscal year basis.

Formal budgetary integration is not employed for the proprietary funds. The City adopts an annual, informal budget as a financial plan for all proprietary funds.

The expendable trust fund includes non-budgeted financial activities, which are not subject to an appropriated budget and the appropriation process nor to any legally authorized non-appropriated budget review and approval process.

6. At the close of each fiscal year, any unencumbered appropriation balance lapse or revert to the undesignated fund balance. The unencumbered appropriation balance in the Capital Projects Funds does not lapse at year end.

The accounting and reporting policies of the City conform to generally accepted accounting principles ("GAAP") applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental

Accounting Standards Board ("GASB"), which includes all statements and interpretations of the National Council on Governmental Accounting unless modified by the GASB, and those principles prescribed by the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units. The following is a summary of the more significant policies and practices used by the City.

The Accounting Process

Basis of Presentation

The accounts of the City are organized and operated on the basis of funds or account groups, each of which is considered to be a separate fiscal and accounting entity. The operations of each fund are accounted for with a self-balancing set of accounts that comprise its assets, liabilities, fund balances or retained earnings, revenues and expenditures or expenses. The various funds are grouped by category and type. The City maintains the following fund classifications and account groups:

Governmental Funds

Governmental funds are used to account for the relatively liquid portion of the City's assets that are not accounted for through proprietary or fiduciary funds, the short-term obligations pertaining thereto and the net balance of these financial resources available for subsequent appropriation and expenditure.

- General Fund - The General Fund is the general operating fund of the City. This fund is used to account for all financial resources except those required to be accounted for in another fund.
- Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts or major capital

projects) that are legally restricted to expenditures for specified purposes. The following funds are included in Special Revenue Funds: Community Development, HOME, Housing, Library Grants, Transportation Planning, and Health Services.

- Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The twenty-five Debt Service Funds are: 1999, 2000, 2001, 2002, 2006, 2007 General Obligation and 2007 Airport General Obligation; 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007 Certificates of Obligation; 2003 "C" General Obligation Refunding; 1999, 2002, 2004, 2006, 2007 Airport Revenue Certificates of Obligation; and 2005A Public Safety Certificates of Obligation.

- Capital Project Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). They are presented in a separate document and are project length budgets.

Proprietary Funds

Proprietary funds are those used to account for the City's ongoing organizations and activities, which are similar to those, found in the private sector. The measurement focus is upon capital maintenance and upon determination of net income, financial position and changes in financial position.

- Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges

or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. There are four major Enterprise Fund activities, which are the Water and Sewer Utility System, the Transit System, the Stormwater Services System, and the Solid Waste Services System.

- Internal Service Funds - Internal Service Funds are used to account for the financing of goods or services provided by one Department or agency to other Departments or agencies of the City, or to other governmental units, on a cost-reimbursement basis. Fleet Maintenance, Fleet Management, Self-Insurance, and Technology are the four Internal Service Funds.

Fiduciary Funds

- Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for other governmental units and/or other funds. Trust and Agency Funds include expendable trust and payroll agency funds.

Basis of Accounting

Basis of accounting refers to the time at which revenues and expenditures or expenses are recognized in the accounts and reported. Governmental funds, expendable trust funds and agency funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available as net current assets. Available means collectible within the current period or expected to be collected within 60 days after year end and be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability

is incurred. Exceptions to this general interest on general long-term obligations which are recognized when due. This exception is in conformity with generally accepted accounting principles.

Property tax revenues and sales tax receipts are considered measurable and available when collected and recognized as revenue at that time. Licenses and permits, fines and forfeits, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded on the accrual basis in all funds.

Paving assessments are recorded as revenues in the fiscal period when the assessment becomes both measurable and available to finance expenditures of the fiscal period. Assessment revenues are considered measurable and available when collected by the City and recognized as revenue at that time. Payments for paving assessments received in advance of the levy are reflected as deferred revenue.

Intergovernmental revenues are recorded on a basis applicable to the legal and contractual requirements of the various individual grant programs.

All proprietary funds are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recorded in the accounting period incurred, if measurable.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year end are reported as

rule include unmatured principal and reservations of fund balances and do not constitute expenditures or liabilities since the commitments will be honored during the subsequent year. For budgetary purposes, encumbrances outstanding at year end and the related appropriation are carried forward to the new fiscal year. Encumbrances constitute the equivalent of expenditures for budgetary purposes.

PROPERTY TAXES

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. As of October 1, 1981, the appraisal of property within the City was the responsibility of the Central Appraisal District of Taylor County. The Appraisal District is required under the Property Tax Code to assess all property within the Appraisal District on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. Beginning January 1, 1984, all real property within the Appraisal District must be reappraised every four years; however, the City may, at its own expense, require more frequent reviews of appraised values.

The Central Appraisal District of Taylor County has chosen to review the value of property every two years. The City may challenge appraised values established by the Appraisal District through various appeals and if necessary, legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate after adjustment for new construction, new annexation and debt service, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the effective tax rate of the previous year. This legislation also provides that, if mandated by the qualified voters in the City, the collection function must be placed with the Appraisal District. In October 1982, Central Appraisal District of Taylor County assumed the property tax billing and collection function for the City. Currently the fee is three tenths of one percent of total current taxes collected.

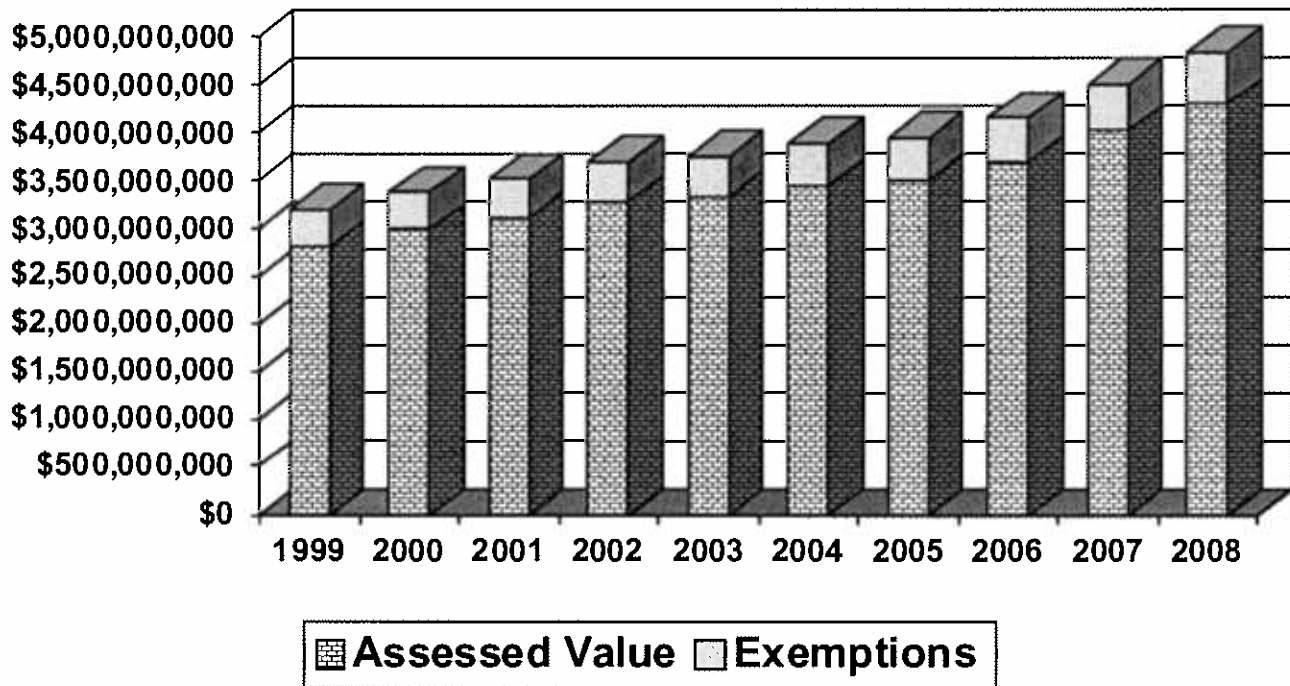
The City is permitted by Article II, Section 5 of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt consequently, no legal debt margin can be calculated. A practical limitation on taxes

levied for debt service is \$1.50 per \$100 of assessed valuation as established by the Attorney General of the State of Texas. The tax rate to finance general governmental services other than payment of principal and interest on long-term debt is \$0.4693 per \$100. The tax rate to finance the payment of principal and interest on long-term debt is \$0.1985 per \$100. Taxes are due by January 31 following the October 1 levy date.

Property tax revenues are recognized in the accounting period in which they become both measurable and available. Property tax revenues are considered measurable at the time of levy and are recognized as taxes receivable, net of an allowance for estimated uncollectible taxes, at that time. Property tax revenues are considered available if collected within 60 days subsequent to year end. However, the amount of taxes collected in the period 60 days subsequent to year end are considered immaterial and not recorded as current year revenue, therefore, they are reported as deferred revenues.

The City has adopted a policy to record all delinquent taxes in the General Fund at year end. The City's general obligation bonds require an annual tax levy sufficient to pay principal and interest on the bonds with full allowance being made for delinquent taxes. The bond ordinances require that the Debt Service Fund be funded from actual tax receipts as received. The later collection of delinquent taxes after the current year funding requirements have been satisfied will be in excess of the actual requirements for the payment of the bonds. Therefore, such delinquent taxes are deposited in the City's General Fund after the City has met the annual requirements for the payment of the bond.

TOTAL APPRAISED VALUATION 10 YEAR COMPARISON

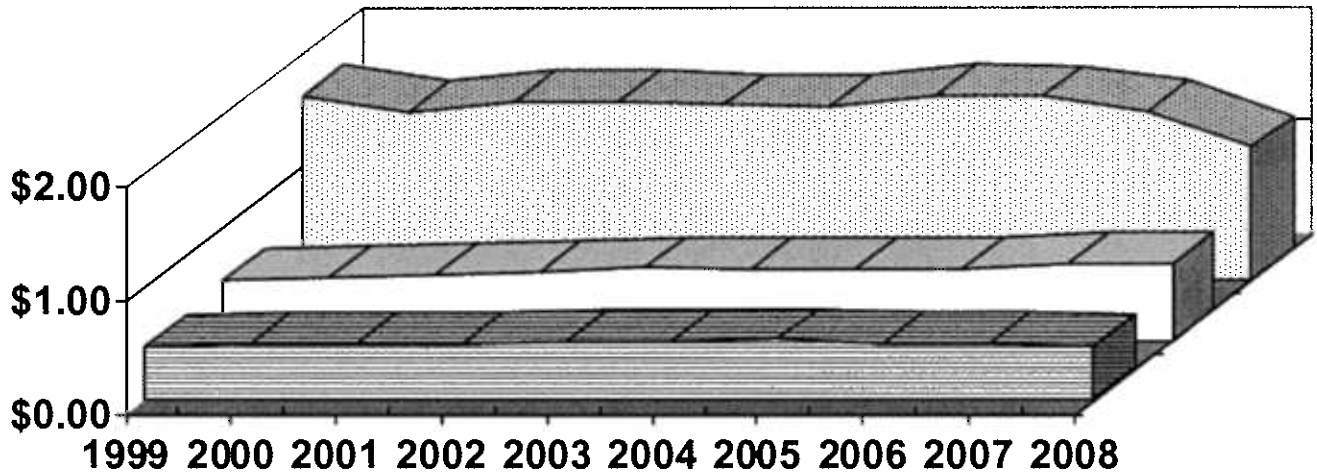


	ASSESSED VALUE	EXEMPTIONS	TOTAL VALUE	% EXEMPT
1999	\$2,808,171,243	\$386,416,397	\$3,194,587,640	12.1%
2000	2,979,826,991	394,767,767	3,374,594,758	11.7%
2001	3,104,426,497	409,450,375	3,513,782,315	11.7%
2002	3,274,941,955	416,483,983	3,691,425,938	11.3%
2003	3,333,792,363	425,306,601	3,759,098,964	11.3%
2004	3,434,596,454	446,391,531	3,880,987,985	11.5%
2005	3,493,644,031	452,991,660	3,946,635,691	11.5%
2006	3,692,783,320	464,799,959	4,157,583,279	11.2%
2007	4,014,286,613	495,000,539	4,509,287,152	11.0%
2008	4,290,872,376	548,693,564	4,839,565,940	11.0%

Discussion of the Graph

Exemptions for homeowners will decrease the total taxable or assessed value for FY 2008 by 11.0%. Four types of exemptions can be declared: homestead, over 65 years of age, agricultural use, and disabled. Each exemption is calculated within its own guidelines. Beginning in FY 08, a tax cap on homesteads of persons over 65 years of age or those who are disabled was passed. Included in the Assessed Value is \$360,577,617 in frozen taxable value for this group.

OVERLAPPING PROPERTY TAX RATES AT 100% 10 YEAR COMPARISON



County
 City
 School

	CITY	*AISD	COUNTY	TOTAL
1999	\$0.5390	\$1.6250	\$0.4835	\$2.6475
2000	0.5621	1.4879	0.4979	2.5479
2001	0.5809	1.5751	0.4916	2.6476
2002	0.6085	1.5751	0.5032	2.6868
2003	0.6405	1.5432	0.5247	2.7084
2004	0.6355	1.5375	0.5296	2.7026
2005	0.6355	1.6183	0.5359	2.7897
2006	0.6355	1.6171	0.5093	2.7617
2007	0.6678	1.4867	0.4980	2.6525
2008	0.6678	1.1691	0.4707	2.3076
2008 Wylie ISD	0.6678	1.0900	0.4707	2.2285

*Abilene Independent School District

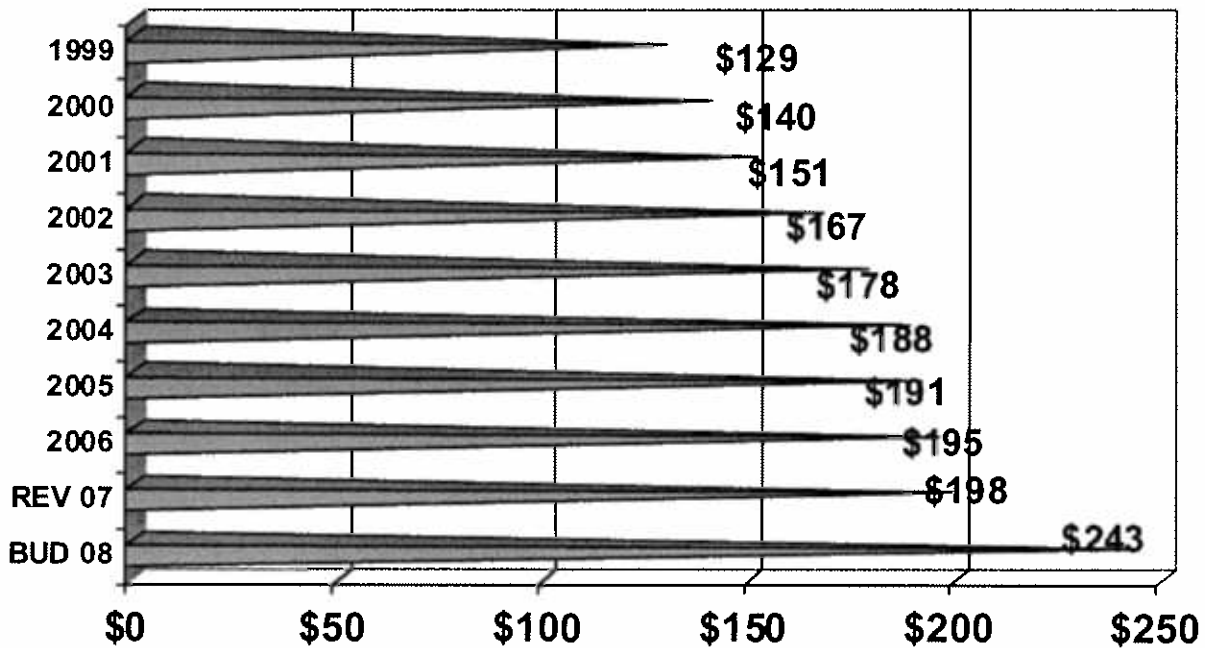
Discussion of the Graph

Property tax rates have increased/(decreased) from FY 1999 to FY 2008 by the following percentages:

City	23.90%
AISD	(28.06%)
County	(2.65%)
 Total Increase	 (12.84%)

In contrast property valuations for the City have increased 52.8% since the 1999 roll. To maintain the same amount of tax revenue if values decline, the tax rate must increase and vice versa. AISD reflected here indicates 93.5% of overlapping debt for comparative purposes.

PROPERTY TAXES PER CAPITA 10 YEAR COMPARISON

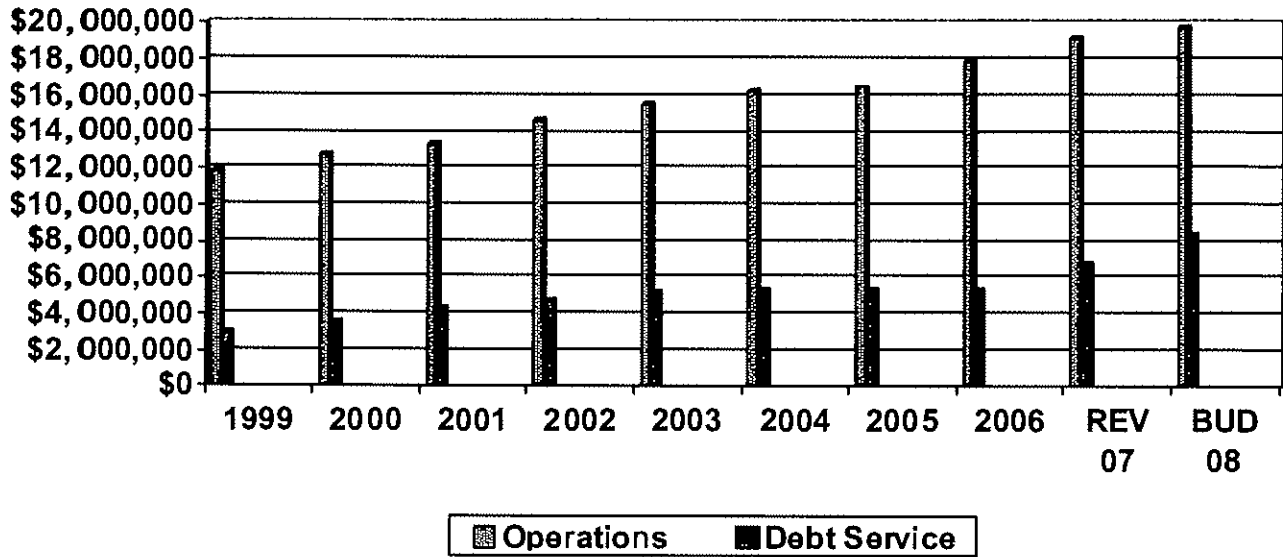


	POPULATION	PROPERTY TAXES
1999	115,119	\$14,878,451
2000	117,111	16,401,129
2001	116,806	17,712,816
2002	115,930	19,387,085
2003	116,097	20,679,190
2004	114,729	21,522,796
2005	114,454	21,821,935
2006	116,482	23,072,146
REV 07	115,745	25,929,780
BUD 08	115,981	28,131,610

Discussion of the Graph

Property tax per capita increased the last several years mainly due to debt issues authorized by the voters.

DISTRIBUTION OF TAXES 10 YEAR COMPARISON

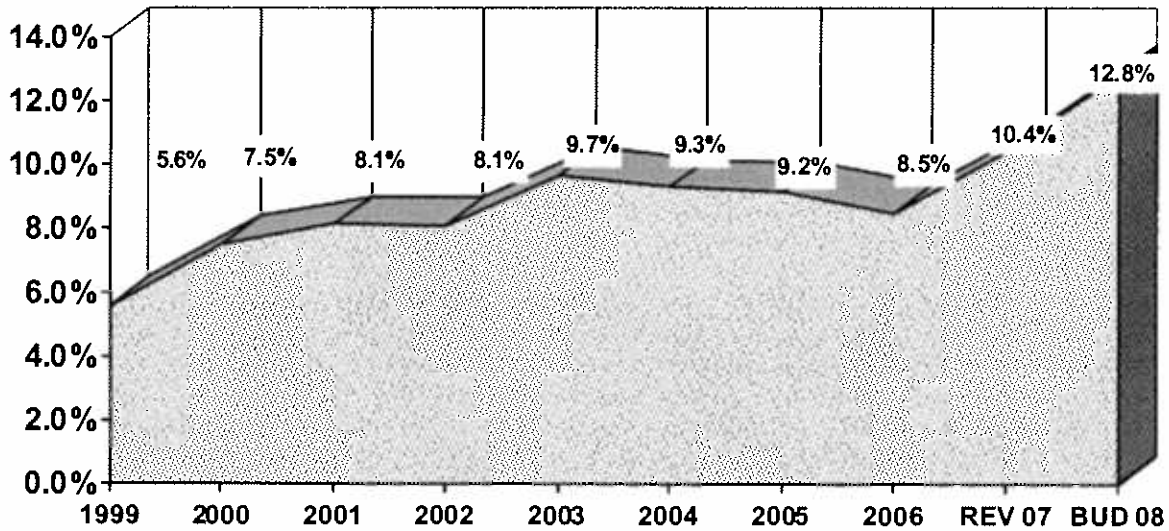


	OPERATIONS	DEBT SERVICE	TOTAL
1999	\$11,922,624	\$2,955,827	\$14,878,451
2000	12,781,973	3,619,156	16,401,129
2001	13,356,747	4,356,069	17,712,816
2002	14,697,678	4,689,407	19,387,085
2003	15,530,216	5,148,974	20,679,190
2004	16,266,520	5,256,276	21,522,796
2005	16,492,647	5,329,288	21,821,935
2006	17,797,488	5,274,658	23,072,146
REV 07	19,181,360	6,748,420	25,929,780
BUD 08	19,769,740	8,361,870	28,131,610

Discussion of the Graph

In FY 1999, operations accounted for 80.1% of the tax distribution while in FY 2008 it will account for 70.3%. It is the City's intent to issue Certificates of Obligation debt annually without increasing the tax rate for debt. General Obligation Bonds approved by the voters do require a tax rate increase.

RATIO OF DEBT TO GENERAL EXPENDITURES 10 YEAR COMPARISON

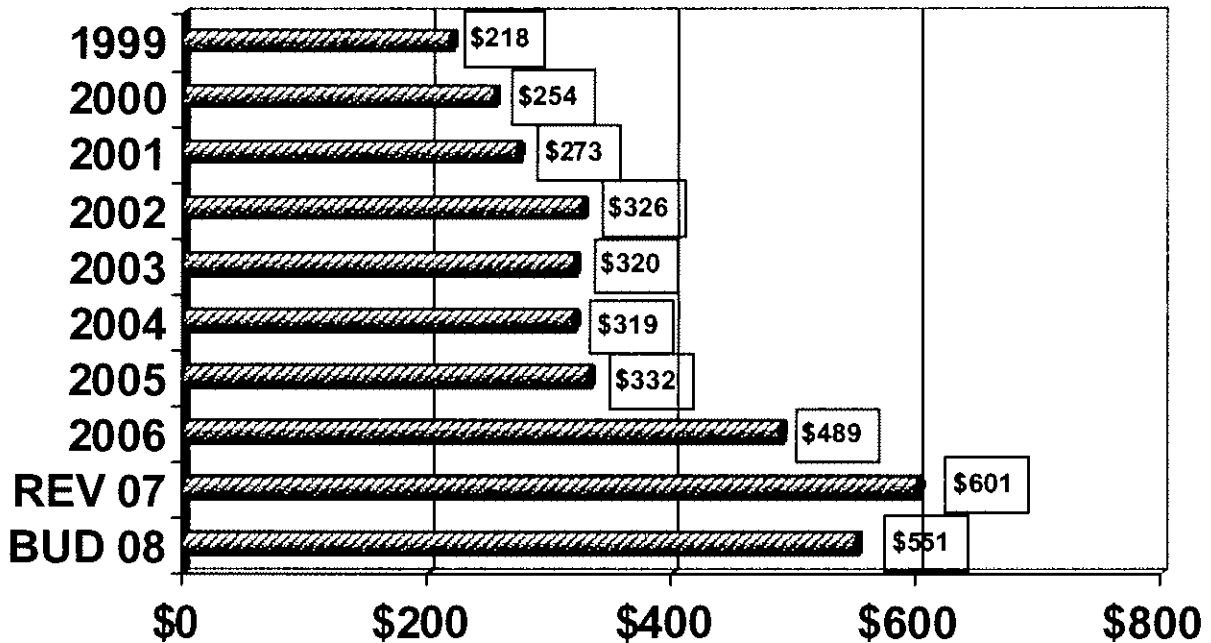


	PRINCIPAL	INTEREST	BONDED DEBT SRV.	GEN. EXP./ TRANSFERS
1999	\$1,910,000	\$918,160	\$2,828,160	\$50,238,547
2000	2,555,000	1,394,361	3,949,361	52,533,010
2001	2,915,000	1,592,801	4,507,801	55,392,720
2002	3,195,000	1,638,434	4,833,434	59,376,491
2003	3,340,000	1,929,895	5,269,895	54,334,046
2004	3,605,000	1,607,639	5,212,639	55,839,517
2005	3,730,000	1,612,194	5,342,194	58,214,641
2006	3,650,000	1,654,373	5,304,373	62,506,527
REV 07	4,050,000	2,789,870	6,839,870	65,707,720
BUD 08	5,820,000	3,091,230	8,911,230	69,320,170

Discussion of the Graph

The ratio of debt to operating expenditures is an important measure; the higher it goes, the less flexibility the City retains to adjust spending decisions in response to changing economic conditions. While there is not a specific level established, Abilene debt level is considered low. These legal commitments cannot be proportionately reduced when the City is forced to reduce service levels. The decrease in the FY 2003 expenditures is due to the transfer of the Solid Waste Services to an enterprise fund as well as a partial realignment of the Street and Drainage Services division to the Stormwater Services Fund. The above graph does not include the Ivie Waterworks and Sewer System General Obligation Debt as this debt is to be paid from the revenues of the water and sewer system.

NET DEBT PER CAPITA 10 YEAR COMPARISON

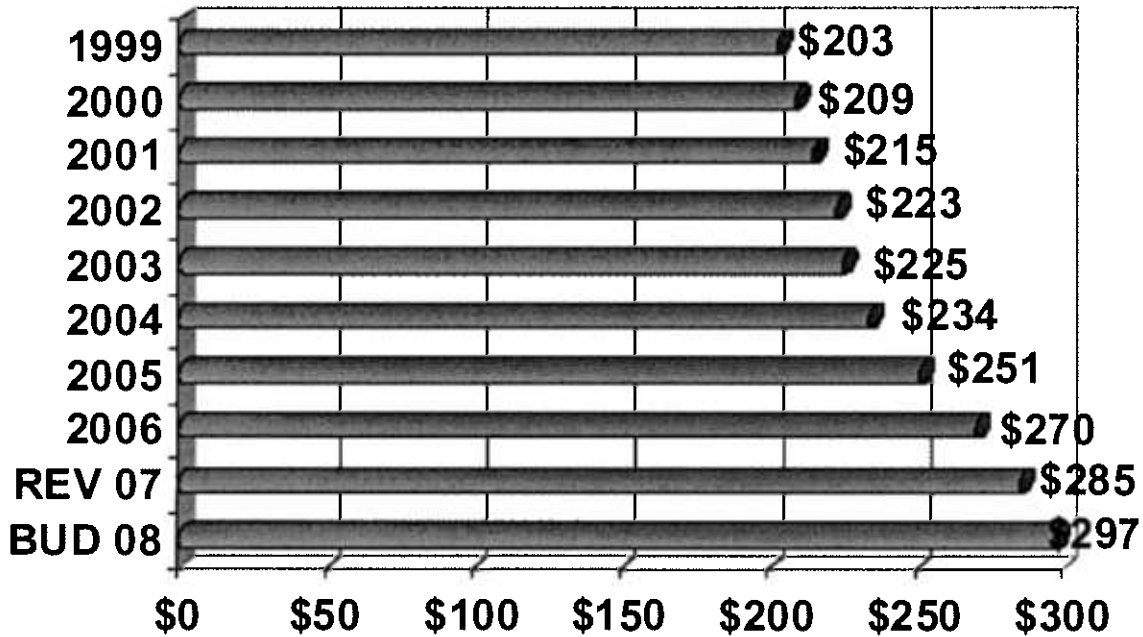


	POPULATION	NET GENERAL PURPOSE DEBT OUTSTANDING
1999	115,119	\$5,089,710
2000	117,111	29,712,549
2001	116,806	31,951,449
2002	115,930	37,846,000
2003	116,097	37,378,435
2004	114,729	36,621,769
2005	114,454	37,976,516
2006	116,482	57,002,045
REV 07	115,745	69,613,565
BUD 08	115,981	63,903,405

Discussion of the Graph

Direct debt per capita is primarily impacted by debt issuance as demonstrated in this graph along with changes in population. The City of Abilene sold bonds in FY's 1993, 1999, 2000, 2001, 2002, 2006, and 2007. The City of Abilene sold certificates of obligation in FY 1992 – FY 2007. The above graph includes both general obligation bonds and certificates of obligation reduced by fund balance available. This graph does not include the Ivie Waterworks and Sewer System Debt.

SALES TAX PER CAPITA 10 YEAR COMPARISON

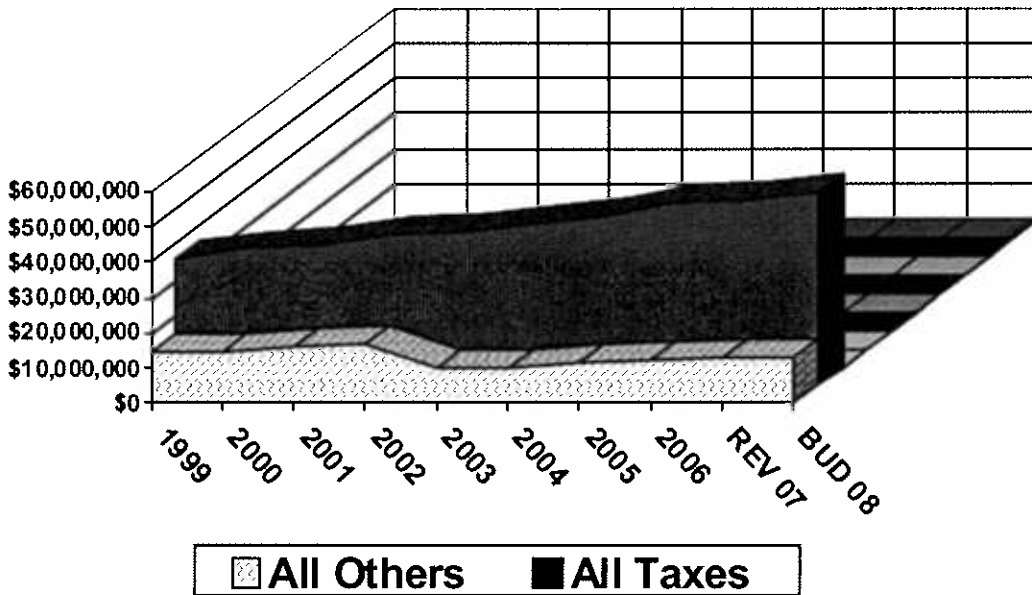


	Population	Sales Tax General Fund 1½%	100% Equivalent Property Tax Rate	Sales Tax Economic Development ½%	100% Equivalent Property Tax Rate	Total Sales Tax	100% Equivalent Property Tax Rate
1999	115,119	\$17,554,738	\$.6251	\$5,851,579	\$.2084	\$23,406,317	\$.8335
2000	117,111	18,400,964	.6175	6,133,655	.2058	24,534,619	.8233
2001	116,806	18,817,928	.6062	6,272,643	.2021	25,090,571	.8083
2002	115,930	19,411,603	.5927	6,470,534	.1976	25,882,137	.7903
2003	116,097	19,575,663	.5910	6,564,843	.1982	26,140,306	.7892
2004	114,729	20,138,767	.5841	6,712,922	.1947	26,851,689	.7788
2005	114,454	21,562,384	.6172	7,187,462	.2057	28,749,846	.8229
2006	116,482	23,546,861	.6379	7,848,954	.2126	31,395,815	.8505
REV 07	115,745	24,724,200	.6159	8,241,400	.2053	32,965,600	.8212
BUD 08	115,981	25,989,990	.6057	8,482,430	.1977	34,472,420	.8034

Discussion of the Graph

The City of Abilene receives 1% of the total sales tax revenue paid to the Texas Comptroller for the sale of all taxable goods and services within the City limits. In addition, there is an additional ½% imposed for economic development and an additional ½% for property tax reduction.

GENERAL FUND REVENUE 10 YEAR COMPARISON



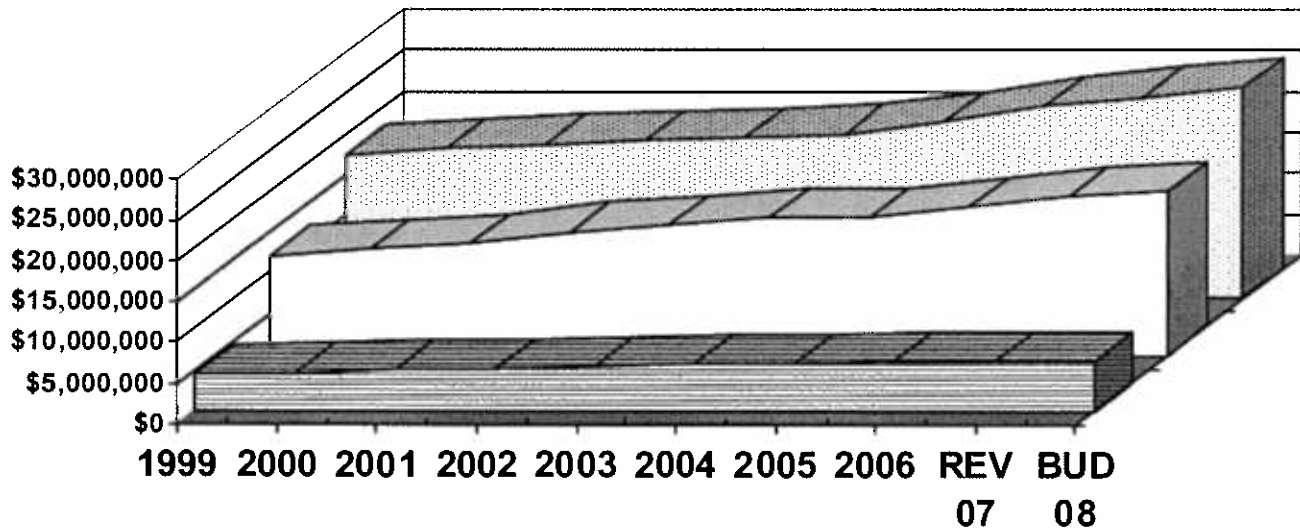
	TAXES/ FRANCHISE/ ACCESS	ALL OTHER	TOTAL
1999	\$36,160,815	\$14,683,933	\$50,844,748
2000	38,539,019	14,694,531	53,233,550
2001	39,952,757	15,876,852	55,829,609
2002	42,342,896	17,279,682	59,622,578
2003	43,571,266	10,220,074	53,791,340
2004	45,656,608	10,188,834	55,845,442
2005	47,639,771	11,625,836	59,265,607
2006	51,368,436	12,723,219	64,091,655
REV 07	52,705,750	13,050,220	65,755,970
BUD 08	54,426,610	12,915,780	67,342,390

Discussion of the Graph

Between FY 1999 and FY 2008, General Fund revenue has increased 32.4% or an average of 3.2% a year. Since FY 1999, sales tax revenues have increased 48.1%, property tax revenues have increased 66.5%, and franchise/access fees have increased 36.1%. The increase in the FY 2003 taxes/franchise/access revenue is due to the transfer of the Solid Waste Services to an enterprise fund and the additional franchise/access fees and payment in lieu of taxes associated with this transfer.

Taxes are a composite of property taxes, sales tax, franchise/access fees, selective sales and use, and payment in lieu of taxes.

PROPERTY, SALES & FRANCHISE REVENUE GENERAL FUND; 10 YEAR COMPARISON



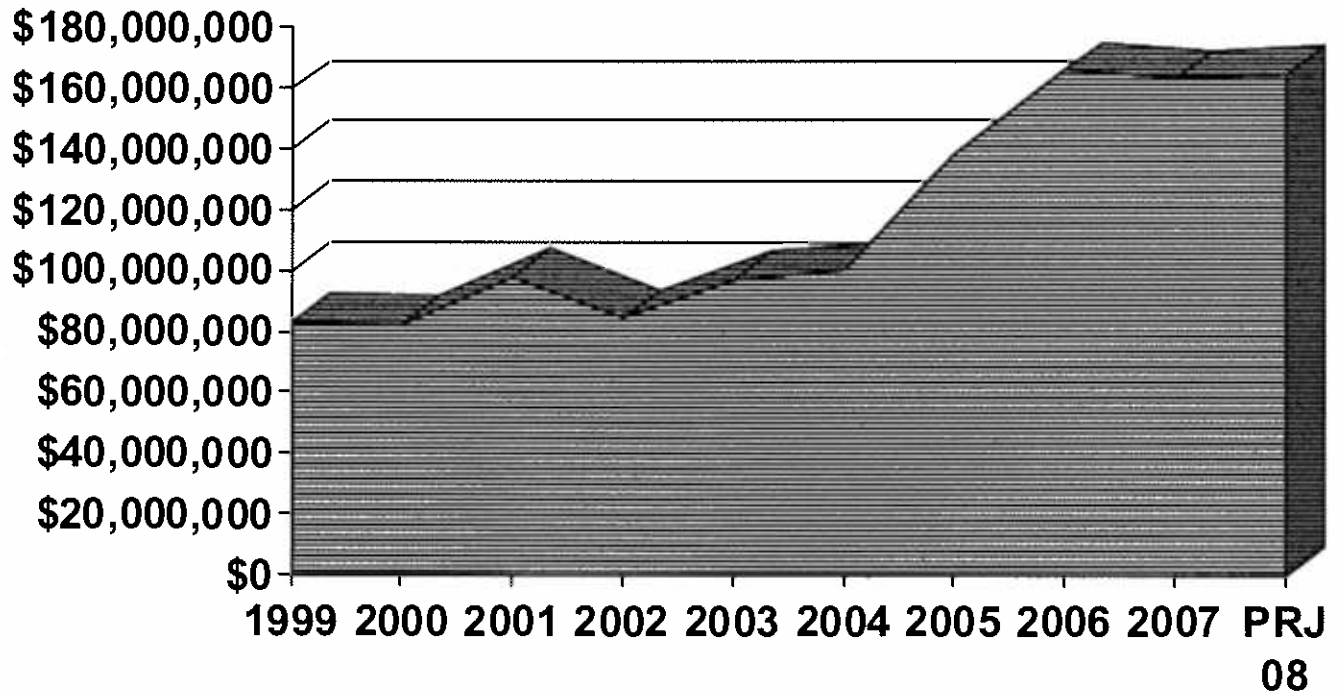
Franchise/Access Fees
 Property Tax
 Sales Tax

	PROPERTY	SALES	FRANCHISE/ ACCESS
1999	\$12,084,321	\$17,554,738	\$4,445,881
2000	12,993,363	18,400,964	4,645,621
2001	13,597,666	18,817,928	5,197,191
2002	15,015,337	19,411,603	5,282,718
2003	15,912,905	19,575,663	5,501,498
2004	16,758,190	20,138,767	5,741,124
2005	16,882,832	21,562,384	5,731,691
2006	18,146,091	23,546,861	6,069,668
REV 07	19,531,360	24,724,200	6,075,460
BUD 08	20,119,740	25,989,990	6,048,480

Discussion of the Graph

The General Fund is most dependent on these three revenue sources. The sales tax is a good indicator of economic trends. It has increased from 34.5% of revenue in FY 1999 to 38.6% in FY 2008. Property taxes lag at least one year behind other indicators. It has risen from 23.8% of revenue in FY 1999 to 29.9% in FY 2008. Franchise/Access fees have increased as a percentage of revenue from 8.7% in FY 1999 to 9% in FY 2008. The increase in the FY 2003 revenue is due to the transfer of the Solid Waste Services to an enterprise fund and the additional franchise fees associated with this transfer.

BUILDING PERMIT VALUES 10 YEAR COMPARISON

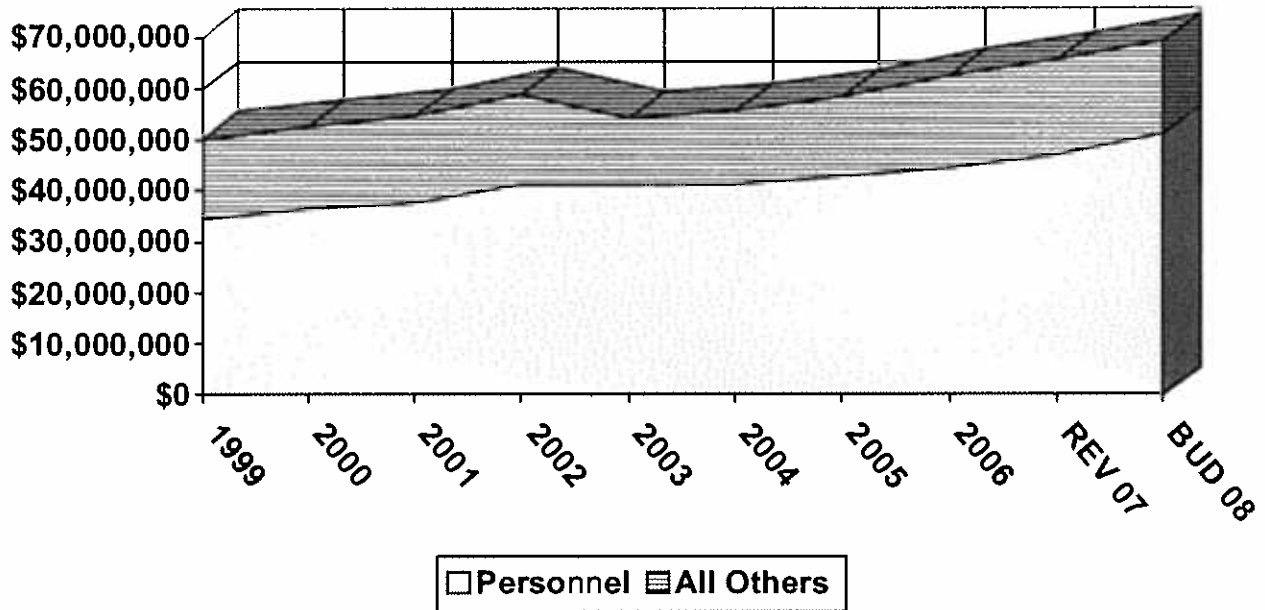


1999	\$82,965,661
2000	82,546,203
2001	98,206,280
2002	84,562,903
2003	97,363,186
2004	100,277,345
2005	138,016,960
2006	166,123,570
2007	163,486,926
PRJ 08	165,000,000

Discussion of the Graph

The number of building permits issued from FY 1999 to FY 2008 has remained steady while the valuation has seen a 98.9% increase for the same time period. Major projects in FY 2007 include Taylor County Justice Center, Abilene High School renovation, Comfort Suites, Hilton Gardens, Specialty Hospital, The Grove Apartments, Lithia Toyota, Northside Lowe's, and Kohl's Department Store.

GENERAL FUND EXPENDITURES 10 YEAR COMPARISON

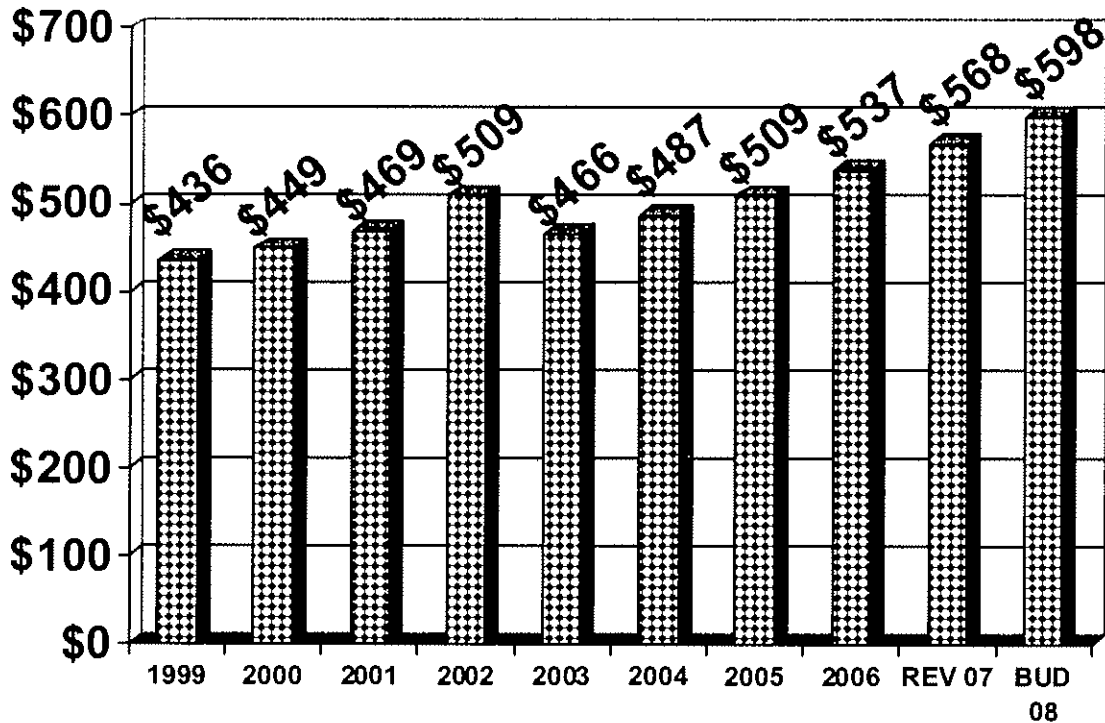


	PERSONNEL	OTHER	TOTAL
1999	\$34,521,816	\$15,716,730	\$50,238,546
2000	36,318,324	16,214,686	52,533,010
2001	37,409,940	17,342,780	54,752,720
2002	41,373,594	17,622,897	58,996,491
2003	41,289,330	12,864,716	54,154,046
2004	41,447,206	14,392,311	55,839,517
2005	42,838,746	15,375,895	58,214,641
2006	44,143,383	18,363,144	62,506,527
REV 07	46,936,820	18,770,900	65,707,720
BUD 08	51,227,500	18,092,670	69,320,170

Discussion of the Graph

The major changes as shown in the graph are consistent with revenue changes discussed in a previous graph. The decrease in the FY 2003 expenditures is due to the transfer of the Solid Waste Services to an enterprise fund as well as a partial realignment of the Street and Drainage Services division to the Stormwater Services Fund. Total expenditures have increased 38% between FY 1999 and FY 2008, and personnel expenditures have increased 48.4% between FY 1999 and FY 2008. The City will experience a 27th pay period in FY 08, which accounts for the large increase in personnel costs. The City has been setting aside in the fund balance the amount to cover this for the last eleven years.

GENERAL FUND EXPENDITURES PER CAPITA 10 YEAR COMPARISON



	POPULATION	EXPENDITURES
--	------------	--------------

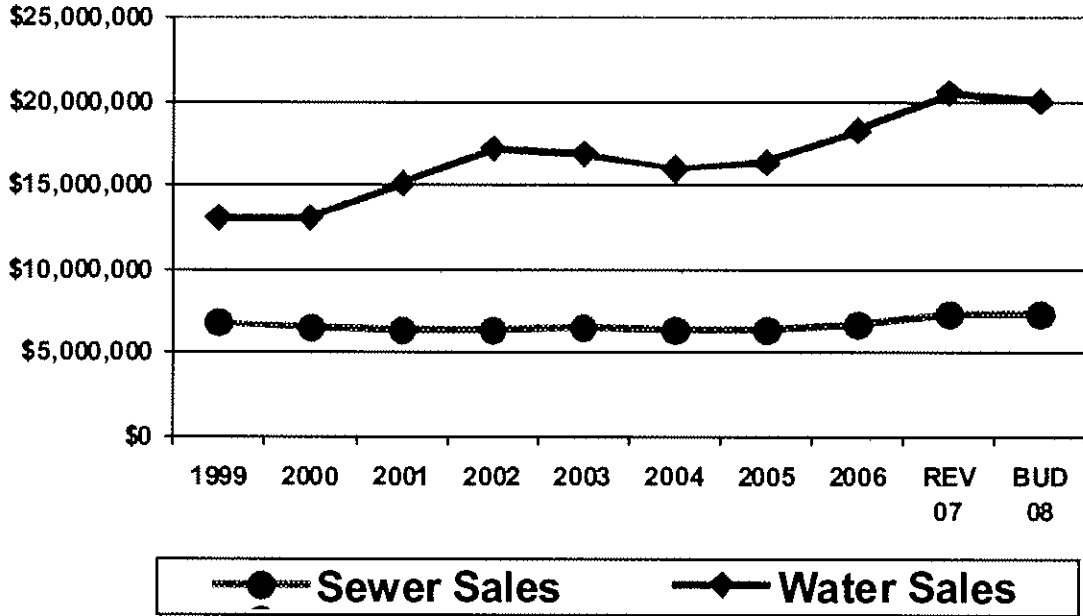
1999	115,119	\$50,238,546
2000	117,111	52,533,010
2001	116,806	54,752,720
2002	115,930	58,996,491
2003	116,097	54,154,046
2004	114,729	55,839,517
2005	114,454	58,214,641
2006	116,482	62,506,527
REV 07	115,745	65,707,720
BUD 08	115,981	69,320,170

Discussion of the Graph

Expenditures have increased an average of only 3.7% a year. The decrease in the FY 2004 expenditures is due to the transfer of the Solid Waste Services to an enterprise fund as well as a partial realignment of the Street and Drainage Services division to the Stormwater Services Fund.

The majority of the increases have been in personnel costs, which include mandatory increases in social security taxes, worker's compensation, health benefits, and retirement.

WATER & SEWER SALES REVENUE 10 YEAR COMPARISON

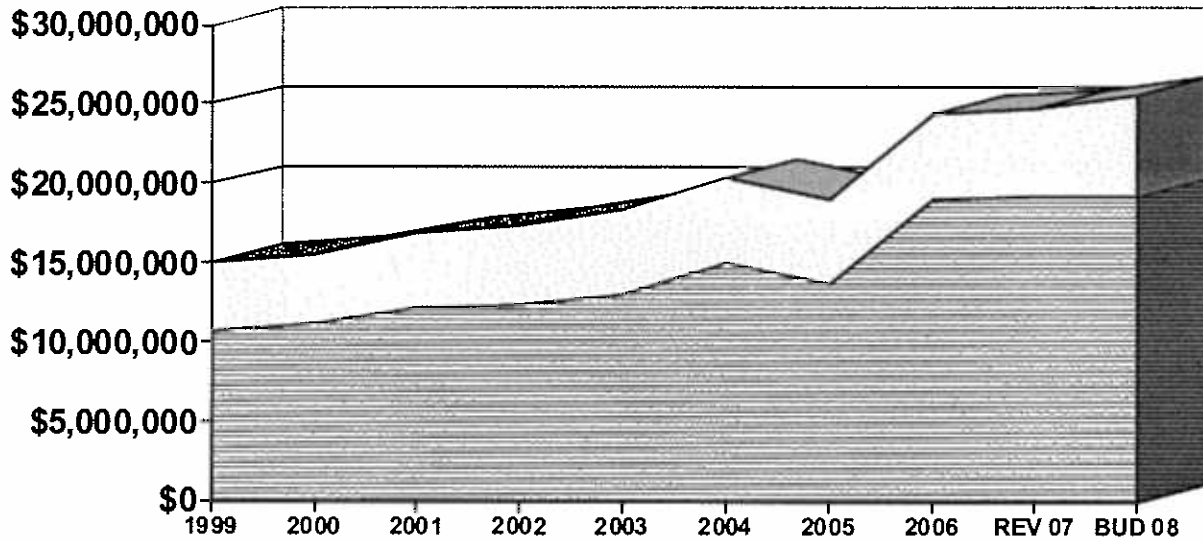


	WATER	SEWER
1999	\$13,103,677	\$6,794,442
2000	13,090,440	6,517,134
2001	15,072,854	6,385,938
2002	17,199,053	6,436,526
2003	16,894,788	6,547,975
2004	15,998,938	6,321,375
2005	16,325,209	6,417,320
2006	18,293,449	6,751,876
REV 07	20,570,000	7,380,000
BUD 08	19,975,000	7,380,000

Discussion of the Graph

Water revenue has increased significantly over the past 10 years. The water rates were increased in FY 01 to pay the debt payment for the Ivie Waterworks and Sewer System General Obligation Debt. A rate increase for the Ivie reservoir, pipeline, and treatment plant account for the majority of the increase in revenue. The water rates were increased in FY 07 to fund the Capital Improvements Program (CIP) and address the annual maintenance and operations (M & O) of the Water Department. Ivie pipeline debt is approximately \$3,010,000 for FY 08. Other major capital projects including water distribution and production and sewage treatment work are being financed internally from water and sewer revenue. Some projects must be completed in order to comply with current law or other mandates.

WATER FUND EXPENDITURES 10 YEAR COMPARISON



OTHER
 PERSONNEL

	PERSONNEL	OTHER	TOTAL
1999	\$4,396,311	\$10,646,472	\$15,042,783
2000	4,440,748	11,160,905	15,601,653
2001	4,703,615	12,134,908	16,838,523
2002	4,940,904	12,427,957	17,368,861
2003	5,438,602	12,999,848	18,438,450
2004	5,298,958	15,079,072	20,378,030
2005	5,390,867	13,676,290	19,067,157
2006	5,376,259	19,070,125	24,446,384
REV 07	5,578,190	19,227,430	24,805,620
BUD 08	6,349,600	19,235,980	25,585,580

Discussion of the Graph

Personnel costs in the Water Utility Fund have grown gradually over the past 10 years due to pay increases and growth in health insurance, worker's compensation, etc. Other expenses have remained relatively constant over the last few years.