



2008-2009 Annual Budget **City of Abilene, Texas**

Operating Budget
A Plan of Municipal Services
2008-2009

Capital Improvements
Protecting today, Building tomorrow
2008-2012



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



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
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**City of Abilene
Texas**

For the Fiscal Year Beginning

October 1, 2007

Charles S. Cox

President

Jeffrey R. Egan

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, 2007. 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 City of Abilene's public safety departments are featured, representing Fire and Police along with the Communications Division which is more commonly known as 9-1-1 Dispatch. The Fiscal Year 2008-09 Budget involved the successful negotiations of two-year Meet and Confer Agreements with the Fire and Police Departments. The Communications Division serves as an essential link between the public and emergency assistance.

**Operating
Budget**

**Capital
Improvements**

CITY OF ABILENE TEXAS

FISCAL YEAR 2008-09

As approved by the City Council on September 11, 2008

- Norm Archibald.....Mayor
- Sam ChaseMayor Pro Tempore
- Joe Spano.....Deputy Mayor Pro Tempore
- Laura MooreCouncilwoman
- Anthony WilliamsCouncilman
- Stormy Higgins.....Councilman
- Robert O. BrileyCouncilman

Presented by:
Larry D. Gilley, City Manager

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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





OFFICE OF CITY MANAGER

October 24, 2008

Honorable Norm Archibald, Mayor
and Members of the City Council

Dear Mayor and Council Members:

I am pleased to present the Fiscal Year 2009 (FY 09) 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.

The City of Abilene's rating by Standard & Poor's was recently raised to AA+ from AA, due to a long history of conservative budgeting practices that have produced consistently stable fiscal results. The AA+ rating reflects the City's regional trade and service-based economy, which is anchored by government employment; steady property tax base growth; consistently sound financial management and position; and low overall debt levels, coupled with rapid principal amortization.

A careful reading of the budget will reveal a modest addition of limited resources to address our most crucial service areas. Among these programs and services are recommendations to fund salary increases to our civil service personnel, as well as an across the board pay increase for positions in pay grades 15-59. As part of our commitment to presenting a responsible and balanced budget, you will notice that salary increases are not budgeted for at this time for positions at the level of program manager and above.

As the City Council is well aware, Abilene faces continued fiscal challenges, and we have been more creative in efforts to save money and generate revenue. Through the efforts of our staff and the support of the City Council, we have entered into an energy conservation contract with TAC Americas, Inc. for building lighting improvements, street light and traffic signal improvements, water conservation measures and mechanical replacements at several City facilities, among other suggestions. The debt for this project will be paid from future energy savings and guaranteed by TAC. The projected annual savings for the project will reduce the General Fund energy cost by \$348,000 for FY 09.

Quality of life is important in Abilene. We are working to leverage grant funds in order to improve our parks around Lake Fort Phantom Hill. We will work to implement the recommendations of the 2008 Parks Master Plan in order to provide an improved quality of life for our families to enjoy for generations to come.

This budget is the product of significant staff time and deliberation. Despite our best efforts and intentions, this year's proposals may be felt more directly by our citizens and businesses. For example, we are proposing adjustments to our solid waste fees, and water and sewer rates. The costs of providing these services continue to escalate, particularly in the areas of fuel and electricity, so an increase will be necessary in order to continue to provide the high level of services our citizens expect. In addition, due to under recovery of costs, a proposal to increase planning and building inspection fees is also included.

Our local economy shows modest growth in sales taxes, which we anticipate will continue in FY 09. To date, our local economy has fared well based on the strength of our local businesses and the types of industries that are growing and expanding here. However, this region is not immune to the challenges faced in other parts of Texas and the country, which is why 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 2008 with residential property leading the way. Preliminary numbers indicate an increase in residential property values of 11%. Commercial real estate was the other category adding additional value this year with values rising from \$958 million in 2008 to \$1.003 billion this year. Net taxable values increased from \$4.01 billion to \$4.39 billion, or 9.9%.

Sales tax growth is projected to continue, albeit at a modest pace. Staff estimates that FY 09 will exceed FY 08 by 3%. This is after the 3% growth anticipated in FY 08.

The total FY 09 General Fund revenue budget is an increase of \$1,927,210, or 2.8% as compared to revised FY 08.

According to the Texas Workforce Commission's Texas Labor Market Review, unemployment in Abilene is lower than the statewide average. At the end of September 2008, Abilene's unemployment rate was 4.2% compared to the state rate of 5.2%. Total civilian work force was up from 80,600 in September 2007, to 81,500 in September 2008.

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.

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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 in March 2006. 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 110 new manufacturing jobs in Abilene. Its initial capital investment in equipment is \$14.8 million. Construction of a 125,700 sq. ft. expansion of the building was completed in July 2008 and will create additional employment of 32, for total Abilene employment of 142. The expansion cost \$7.5 million and the company will also invest an additional \$10 million in capital equipment.

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. Jacob Carter & Burgess conducted site civil engineering work and designed the 100,000 sq. ft. shell building. Bulldog Constructors of Texas was awarded the bid for \$5.2 million in January 2008, and the shell building is being 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.

Tower Tech Systems, a subsidiary of multi-tiered wind energy company Broadwind Energy, Inc., began construction in August 2008 of a new wind turbine manufacturing plant in the Five Points Business Park and will employ 150 people, with the majority of those earning at least \$40,000/year. The plant is being constructed on 41.6 acres of land and will have rail spur access. The DCOA approved direct incentives in the amount of \$3.8 million and indirect incentives including conveyance of 41.6 acres of land and extension of the rail spur to the property line. The company will invest \$20+ million in capital improvements and equipment. A related company, Energy Maintenance Service (EMS), out of Gary, South Dakota is experienced in the repair and maintenance of wind energy components and facilities and recently entered into a lease for space in the former Lockheed building on Wall St. EMS will operate a regional maintenance and training center and a remanufacturing plant with total new employment projected to be 89 within 5 years. The DCOA approved an assistance package totaling \$1,418,000 in March 2008.

Genesis Networks opened an Abilene office in the downtown area in 2006 for the purpose of conducting software testing and development for large telecommunications companies such as Sprint, AT&T and Cingular. Genesis currently employs over 130 and projects a total workforce of 143 with all positions earning over \$30,000/year. In August 2006, the DCOA approved \$1,929,000 to get Genesis set up and operating in Abilene. In April 2008, the DCOA approved additional funding of \$2,088,000 for Phase 2 expansion which will include 150 additional jobs for total employment of 293 earning wages in excess of \$35,000/year.

With the opening of the TTUHSC School of Pharmacy and funding provided by the DCOA, Abilene is quickly becoming a center for biomedical and immunotherapeutic research. Receptor Logic, Inc. was formed to commercialize biotechnology licensed from the TTUHSC SOP 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 relocated to Abilene in 2007 to work in conjunction with the SOP here. Receptor Logic set 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 it and other emerging life sciences companies. Construction of the Life Sciences Accelerator, a 22,000 sq ft facility, will begin in November 2008 and will provide early-stage biotechnology companies wet laboratory space and access to specialized equipment essential to their research.

In December 2007, the Texas Tech University Board of Regents authorized the establishment of a Center for Immunotherapeutic Research and Primary Care Pharmacy Practice Research Program to provide basic, translation and clinical research opportunities for the School of Pharmacy faculty. The programs explore new therapeutic and diagnostic agents; new uses for existing agents based on human immunological system functions; and advancements in the care of patients with chronic illnesses through the establishment of a team of multidisciplinary and interdepartmental investigators working in a highly collaborative and technology-driven environment focused on research. The DCOA is providing \$3 million to assist with faculty recruitment, research lab establishment, and equipment purchases.

Hendrick Medical Center recently announced an \$80 million construction project, the largest in the hospital's history, otherwise known as Project 2010. The project includes a new boulevard entrance to the hospital and additional parking which is already completed. Bids will open on October 30, 2008 for the construction of a new patient tower that will house the children's hospital, labor and delivery, and a surgery center. Many other improvements will be made to the hospital complex by late 2010 in order to make Hendrick a state-of-the-art facility that will attract many new quality physicians and nurses, allowing local and regional patients the option of staying in Abilene for quality healthcare. Abilene Regional Medical Center (ARMC) recently constructed a new \$26 million three-story facility, which doubled the capacity of the neonatal intensive care unit. Approximately 30,000 square feet of existing space is being renovated. About 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. Heritage Hospital of Abilene will soon open as a 70-bed inpatient physical rehabilitation and psychiatry hospital 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 (AISD) and Hardin-Simmons University (HSU) opened a \$3.1 million health sciences magnet school on the campus of HSU for AISD students.

The Abilene Reinvestment Zone No. 1 (otherwise known as the Tax Increment Finance District or "TIF") expired after 25 years on January 1, 2008. A Termination Agreement was executed between the City of Abilene and TIF that specifies 6 projects the remaining TIF funds are to be used for:

- FY08 budget expenditures for operating.
- Destination/Wayfinding Signage.
- Redevelopment of two lots on Cedar St. for public parking, including public restrooms.
- FY08 Abilene Cultural Affairs Council's Cultural Incentive Program.
- Redevelopment Plans for the Northeast and South Planning Areas of the TIF District.
- Streetscape improvements in the downtown.

The City of Abilene pledged additional ad valorem tax revenue collected on or after January 1, 2008 toward completion of these projects.

The Abilene Improvement Corporation recently purchased 10 lots on Pine St. between N 13th and N 15th Streets for the purpose of redeveloping the area. Demolition was completed in June 2008, and four of the lots were purchased by the DCOA for construction of the Life Sciences Accelerator.

Florida Power & Light (FPL) Group established a "land office" in Abilene to support its wind-generated electric power operations in the region. The Abilene land office, located in downtown Abilene, could eventually grow to 20 or 25 employees. In addition, FPL Group opened a warehouse facility in Abilene that will act as the central location for parts distribution for Texas and the western portion of the United States. Its utility subsidiary, Florida Power & Light Company, serves more than 4.5 million customer accounts in Florida. FPL Energy, the competitive energy subsidiary of FPL Group, is the largest generator of wind power in Texas and the United States. It plans to spend approximately \$1 billion in the region over the next year. The company has 12 wind turbine sites in West Texas, including the Horse Hollow Wind Energy Center in Taylor (Abilene) and Nolan counties. Horse Hollow is the nation's largest wind farm with 421 turbines providing 735 megawatts of power. Texas leads the nation in wind energy. FPL Group also has plans to build a \$650 million high voltage direct current transmission line from West Texas to the Dallas-Fort Worth area.

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 43rd Annual World's Largest Barbecue was held in April 2008 to honor the men and women who serve at Dyess and their families. The Military Affairs Committee hosted an event at the quarters (called the Air House) of General Moseley, Air Force Chief of Staff, in August 2008 in Washington D.C. This was the 3rd year to host the event and members of the Air Force Senior Leader Officers Course are included as guests.

Kohl's Department Store and the new Lithia Toyota dealership recently opened on Southwest Drive. A second Super Wal-Mart opened in North Abilene on I-20 and Cracker Barrel, Chili's, Dollar Tree, and Cato Fashions soon followed. Lowe's opened a new store in the same area on I-20, and Jack In The Box is under construction. 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 I-20. A new restaurant that recently opened downtown is the Bee Hive Restaurant and Double Dave's Pizza opened near the Mall of Abilene. Famous Dave's Barbeque is under construction on South Danville, near Southwest Drive. Starbucks recently opened a second location on South 14th Street next to the HEB, and a Sonic Drive-In is under construction on Barrow St. at South 14th St. The Comfort Suites, Super 8 Hotel, Wingate Inn, and Hilton Garden Inn recently opened. The following hotels are currently under construction: Comfort Suites, Residence Inn, Candlewood Suites, LaQuinta, and two Sleep Inns.

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 2007 were approximately 95,813. Abilene and the West Central Texas region are served with an average of 6 daily departures by American Eagle service to Dallas/Ft.

Worth International. The Airport will continue to work toward attracting new airline service to meet the needs of our customers. Capital projects continue to progress, including the start of construction on the new terminal parking lot. These projects reconstruct and expand infrastructure to accommodate current and forecasted growth of general aviation, airline maintenance and passenger service. The first and second phases of the Air Carrier Ramp reconstruction are complete and the third phase is underway. Terminal improvements, which expanded the ticket lobby and loading/unloading curb area, installed a canopy over the curb area and improved pedestrian access from the parking lot to the upper level of the terminal were completed in July 2008.

Overall, the economy is projected to continue at a steady growth rate for FY 09.

FY 09 FINANCING PLAN

General Fund

The tax rate of 68.54¢ is approved for FY 09. The rate will be allocated between the General Fund and the Debt Service Fund.

The FY 09 expenditures of \$69,360,850 will require a tax rate of 46.93¢ for the General Fund, which includes funds for the payments for the fleet lease financing program. The FY 08 rate was also 46.93¢. In addition, 21.61¢ will be required for the Debt Service Funds compared to the FY 08 rate of 19.85¢. This increase is due to the bonds approved by the voters in May 2006 and sold on June 26, 2008.

As stated previously, sales tax growth is projected to continue. Staff estimates that FY 09 will exceed FY 08 by 3%. This is after the 3% growth anticipated in FY 08. If projections are met, sales taxes should generate \$26,547,100 for the general fund in FY 09.

The FY 09 budget also includes increases in planning and building inspection fees. These increases are necessary to recoup the cost of inspection services for both areas, and are based on recommendations from Maximus, a consulting firm. These increases could lead to nearly \$400,000 in additional revenue. Planning fee recovery would increase from 10% currently to 62% and building fees recovery from 54% currently to approximately 72% of costs.

Compensation and Benefits Issues

The City of Abilene realizes that people are our most important asset. As in most organizations, there are sometimes challenges to recruiting and retaining employees. Though we are facing a challenging budget situation, we feel that compensation is an important item to address.

Civil Service compensation began to be administered through the Meet and Confer process starting October 1, 2006. In preparation for the FY 2009 budget, we are finalizing renewals of the Meet and Confer agreements with both the Police and Firefighters associations as the current agreements expire September 30, 2008. The Meet and Confer agreements with both associations will have a two year term – October 1, 2008 through September 30, 2010.

For Police Department Civil Service employees (excluding the Chief and Assistant Chiefs), compensation adjustments under the agreement will equate to a 4% increase across all ranks effective October 14, 2008, 4% effective March 31, 2009, 4% effective October 13, 2009, and 6% effective March 30, 2010. This will result in an overall 18% increase over the two year term of the Meet and Confer agreement with the Police association. For recruitment purposes, the entry level rank adjustment is front loaded at 8% effective October 14, 2008. An objective of the increases is to stay competitive in the mid-range of comparator cities surveyed.

For Fire Department Civil Service employees (excluding the Chief and Assistant Chiefs), compensation adjustments will be accomplished through a restructuring of the pay plan and adjusting the pay plan salaries. The restructuring of the pay plan is a result of the Chief's emphasis on continuing education and initiatives to develop the paramedic skills within the department. Accordingly, each rank (Fire Recruit through Battalion Chief) will have a base step and a second step, with additional compensation received at the second step for Emergency Medical Technician – Intermediate (EMT-I) certification. Further, tenure and educational accomplishments can result in additional compensation within a rank. The pay plan restructure will be accomplished in two phases: one adjustment effective October 14, 2008 and the other March 31, 2009. Then, effective October 13, 2009 a 4% across all ranks adjustment will be applied. This equates to an overall increase of approximately 14.7% for the two year period. It is important to note that increases vary among ranks, with some getting more and others less, based on market survey of comparator cities.

For FY 2009, non-civil service personnel will receive an across the board adjustment based on the pay plan range associated with the position. Ranges 15 through 44 will receive a 4% across the board adjustment and ranges 45 through 59 will receive a 2% across the board adjustment, effective October 14, 2008. The across the board increases will also trigger a parallel adjustment to the beginning salaries in the pay plan ranges. This action is to stay in line with being mid-range in peer city comparison. It also keeps the relationship appropriate to the minimum wage increase that goes into effect July 24, 2008, increasing from \$5.85 to \$6.55 per hour.

There is no compensation adjustment budgeted for FY09 for non-civil service management positions (program managers and above, including the assistant chiefs and chiefs of the Police and Fire departments).

Another significant consideration in the FY 2009 budget process relates to the City's contribution rate for participants in the Texas Municipal Retirement System (TMRS). TMRS has changed its actuarial methodology, and is now requiring cities to fully fund the actuarial liability associated with cost of living adjustments (COLAs) for retirees and updated service credits (USCs) for employees. Of these, the COLA is the significant expense. The actuarial changes would require the City to increase its contribution rate to TMRS from 16.48% to almost 24% over a phase-in period of eight years. After much analysis and conversation with TMRS staff, the budget includes a recommendation to suspend the retiree COLAs for FY 2009. This allows the TMRS contribution rate to be budgeted for FY 2009 at 16.18% as opposed to 17.99% if the retiree COLAs were included, generating a cost savings of just over \$500,000. The retiree COLAs can be reinstated in future years should that be deemed a viable option.

The FY 2009 budget does not provide for an increase in the City's contribution to the fire pension fund, leaving the rate at 19.25%.

Water and Sewer Utility Fund

The expenditures for operating the Water Utility system in FY 09 are estimated at \$27.6 million. In order to respond to rising electricity and fuel costs, the Water Utility department is requesting an adjustment to fees for all customer classes beginning on October 1. Water utility department personnel estimate that these increases would result in approximately \$6.15 million to the water and sewer utility fund and would allow a transfer of \$2 million in FY 09 into our restricted fund balance for future infrastructure projects to improve the water, sewer, and reuse systems.

Transit Fund

Abilene Transit System expenditures for FY 09 are projected at \$3.6 million. The revenues are estimated at \$3.2 million, which includes a transfer in the amount of \$450,000 from the General Fund. This leaves a projected balance of only \$865. The fees for service will continue to be monitored closely.

Solid Waste Services Fund

Solid Waste Services expenditures for FY 09 budget are projected at \$11.4 million. The revenue is estimated at \$12.4 million. Included in the FY 09 budget is an increase in solid waste fees. An increase in residential fees of \$0.75 per month would increase revenues by \$306,000. Additionally, other solid waste fee increases include an increase to the environmental fee creating an additional \$408,000 in revenue, as well as increases to the commercial flat rate and roll off fees. These fees, which have not been adjusted since FY 2006, are necessary in order to combat the rising costs of fuel, labor, and other rising costs.

Stormwater Utility Fund

The Stormwater Utility Fund expenditures for FY 09 are estimated at \$1.9 million, and revenues are projected at \$1.8 million for the same period.

Debt Service Fund

Debt Service requirements for FY 09 amount to \$10,618,850 to be paid from property taxes, transfers, interest earnings, and the existing balance. Total tax support required is \$9,778,880, which will be funded at a tax rate of 21.61¢ an increase of 1.76¢ over FY 08. Debt issued in June 2008 was \$2.425 million in general purpose projects and \$8.72 million for energy conservation certificates of obligation but does not increase the debt tax rate. An additional \$8 million was sold in general obligation bonds that will increase the tax rate by an estimated 1.76¢.

ADDITIONAL ISSUES AND INITIATIVES

Self Insurance Fund

Effective January 1, 2007, the City switched third party administrators for its self insured health benefits plan to Blue Cross/Blue Shield. Rate structures were designed to offer three options to employees and retirees who are not Medicare eligible. The rates are set based

on actuarial models of claims experience per group. Beginning January 1, 2008 Medicare-eligible retirees are no longer covered by the City's health plan as a Medicare supplement. Instead, the City offers options through private providers for coverage for Medicare-eligible retirees. These changes have resulted in a positive impact on health plan performance for the 2008 plan year, and we expect to continue to trend positively during 2009.

We will continue working with Holmes, Murphy and Associates, our benefits consultants, to analyze medical and prescription plan claims and trends and monitor plan performance.

The FY 09 budget does not include a transfer from the general fund to the self insurance fund. The FY 08 budget provided for the City's per employee per month contribution to increase by \$20. The FY 09 budget does not request an increase in contribution from either the employee or the City.

Technology Fund

The FY 09 budget for the technology fund is structured to continue support of our technology applications and infrastructure to maintain quality program and service delivery. One change for FY09 is that all telecommunications and Internet expenses are now budgeted through the Technology Fund to provide enhanced management of vendors and costs associated with communications. 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. We have begun conversation with our financial system vendor provider and will continue development of a replacement strategy over the next few months. At this time, we anticipate bringing forward a proposal in the revised FY 09 or proposed FY 10 budget. 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.

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 facilities survey points to an increasing need to repair major building systems in the coming years. For municipal facilities improvements in 2005, we issued \$575,000 in certificates of obligation; in 2006, we issued \$833,610; in 2007, we issued \$463,700; and in 2008, we issued \$576,400, in addition to the \$8.72 million for the energy conservation improvements.

SUMMARY AND CONCLUSIONS

Despite the fiscal challenges that we face, this budget document continues to focus on Council priorities by directing resources toward essential programs and services such as public safety, infrastructure, quality of life and economic development. This plan maintains the sound fiscal discipline that our citizens expect.

I also wish to express my appreciation to the City workforce, which continues to display a high degree of commitment and professionalism to the organization. My appreciation also goes out to all of the dedicated City employees who have worked closely with me and contributed so much to the preparation of this budget document.

Sincerely,

A handwritten signature in black ink that reads "Larry D. Gilley". The signature is written in a cursive style with a large, stylized initial "L".

Larry D. Gilley
City Manager

ORDINANCE NO. 50-2008

AN ORDINANCE APPROVING REVISED BUDGET FIGURES FOR FISCAL YEAR 2007-2008; APPROVING AND ADOPTING BUDGET FOR THE FISCAL YEAR OCTOBER 1, 2008, THROUGH SEPTEMBER 30, 2009, 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 2007-2008 budget and submitted same to the City Council; and,

WHEREAS, the City Manager on July 9, 2008, filed a proposed budget with the City Secretary for the fiscal year commencing October 1, 2008; 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 11, 2008, 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 2007-2008 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, 2008, 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 11th of September, 2008, 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, 2008, through September 30, 2009, or as may be amended by City Council. 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 23rd day of July, A.D. 2008.

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 11th day of September, A.D. 2008.

ATTEST:


CITY SECRETARY


MAYOR

APPROVED:


CITY ATTORNEY

ORDINANCE NO. 51-2008

AN ORDINANCE OF THE CITY OF ABILENE, TEXAS, APPROVING THE ASSESSMENT ROLL FOR 2008, LEVYING AN AD VALOREM TAX FOR THE CITY OF ABILENE, TEXAS, FOR THE YEAR 2008; 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 2008, 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 21st day of July, 2008, 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, 2008, 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-eight and fifty-four one-hundredths cents (68.54¢)--~~ 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	\$.0042
(b)	1998 C.O. Series	\$.0043
(c)	1999 C.O. Series	\$.0046
(d)	1999 G.O. Series	\$.0098
(e)	2000 C.O. Series	\$.0040
(f)	2000 G.O. Series	\$.0090
(g)	2001 C.O. Series	\$.0041
(h)	2001 G.O. Series	\$.0056

(i)	2002 C.O. Series	\$.0075
(j)	2002 G.O. Series	\$.0070
(k)	2002 Airport C.O. Series	\$.0032
(l)	2003 C.O. Series	\$.0054
(m)	2003C Refunding	\$.0096
(n)	2004 C.O. Series	\$.0043
(o)	2004 Airport C.O. Series	\$.0019
(p)	2005 C.O. Series	\$.0109
(q)	2005A C.O. Series - Public Safety	\$.0286
(r)	2006 C.O. Series	\$.0107
(s)	2006 G.O. Series	\$.0120
(t)	2006 Airport C.O. Series	\$.0032
(u)	2007 C.O. Series	\$.0095
(v)	2007 G.O. Series	\$.0137
(w)	2007 Airport G.O. Series	\$.0024
(x)	2008 C.O. Series	\$.0051
(y)	2008 G.O. Series	\$.0176
(z)	2008A C.O. Series - Energy	<u>\$.0179</u>
	Debt Rate	\$.2161

TOTAL RATE FOR THE YEAR 2008 \$.6854

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: THIS TAX RATE WILL NOT RAISE MORE TAXES FOR MAINTENANCE AND OPERATIONS THAN LAST YEAR'S TAX RATE. THE TAX RATE WILL NOT RAISE TAXES FOR MAINTENANCE AND OPERATIONS ON A \$100,000 HOME.

PART 5: That notice for the public hearings on the 14th day of August, 2008, and the 28th day of August, 2008, were given by publication in the Abilene Reporter-News on the 5th day of August, 2008.

PART 6: That notice for the public hearing on the 11th day of September, 2008, was given by publication in the Abilene Reporter-News on the 31st day of August, 2008.

PART 7: That a public hearing was held on the 11th day of September, 2008, 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 23rd day of July, A.D. 2008.

PASSED ON SECOND AND FINAL READING AT A PUBLIC HEARING on the 11th day of September, A.D. 2008.

ATTEST:


CITY SECRETARY


MAYOR

APPROVED:


CITY ATTORNEY

**CITIZENS' INSIGHT INTO
THE BUDGET**



CITY OF ABILENE

INTRODUCTION

Abilene: Then and Now

Ranchers, land speculators and the railroad all played a part in 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. When the 1870s arrived, the Indians were long gone and cattlemen had taken over the land for their herds to graze upon. However, the Texas & Pacific Railroad truly transformed Abilene in 1881 by promoting Abilene as "The Future Great City of West Texas". By January 1883, residents voted to incorporate and that fall, Abilene became the county seat of Taylor County. Within seven years, the city grew to 3,194 people.

Today, more than 117,000 friendly people live 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 where art enthusiasts can find inspiration at various museums and cultural events such as Art Walk and Downtown Dayz which are held in historic downtown. Abilene is known as a regional hub for employment, retail and medical services. The biotech and wind energy industries are also expanding within the city. And it's conveniently located 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 via Abilene Regional Airport. Charter service is also available. There are many options for pursuing a higher education in Abilene. Students may choose from four universities, a junior college, a technical college, a commercial college and a 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.

Abilene: The Municipality

1881 is the year the Texas & Pacific Railroad was completed. 1881 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	117,028
Metropolitan Statistical Area (MSA) for Taylor County	128,413
MSA Civilian Labor Force	81,500
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	8,598
Junior College Students	2,631
Technical College Students	416
Public School Campuses	31
Public School Students	16,464

Military

Military Base	Dyess AFB
Active Duty Assigned Personnel	4,884
Civilian Personnel	824

Public Safety

Commissioned Police Officers	184
Police Calls	136,457
Professional Fire Fighters	171
Fire Stations	8
Fire Hydrants	3,107
Fire Calls	15,523

Parks, Recreation, and Library

Number of Parks	30
Total Parks Acreage	2,481
Recreation Centers	6
Recreation Participants	174,111
Senior Citizen Centers	5
Library Circulation	747,676
Library Cards in Force	47,556

Public Works

Lane Miles of Paved Streets	1,645
Water Accounts	38,673
Solid Waste Accounts	38,013

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?

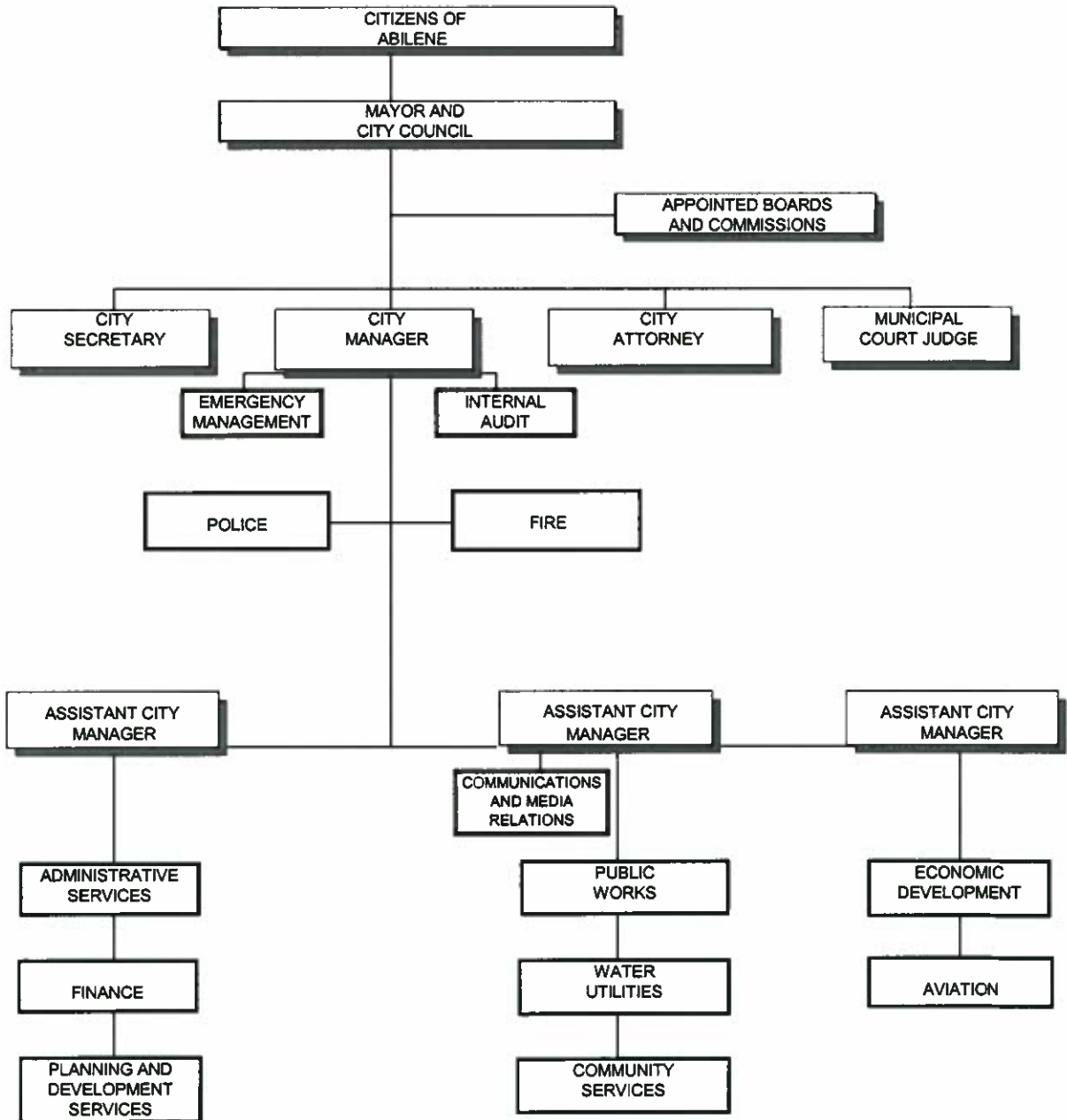
Revenue Budgeting

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 2008



Major Programs and Projects Fiscal Year 2008-2009

As we moved through the 2008-2009 budget process, the economic concerns of our great nation and the impact on our commitment to build a community of the highest quality for present and future generations posed a daunting challenge for our leadership team. The Major Programs and Projects for FY 2009 focus on the enhancement and sustainment of current service levels for the citizens of our community and those who visit our city while assuring that a strong financial structure continues to be maintained.

Construction of the new Police Forensics Lab will be completed by the end of 2008. The 2000 square foot facility will provide a clean, safe environment for the processing of forensic evidence as well as space for future expansion as the technology of investigating crimes improves and evolves.

The new Mockingbird Branch Library is slated to open in the fall of 2008. The new facility will include a community meeting room, a study area, popular materials for adults and children and a Spanish language collection. Radio Frequency Identification (RFID) will be utilized for inventory control.

Bolstered by voter approval of general obligation bonds and the aggressive pursuit of federal Airport Improvement Program funding, needed capital improvements for the Airport are either under way or planned to begin. Expansion of the parking lot, improvements to the airport entrance and exit; updating of lighting and landscaping; and the addition of covered parking will be completed November 2008.

Progress continues to be made on the projects passed by our citizens in the May 2006 Bond Election. The goal for FY 2009 is to complete or have under construction all street and drainage projects by fiscal year end.

The Traffic and Transportation Division will make significant improvements to the timing and operation at traffic signals; develop a program to comply with new State standards regarding minimum retro-reflectivity of traffic signs; and replace incandescent bulbs with LED bulbs for energy savings.

Upgrading of the City's Human Resource automated systems as well as systems for Finance, Accounting, and Fleet Management are the priority for Information Technology. In addition, further expansion of the availability of E-Government services and a major facelift to the City's website will be evaluated.

The City of Abilene is dedicated to being the "Employer of Choice" through workforce retention and development and will continue its focus on assuring competitive salaries and benefits for current and future employees as well as providing a workplace environment committed the City's values and mission statement.

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 & PROJECTS FISCAL YEAR 2008-2009

AVIATION

The Department of Aviation continues its efforts to plan, develop, promote and manage the Abilene Regional Airport to accommodate the current and future demand for commercial, military and private/corporate aviation facilities and services for the West Central Texas region. As we enter FY09 we note the following developments:

- Despite a slowing national economy, the Airport continued to experience passenger enplanement growth in 2007/2008 of approximately 2% over the previous year.
- Major capital improvements enhancing the airport's ability to accommodate all sectors of aviation have been completed and more are underway; including completion of Terminal Phase IV and anticipated November 2008 completion of the new parking lot.
- Passenger amenities are met with the restaurant and gift shop concessions
- Continued development of staff knowledge, experience and 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

The loss of Continental Airlines' Continental Connection service October 1, 2008 is similar to service pull backs across the country by almost all of the major airlines due to increasing fuel costs. The Continental service offered two daily direct flights to Houston that was often utilized by the growing wind and oil industries in our region. Airport staff will remain in contact with Continental staff to react quickly to bring this service back to Abilene Regional Airport at the earliest opportunity.

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 the qualifying new service.

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 provides 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 meets quarterly.
- **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 2008-2009

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 Areas C and D Reconstruction** (\$6,500,000 estimated combined total) – These projects should be completed in early 2010 and are the last of 4 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.
- **Parking Lot Expansion** (\$5,994,575) – Construction on this project began in early 2008 and should be completed by mid November 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.
- **Runway 17R-35L Lighting Rehabilitation** (\$931,000 estimated) – This project will begin in the spring of 2009 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 Taxiway Reconstruction Area B** (\$1,100,000 estimated) – This project will be the second of three planned phases to 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 2008/2009:

- **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 recommends more detailed cost centers in which those costs can be more clearly allocated for purposes of setting a cost-based structure of rates and charges. The study examined 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 being 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. In addition, as part of the City's employer of choice efforts, wellness activities have increased for FY 2008 and will continue to expand in FY 2009 providing employees opportunities for personal growth and to achieve healthier lifestyles. The programs also support the Mayor's Initiative on Physical Fitness.

Meet and Confer Agreements for Police and Fire

Meet and Confer Agreements negotiated with the local Police Officers Association and local Firefighters Association during the FY 2007 – 2008 year were again successful. The primary emphasis for this two year cycle is on recruitment and retention of public safety personnel. Significant salary adjustments were achieved thus moving police and fire personnel into the mid-range for pay purposes when compared to our benchmark ten cities survey. Other adjustments addressed the elimination of a written exam, further refinements to the selection and promotion policies, and creation of working groups between the associations and city management on a number of issues, to name a few.

Safety Program

The City-wide Safety Committee, chaired by the Director of Administrative Services with members assigned from each city department, continues to meet, evaluate, and recommend safety enhancements for the City. We continue to evolve the functions of this committee as well as to expand the recently published City Safety Manual that is the cornerstone of the safety program. Receipt and acknowledgement of the Manual is required of every new hire that comes to work for the City. The program continues to be committed to providing a safe, healthful work environment for all employees by establishing and maintaining effective safety and health programs. Risk Management staff are actively involved in this activity.

Health Benefits Plan

Progress continues to be made in FY 2008 with the administration of the City's self-insured health benefits plan. Costs are significantly lower as a result of our making a change in our health insurance provider. Looking to FY 2009, we will continue to work with Holmes Murphy and Associates, our benefits consultants, to assertively manage the health benefits plan. Progress made in 2008 provided the City with the ability to maintain employee contribution rates to the health plan at the same level along with the City contributing an extra amount per

employee. 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. For FY 2009, we are considering further enhancements with COACH.

Information Technology

Major support was provided for implementation of several major projects during FY 2008. The Water Department initiated an online bill pay service through the City's web site. Human Resources moved away from use of employees' social security numbers to an employee ID number system, requiring IT programming and reprogramming to numerous HR data bases. IT staff developed and implemented a stand-alone data network for Housing in preparation for its separation from the City to be an independent business entity. For FY 2009, the biggest challenge will be the upgrading of the City's HR automated systems as well as systems for Finance, Accounting, and Fleet Management. Further expansions of the availability of E-Government services will be considered. In addition, the City's web site is being evaluated for a major facelift by a web committee to make it more appealing as well as functional for citizen use.

COMMUNITY SERVICES

PARKS

Sports Lighting Upgrade

The N.E. Little League field at Lake Kirby will have additional fixtures added necessitating new poles to accommodate the added wind load. Parks Crews will do the installation with assistance from the City's electricians.

Playgrounds

The playgrounds at Scarborough Park and Jane Long Elementary will be replaced to bring them up to current standards.

Ball Fields

The outfield fences at three ball fields will be moved to get them to standard distances from home plate. (Redbud Senior League, two softball fields at Lake Kirby)

Tree Plantings

Forty trees will be planted in Scarborough Park.

LIBRARY

Mockingbird Branch Library

The new Mockingbird Branch Library is slated to open in fall, 2008. This new facility will include a large community meeting room, a small quiet study area, popular materials for adults and children and a Spanish language collection. RFID technology will be used for inventory control.

CIVIC CENTER

Civic Center staff will complete a rates and fee study in March 2009.

RECREATION

Rose Park Tennis Center

Plans are under way for renovation of the restrooms at the Rose Park Tennis Center. With the large amount of league play and tournaments, the restrooms were not adequate. This project will be a major improvement to the facility.

HEALTH

The Abilene-Taylor County Public Health District expanded its Immunization Program functions to include provision of technical assistance to private immunization providers regarding the statewide ImmTrac immunization registry, updating of registry records for children identified with data gaps, and managing vaccine supply orders for private immunization providers. The District's Preparedness Section conducted numerous exercises to test its response capabilities including establishing a mock pandemic influenza medication dispensing site, utilizing various communications methods to coordinate response activities, and recording staff response times to a simulated emergency phone call. The WIC Program (the Supplemental Food Program for Women, Infants and Children) implemented cooking classes as part of a State Obesity Prevention Grant project, with the emphasis on client food preparation participation and the impact of preparation methods on food quality. Additional Family Planning services were made available through the District's clinics as a result of the Texas Department of State Health Services Women's Health Program, an initiative designed to increase the use of family planning by individuals who qualify for the special Medicaid funded program. District staff participated in Texas Heart Disease and Stroke Prevention System planning conferences with the goal of developing a state plan for addressing cardiovascular diseases at the state, regional and local level.

ZOO

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. Currently, development of this walkway is underway.

Wetlands Exhibits

This series of (4) 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. Currently, development of these exhibits is underway.

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.

Animal Holding and Quarantine Area II

In order for a zoological facility to grow, it needs space to hold animal's 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.

South American Trails Exhibits

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. Currently, development of both of these exhibits is underway.

Tiger Exhibit

Plans are currently underway to renovate the existing Hyena exhibit this winter to support the acquisition of White tigers for the Abilene Zoo. This will include exhibit and landscaping upgrades including a mesh canopy over the exhibit to address potential safety concerns.

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 have begun recycling all animal waste into macrobiotic compost in cooperation with the COA Recycling Center.

Staff Training Program

Currently, we are developing and instituting 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

Currently, we are developing and 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 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. Currently we support (17) major conservation programs on a national and international basis.

GENERAL GOVERNMENT

Emergency Management

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.

Communications/Media Relations

The Communications & Media Relations Office will continue to provide timely, accurate and informative communications to the public and media about City of Abilene services and issues.

FY09 will feature the continuation of Abilene Roundup, a monthly electronic newsletter for Abilene residents. The publication, which debuted in September 2008, features information about upcoming City-sponsored events, programs and services available to citizens. The public can either sign up to receive the e-newsletter via e-mail or read it online on the City of Abilene website, www.abilenetx.com.

FY08 brought the addition of a Communications Specialist to this office. The position is helping increase the City’s communication efforts online, through video and during emergency situations.

During FY08, 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. The Communications & Media Relations Office also broadened the system’s use by broadcasting more public meetings including the Planning and Zoning Commission.

City-produced programming expanded in FY08. The City continues to produce a half-hour magazine-style television show, “Abilene City Magazine”. New TV programs include “On The Wild Side”, a behind-the-scenes look at animals and exhibits at the Abilene Zoo, and “The Firehouse Chef” which features Abilene firefighters creating tasty dishes while sharing safety tips. The special 3-part program, “Your City At Work”, also debuted in FY08 and highlights the role of different divisions.

For FY09, the Communications & Media Relations Office will produce its fifth, 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, conducting media relations training 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 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 is being 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

Construction has been under way for about a month on the new Police Forensics Lab. The 2,000 square foot facility will be in the basement area previously vacated by the 9-1-1 Dispatch when they moved into their new state-of-the-art facility on the second floor of the Law Enforcement Center 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. Construction should be completed and the Lab operational by November of this year.

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.

Abilene Police Academy Building

The City of Abilene has submitted application for federal grant funds to equip a new Police Department Training Facility. The funds will be combined with Capital Improvement Program funds to complete, equip, and furnish a new police training building to be located at the Warren Dodson Law Enforcement Training Facility on the East Lake Road. Projected cost for the building project is \$593,000.00 of which \$241,475.00 has been identified for grant funding.

PUBLIC WORKS

Public Works Administration

Public Works Administration continues to provide support and guidance to all divisions in the department including Engineering, Streets, Solid Waste, Stormwater Utility, Traffic, CityLink Transit, and the city's Land Agent. The primary special project managed directly from PW administration during FY 09 will be the sale of lots at Lake Fort Phantom.

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) projects, annual certificate of obligation bond (CO) projects, and larger scale miscellaneous road and drainage maintenance projects funded through annual operations budgets. The primary objective of this division for FY 09 is to complete, or have under construction, all street and drainage projects authorized through the 2006 Bond election by the end of the fiscal year 2009. Specific projects to be completed during FY 09 include:

Projects from the 2006 GO Bond package:

- North 10th Street & Mockingbird Concrete Intersection
- South 7th Street & Leggett Concrete Intersection
- Misc. Residential Streets (Southside) Phase II
- Sayles Boulevard Reconstruction S 7th Street to S 1st Street

Projects funded through CO debt:

- Rebecca Lane & Catclaw Drive Concrete Intersection
- Misc. Paved Alley Repair – Location to be determined
- Misc. Concrete Intersection – Location to be determined
- Downtown Concrete Pavement Repair – Walnut Street
- Wagon Wheel Drainage Improvements
- Completion of Judge Ely Hike & Bike Trail – ACU to Cal Young and Nelson Parks
- A.D.A. Curb Ramp Additions

Traffic and Transportation

Ongoing efforts to improve timing and operation at traffic signals will be a priority during FY 09. Also, a program will be developed to comply with new State standards regarding minimum retro-reflectivity of traffic signs.

Finally, as part of the energy saving contract that involves many city facilities, all incandescent bulbs in traffic signal heads will be replaced with LED bulbs. There will be a noticeable improvement to the visibility of the red, yellow, and green lights in signal heads.

CityLink

CityLink continues in its effort to ensure that quality public transportation is provided in the form of fixed route, para-transit, and evening services. The major program for FY 08 will be implementation of route changes based on recommendations of a recently completed route optimization study. CityLink will also emphasize efforts this year to keep all vans and buses in proper working order from a passenger perspective.

Solid Waste Services

A primary focus for Solid Waste in FY 09 will be the development of the city's compost production operation. Significant quantities of tree limbs and vegetation are received annually at the Recycle Center. This material is ground on-site into mulch that is reused in landscaping by

the general public. Compost is derived from mulch, having undergone a process of being augmented with manure and animal bedding and stored in windrows for a period of time. Another focus for this division will be on improving operational safety in alleys and streets. Specifically, staff will be pressing forward to switch from alley service to curb service in certain locations where conditions are high risk from a safety standpoint.

Stormwater Utility

This division will continue its efforts to keep drainage ways open and free flowing during FY 09. Crews will mow and remove debris from approximately 30 miles of creeks in the city. The division will be working to initiate a routine drainage outfall inspection program, initiate the industrial facility inspection program as required by the State, and improve education and outreach efforts.

ECONOMIC DEVELOPMENT

Development Corporation of Abilene, 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 2008, the DCOA has assisted 77 companies for a total of 8,790 jobs committed and a public to private investment ratio of approximately 1:3.

Immunotherapeutics Research

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 immunotherapeutic research. Receptor Logic, Inc. 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 relocated to Abilene in late 2007 to work in conjunction with the School of Pharmacy (SOP) here. Receptor Logic is currently operating in available space in the SOP facility on Pine Street while plans are being finalized by the DCOA to construct a Life Sciences Accelerator facility to house the company and other biotech companies.

The DCOA and TTUHSC partnered again in late 2007 on the development of a viable basic, translational, and clinical research program for faculty of the SOP that would increase the regional and national visibility of the SOP Abilene campus and the City of Abilene, and help develop new commercial entities for the region through growth and achievements of the SOP faculty. The Center for Immunotherapeutics Research (Center) was formed and is also located at the SOP facility. Eventually, the Center will have a Director and four more faculty positions. In the near future, a Primary Care Pharmacy Practice Research Program will also begin that will assist in the advancement in care of patients with chronic illnesses through the establishment of a team of investigators working in a highly collaborative and technology-driven environment focused on research.

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 2/08, the DCOA contracted with Bulldog Constructors of Texas, Inc. to construct a third speculative shell building (Spec 3) that will be 100,000 sq ft and when completed in early 2009, ready to finish-out to suit the needs of a potential manufacturing tenant. The existence of a building adds viability to efforts to market the Five Points Business Park to other potential tenants. It is anticipated Spec 3 will be under lease before completion of the shell phase, and finish-out can be completed without a break in construction work.

Recently completed is a 126,000 sq ft warehouse expansion of the DCOA-owned Spec 2 structure occupied by PWP Industries. PWP is experiencing rapid growth and needed additional manufacturing space. The company currently employs 138 and expects to have a total of 142.

Wind Energy

Energy Maintenance Service, LLC (EMS), a Broadwind Energy, Inc. company, has established a comprehensive wind energy maintenance and service center in the former Lockheed plant in Abilene. The new center has the potential to create more than 89 new jobs in the region and will support satellite operations across Texas and the surrounding states. EMS is a leading wind energy operations and maintenance service provider in North America. The company also provides construction services, training and major component refurbishing. The DCOA responded with an assistance package totaling \$1.4 million to assist with capital improvements to the facility and job creation.

A sister company to EMS, Tower Tech Systems, Inc. (TTSI), announced plans to expand its wind tower manufacturing operations to Sioux Falls, SD and Abilene. Transportation and logistics for tower sections have become increasingly complex and costly to the wind energy marketplace. Broadwind and TTSI will provide tower production capabilities close to major wind energy development areas and supply logistical services to project sites. The service bundle will provide benefits to customers that will be unique in the industry, such as reducing risks associated with long-distance transport. The DCOA approved an assistance package totaling \$3.8 million and 40 acres in the Five Points Business Park to help construct and equip a new manufacturing facility, complete with a rail spur. TTSI began construction in September 2008 and will eventually employ 150.

Workforce Training Programs

The DCOA helped the West Central Texas Workforce Center (WCTWC) 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.

The Development Corporation of Abilene was recognized and presented two 2008 Workforce Best Practices Awards at the 2008 Spring Conference of the Texas Economic Development Council for the implementation of the MSSC and Fast Track Welding training programs developed in partnership with Texas State Technical College, Cisco Junior College, and the West Central Texas Workforce Board.

FIRE

Organizational Development Division Overview

The Organizational Development Division consists of two branches; Training/Safety which 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 works toward enhancing and improving the education, training, safety and personnel welfare of all Abilene Fire Department employees.

Fire Training/Safety

This branch is located at 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. Implementation of online training will begin this year with the additional upgrades to our IT infrastructure. The development of on-line training will 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. A new fire training burn house will be constructed this year allowing further training for residential and commercial structure fires. Renovations and upgrades are being made to our existing facility which consists of improving and adding training props.

Personnel Development

The Personnel Development branch handles the human resource needs of the Abilene Fire Department. 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. HREnhancement, a computer based evaluation tool, is being utilized this year to evaluate and provide ongoing real-time feedback to employees throughout the department.

Fire Prevention Division

The Assistant Fire Marshal and one Lieutenant continue the education, certification and training process on their way to becoming proficient in the fields of code enforcement and fire investigation. The Assistant Fire Marshal will attend a 10-week fire inspection school in 2009 and obtain Fire Inspector certification. An additional Lieutenant will attend the Abilene Police Department Academy beginning November 2008 in preparation to join the Fire Prevention Division in the future.

Public Education

The Public Education Branch of the Abilene Fire Department will continue to seek funding and resources to implement a Juvenile Fire Starters program in cooperation with local professionals, universities, and the Texas State Fire Marshal's Office.

Technical Services

This branch was created to assist with the development and installation of the City's new communication system. Personnel continue the task of upgrading and maintaining the system. The main focus for the up coming year will be the implementation of Automatic Vehicle Location (AVL) dispatch and the automatic move up of fire apparatus.

Tactical Operations Division

The division is working to further develop in two response disciplines that continue to present growing needs in the fire service. Technical rescue and hazardous materials response are requiring far more sophisticated training and equipment than in years past.

We are currently developing protocols and guidelines for regional response of our Hazardous Materials Response Team. These protocols will mesh the federally funded training that our HazMat Techs received with monitoring and decontamination equipment that was acquired by the department.

We are working to significantly enhance the AFD's technical rescue response through the acquisition of specialized training and development of response procedures. Equipment needs are being prioritized and some funding has been secured through a grant from Florida Power & Light.

The division has taken a lead role in developing a healthier and physically fit work force on the AFD. This year's goals include implementing additional elements of the IAFF/IAFC Wellness-Fitness Initiative. An emphasis will be placed on injury and fitness rehabilitation.

PLANNING & DEVELOPMENT SERVICES

Building Inspection

Building Inspection will complete the review and adoption process for the 2008 National Electrical Code. Committees will be established for review of all the 2009 International construction codes in preparation for adoption. Training and educational programs will be developed and provided to contractors and citizens. The final upgrades to the web based VET permit program will be implemented which will enhance the inspector's ability to access all current and historic permit information from the field. In accordance with H.B. 1656, a new ordinance will be established regulating the design and installation of irrigation systems, and educational classes for contractors and citizens will be developed and presented by staff.

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. With the adoption of the new swimming pool ordinance, Environmental Health will begin to assess existing pools and assist pool and spa owners in meeting new ordinance requirements. 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, increase interaction with the Abilene and

Wylie school districts, and complete a major beautification project with funds raised from the reusable bag program.

Housing

Beginning October 1, 2008 the Housing Authority has transitioned to an independent agency separate from the City of Abilene. City staff, especially Planning and Development Services staff, continues to assist the Housing Authority during this transition, but Housing Authority staff are no longer City of Abilene employees and the Planning and Development Services administrative staff no longer provide direct oversight.

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 five housing-related programs for low- to moderate-income individuals and households. The programs are delivered by ONS, including the Single-Family Rehab/ Reconstruction Program, First Time Home Buyer, Critical/Limited Repair, 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 two City public services, one capital improvement projects for an outside non-profit agency, one LMI neighborhood park connected to a CHDO neighborhood development, two outside non-profit agencies that provide home repair assistance to elderly and disabled clients, 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 the Sefko Planning Group 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 public draft ordinance for review by the Land Development Code Review Committee is anticipated to begin in late 2008 with final adoption anticipated in early 2009. The Division also anticipates completing the Pine Street Corridor Plan, Butternut Street Corridor Plan, and the Infill Development Strategy Report, which will include recommendations for future infill development programs and incentives. The Division will also complete the City of Abilene / AISD "Safe Routes to Schools" Plan, as well as select a consultant and begin the process of coordinating the preparation of the South Downtown Plan. Finally, the Division will continue to review zoning cases, subdivision plats, site plans, and other development-related permits as part of the development review process.

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 the planning of Capital Expenditure requirements to keep the water and wastewater systems in good repair and ahead of expected growth trends. Future water supplies will also continue to be a major focus.

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 increase security at the office, as well as the security of all data from identity theft.

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 continue to aggressively replace aging water mains as well as aging water meters.

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 fiscal year should also see the replacement/upgrade of numerous major sewer collection lines.

Wastewater Treatment

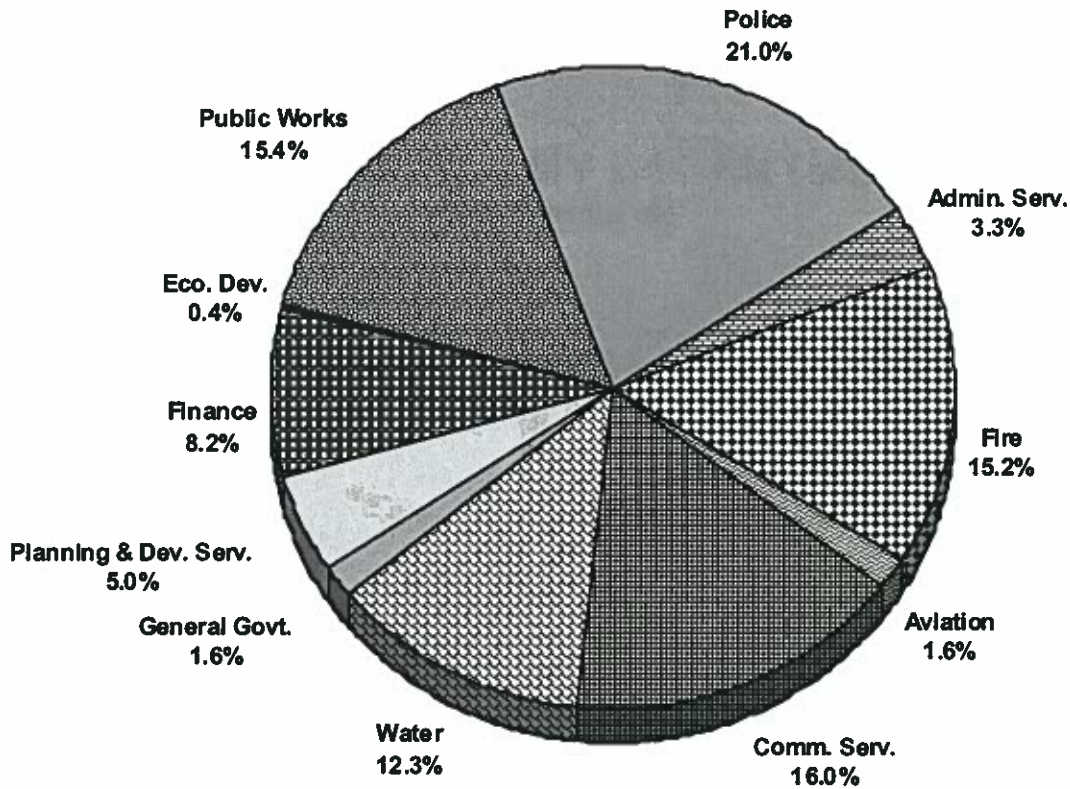
The Wastewater Treatment Division is responsible for receiving the wastewater flows of the City and treating these flows in compliance with State and Federal regulations. This Division will continue working on a \$4.0 million project to update and repair various facilities at the Wastewater Treatment 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.

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 work to acquire and retain all necessary lab certifications to ensure continued operations.

PERSONNEL BY DEPARTMENT FY 2008-09

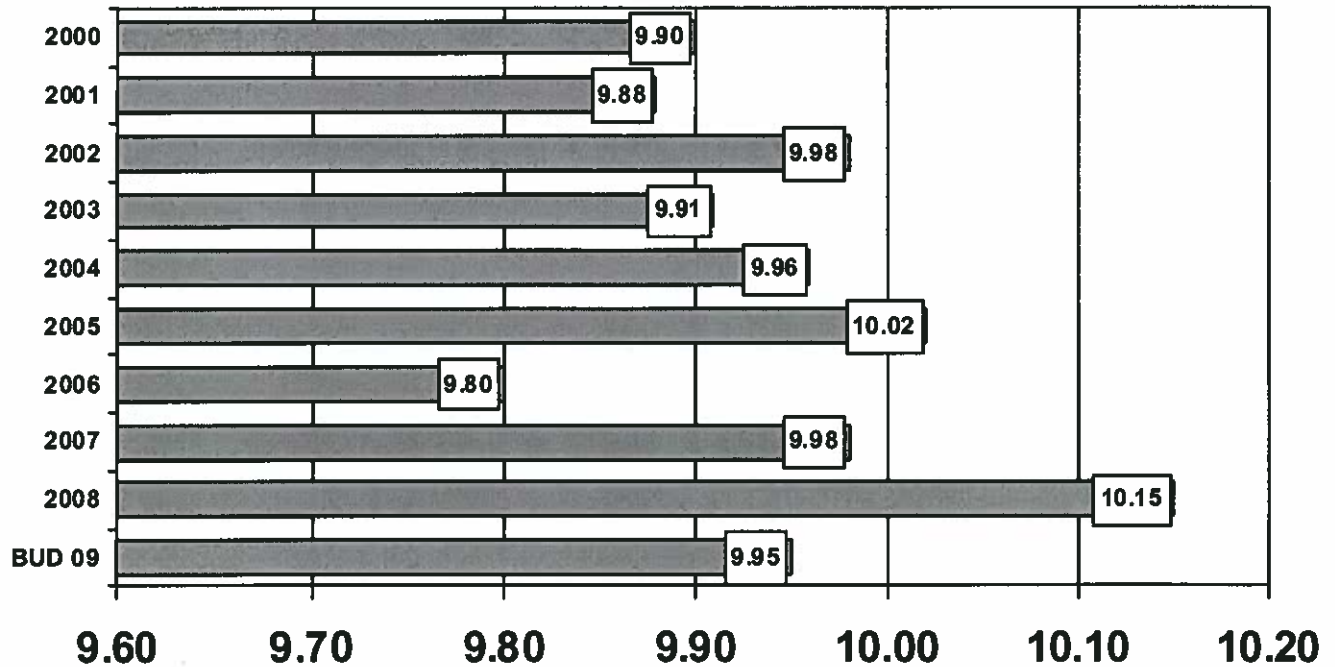


General Government	19
Administrative Services	38
Finance	96
Planning & Development Services	58
Economic Development	5
Public Works	179
Police	244
Fire	177
Aviation	19
Community Services	186
Water	<u>143</u>
	1,164

Discussion of the Graph

Public safety personnel in the Fire and Police Departments comprise 36.2% of the total authorized personnel. Public Works, Water, and Community Services comprise another 43.7%. These five Departments collectively comprise over 79.9% of the total authorized full-time personnel.

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



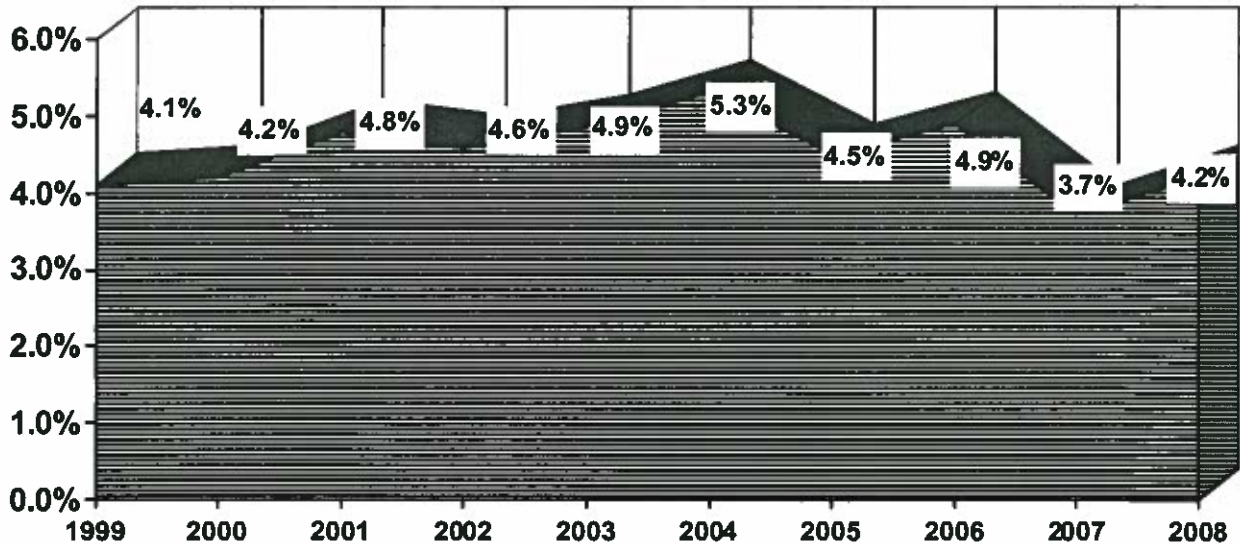
	POPULATION	# EMPLOYEES
2000	117,111	1,162
2001	116,806	1,154
2002	115,930	1,157
2003	116,097	1,151
2004	114,729	1,143
2005	114,454	1,147
2006	116,482	1,141
2007	115,745	1,155
2008	115,981	1,177
BUD 09	117,028	1,164*

Discussion of the Graph

In FY 2009, the City will employ 1,164 personnel, an increase in ten years of 2 positions, or .17%.

*The Housing division transitioned to a separate entity as the Housing Authority of City of Abilene effective FY 09. This resulted in 21 positions being transferred out of the City of Abilene and into the Housing Authority entity.

UNEMPLOYMENT RATES TAYLOR CO. MSA - JUNE



	EMPLOYED	UNEMPLOYED	WORKFORCE
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
2008	78,100	3,400	81,500

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 13, 2008. 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:

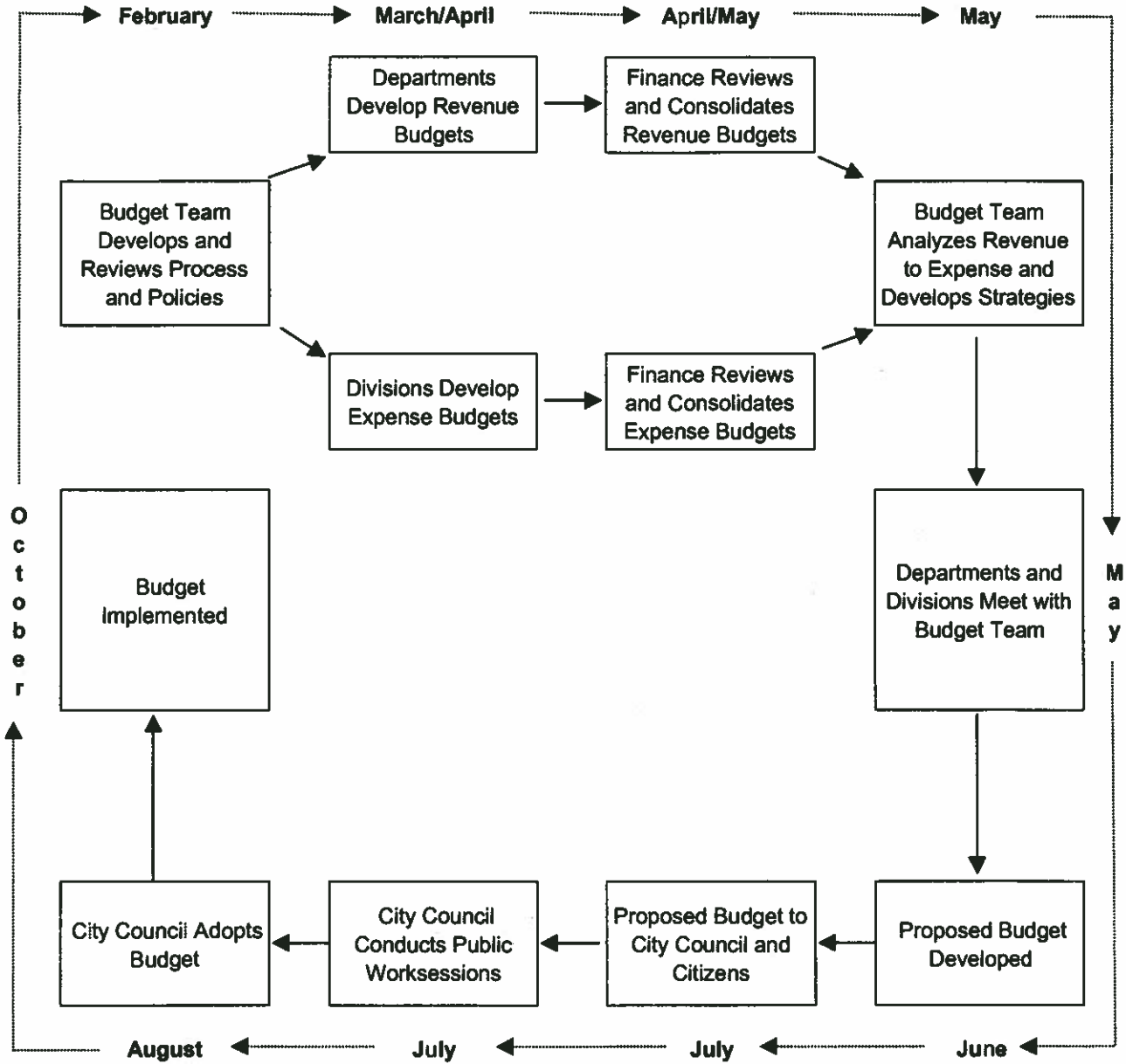
1. All computer software regardless of its cost will not be capitalized. Computer software should be budgeted in the supply Object 4215.
2. Item is such that it required regular replacement because of rapid wear.

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, Library Grants, Transportation Planning, Hotel/Motel Fund, 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-eight Debt Service Funds are: 1999, 2000, 2001, 2002, 2006, 2007, 2008 General Obligation and 2007 Airport General Obligation; 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008 Certificates of Obligation; 2003C General Obligation Refunding; 1999, 2002, 2004, 2006, 2007 Airport Revenue Certificates of Obligation; and 2005A Public Safety and 2008A Energy Conservation 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 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

is incurred. Exceptions to this general rule include unmatured principal and governmental funds. Encumbrances outstanding at year end are reported as 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.

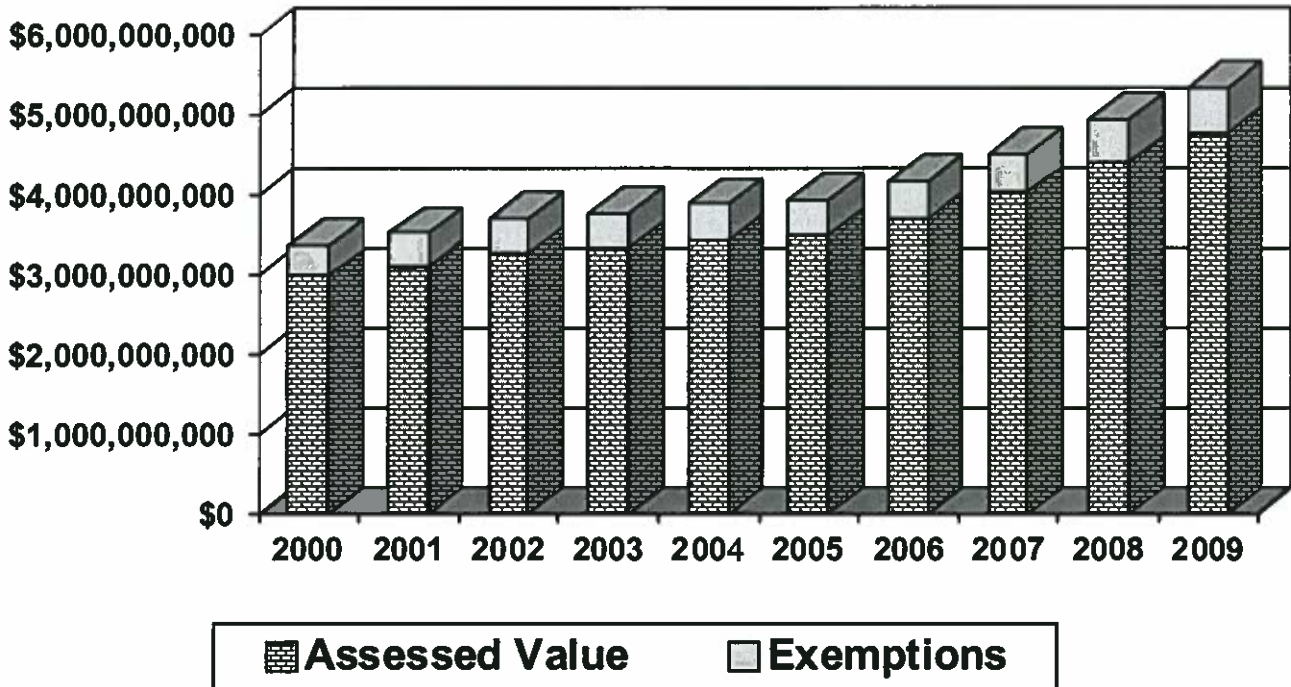
The City is permitted by Article II, Section 5 of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt consequently, no legal debt margin can be 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 \$0.2161 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

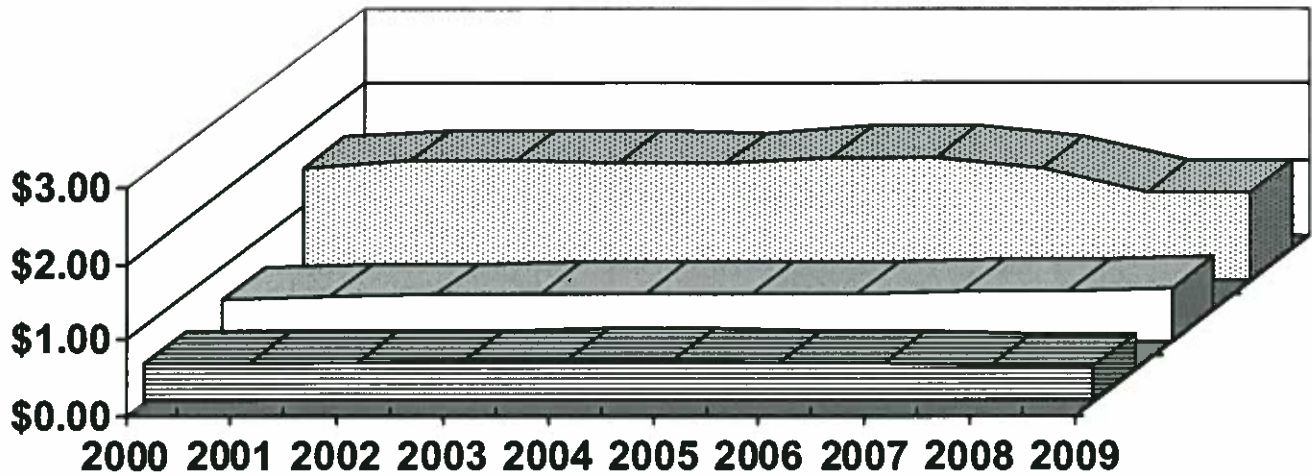


	ASSESSED VALUE	EXEMPTIONS	TOTAL VALUE	% EXEMPT
2000	\$2,979,826,991	\$394,767,767	\$3,374,594,758	11.7%
2001	3,104,426,497	409,450,375	3,513,782,315	11.7%
2002	3,274,941,955	416,483,983	3,691,425,938	11.3%
2003	3,333,792,363	425,306,601	3,759,098,964	11.3%
2004	3,434,596,454	446,391,531	3,880,987,985	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	4,390,840,430	549,597,711	4,940,438,141	11.0%
2009	4,773,846,457	566,822,311	5,340,668,768	11.0%

Discussion of the Graph

Exemptions for homeowners will decrease the total taxable or assessed value for FY 2009 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 \$448,894,196 in frozen taxable value for this group.

OVERLAPPING PROPERTY TAX RATES AT 100% 10 YEAR COMPARISON



County
 City
 School

	CITY	*AISD	COUNTY	TOTAL
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
2009	0.6854	1.1659	0.4682	2.3195
2009 Wylie ISD	0.6854	1.1300	0.4682	2.2836

*Abilene Independent School District

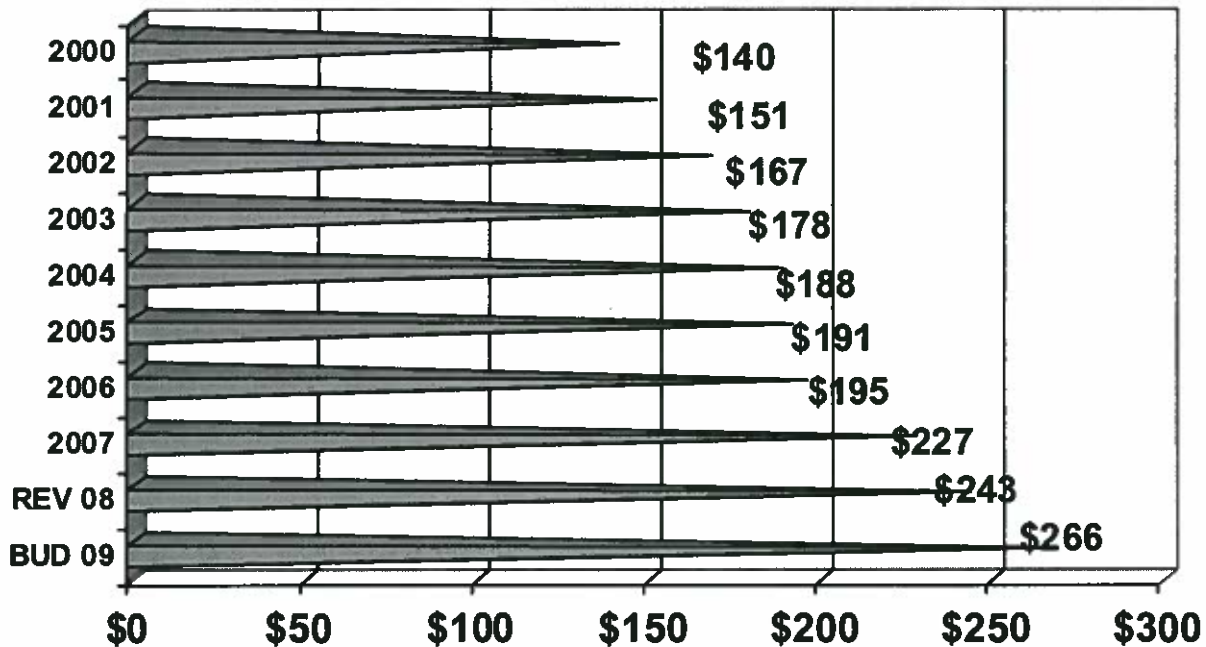
Discussion of the Graph

Property tax rates have increased/(decreased) from FY 2000 to FY 2009 by the following percentages:

City	21.94%
AISD	(21.64%)
County	(5.96%)
Total Increase	(8.96%)

In contrast property valuations for the City have increased 60.2% since the 2000 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

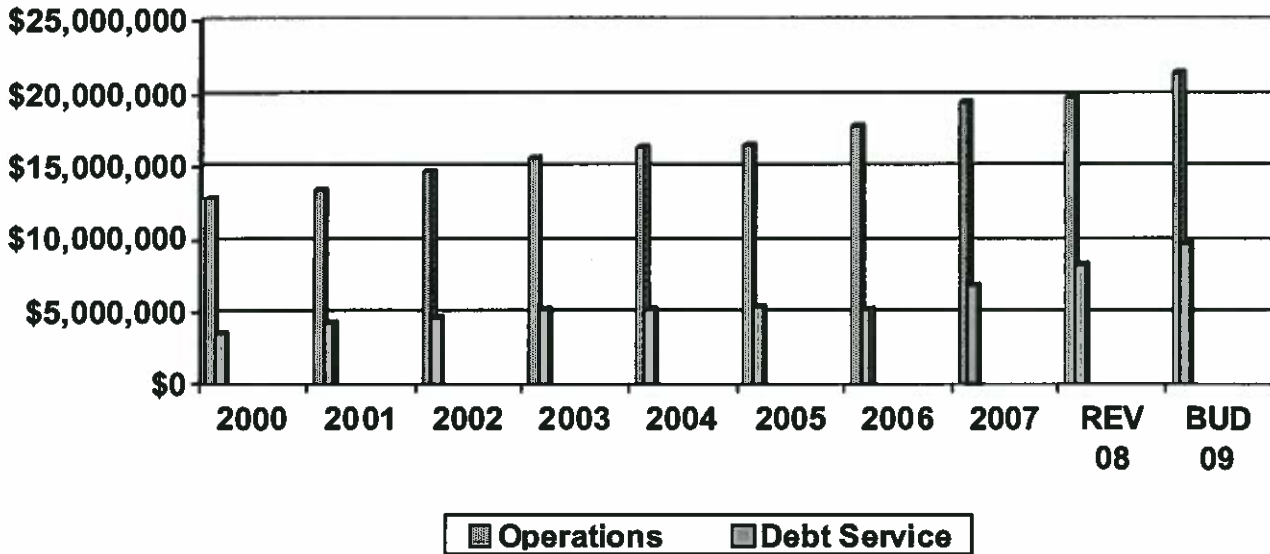


	POPULATION	PROPERTY TAXES
2000	117,111	\$16,401,129
2001	116,806	17,712,816
2002	115,930	19,387,085
2003	116,097	20,679,190
2004	114,729	21,522,796
2005	114,454	21,821,935
2006	116,482	23,072,146
2007	115,745	26,247,667
REV 08	115,981	28,131,610
BUD 09	117,028	31,135,400

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

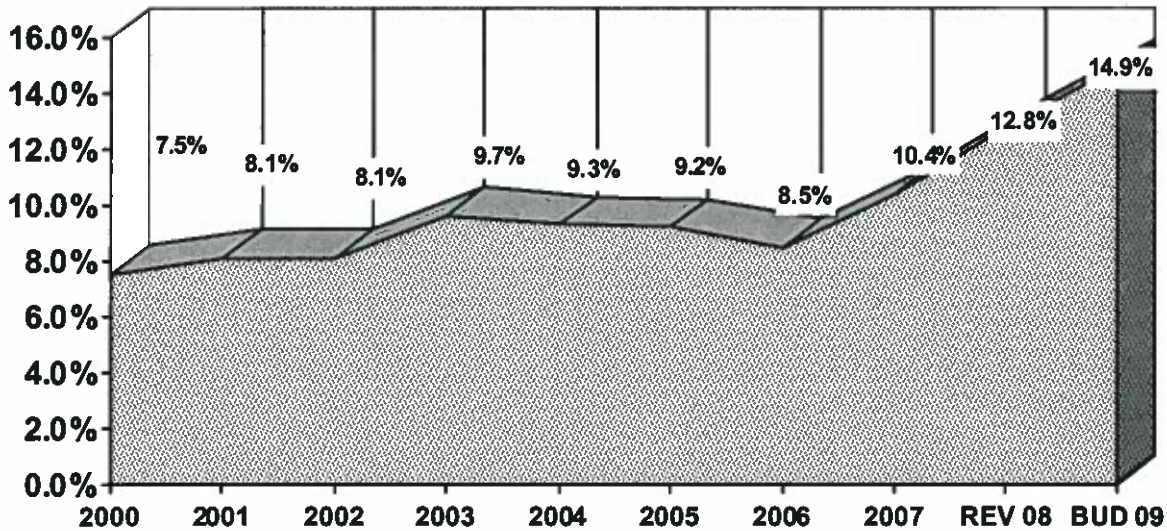


	OPERATIONS	DEBT SERVICE	TOTAL
2000	\$12,781,973	\$3,619,156	\$16,401,129
2001	13,356,747	4,356,069	17,712,816
2002	14,697,678	4,689,407	19,387,085
2003	15,530,216	5,148,974	20,679,190
2004	16,266,520	5,256,276	21,522,796
2005	16,492,647	5,329,288	21,821,935
2006	17,797,488	5,274,658	23,072,146
2007	19,416,877	6,830,790	26,247,667
REV 08	19,769,740	8,361,870	28,131,610
BUD 09	21,356,520	9,778,880	31,135,400

Discussion of the Graph

In FY 2000, operations accounted for 77.9% of the tax distribution while in FY 2009 it will account for 68.5%. 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

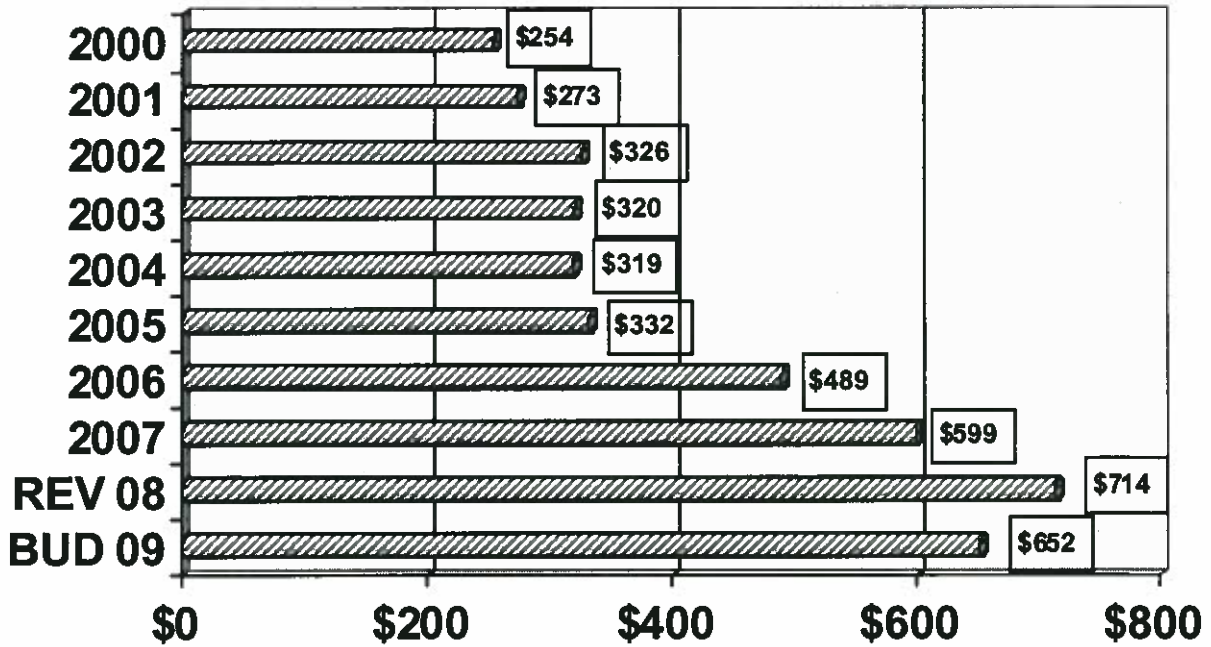


	PRINCIPAL	INTEREST	BONDED DEBT SRV.	GEN. EXP./ TRANSFERS
2000	\$2,555,000	\$1,394,361	\$3,949,361	\$52,533,010
2001	2,915,000	1,592,801	4,507,801	55,392,720
2002	3,195,000	1,638,434	4,833,434	59,376,491
2003	3,340,000	1,929,895	5,269,895	54,334,046
2004	3,605,000	1,607,639	5,212,639	55,839,517
2005	3,730,000	1,612,194	5,342,194	58,214,641
2006	3,650,000	1,654,373	5,304,373	62,506,527
2007	4,050,000	2,790,697	6,840,697	65,553,887
REV 08	5,820,000	3,091,230	8,911,230	69,406,930
BUD 09	6,660,000	3,685,370	10,345,370	69,360,850

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**

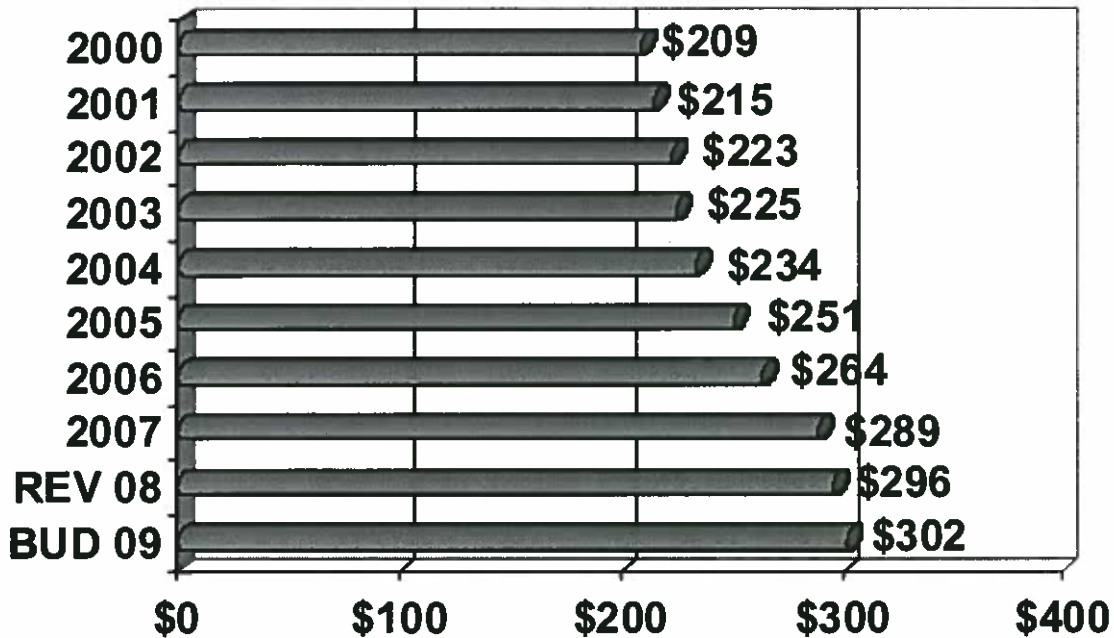


	POPULATION	NET GENERAL PURPOSE DEBT OUTSTANDING
2000	117,111	\$29,712,549
2001	116,806	31,951,449
2002	115,930	37,846,000
2003	116,097	37,378,435
2004	114,729	36,621,769
2005	114,454	37,976,516
2006	116,482	57,002,045
2007	115,745	69,392,314
REV 08	115,981	82,839,904
BUD 09	117,028	76,338,864

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, 2007, and 2008. The City of Abilene sold certificates of obligation in FY 1992 – FY 2008. 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

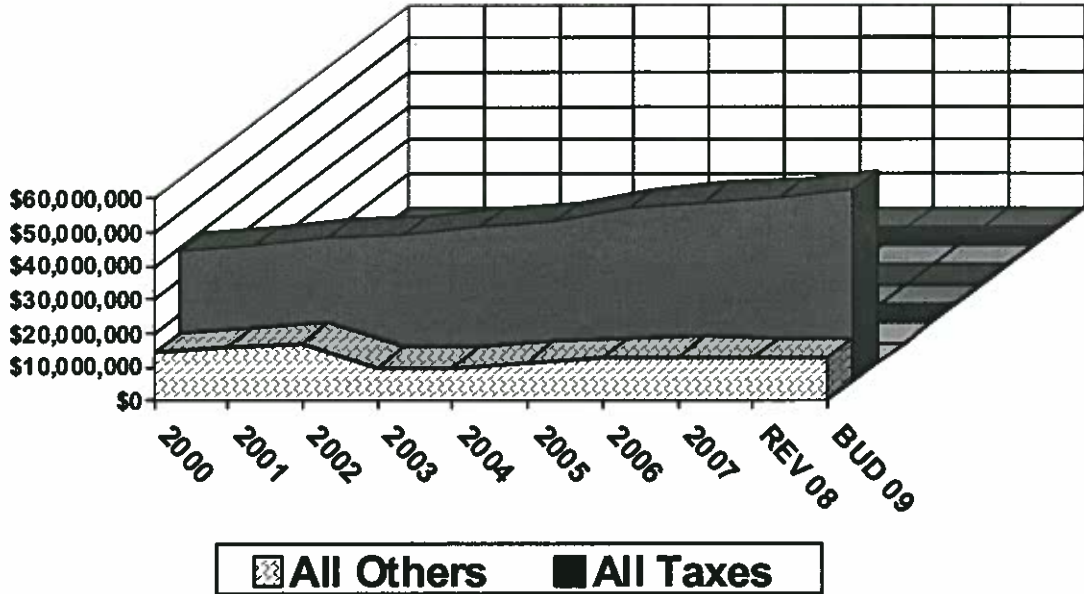


	Population	Sales Tax General Fund 1½%	100% Equivalent Property Tax Rate	Sales Tax Economic Development ½%	100% Equivalent Property Tax Rate	Total Sales Tax	100% Equivalent Property Tax Rate
2000	117,111	\$18,400,964	\$.6175	\$6,133,655	\$.2058	\$24,534,619	\$.8233
2001	116,806	18,817,928	.6062	6,272,643	.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	6,564,643	.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
2007	115,745	25,024,647	.6234	8,388,606	.2090	33,413,253	.8324
REV 08	115,981	25,775,380	.5870	8,591,790	.1957	34,367,170	.7827
BUD 09	117,028	26,547,100	.5561	8,849,030	.1854	35,396,130	.7415

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



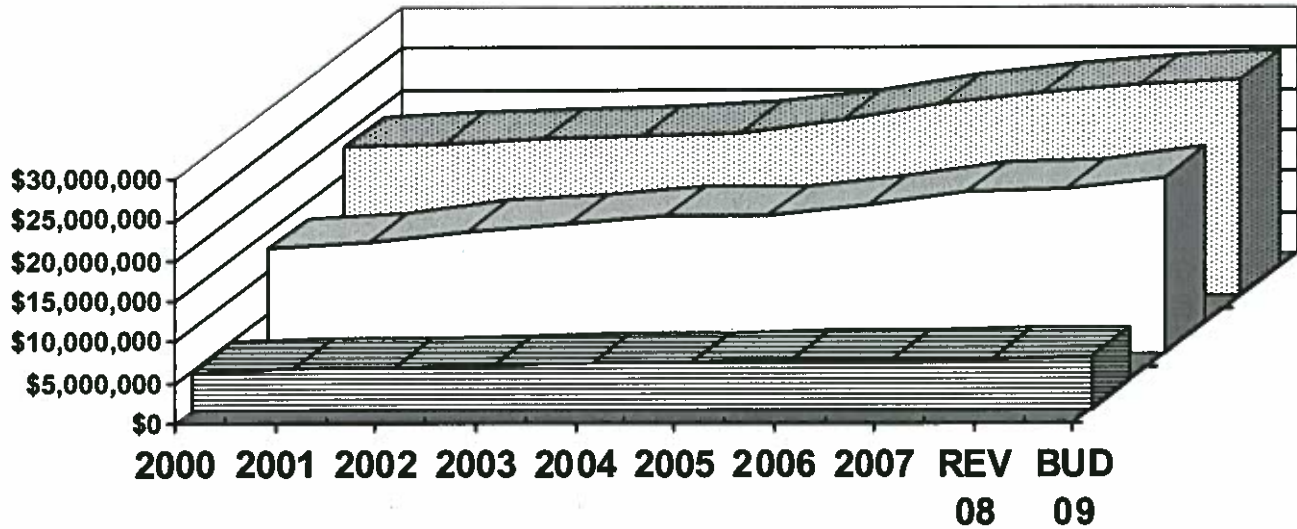
	TAXES/ FRANCHISE/ ACCESS	ALL OTHER	TOTAL
2000	\$38,539,019	\$14,694,531	\$53,233,550
2001	39,952,757	15,876,852	55,829,609
2002	42,342,896	17,279,682	59,622,578
2003	43,571,266	10,220,074	53,791,340
2004	45,656,608	10,188,834	55,845,442
2005	47,639,771	11,625,836	59,265,607
2006	51,368,436	12,723,219	64,091,655
2007	53,287,910	13,310,627	66,598,537
REV 08	54,413,410	13,044,280	67,457,690
BUD 09	56,735,580	12,649,320	69,384,900

Discussion of the Graph

Between FY 2000 and FY 2009, General Fund revenue has increased 30.3% or an average of 3.0% a year. Since FY 2000, sales tax revenues have increased 44.3%, property tax revenues have increased 65.7%, and franchise/access fees have increased 36.8%. 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**



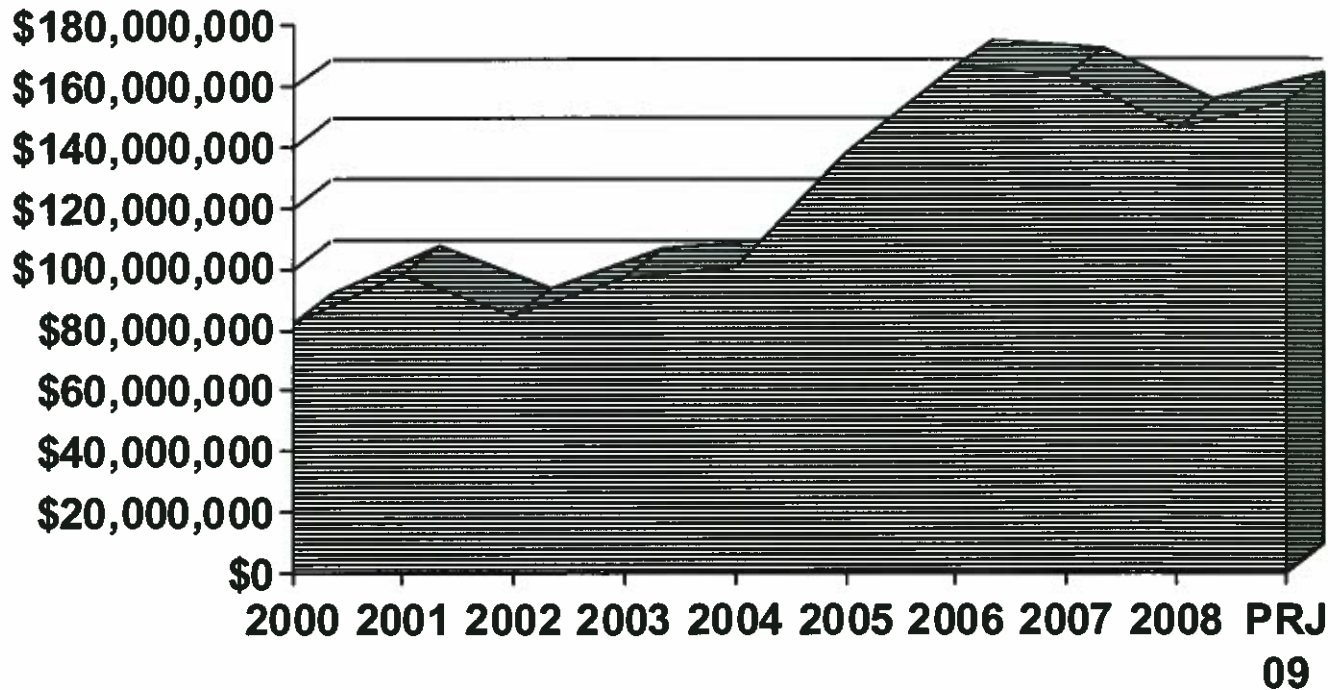
■ Franchise/Access Fees □ Property Tax ■ Sales Tax

	PROPERTY	SALES	FRANCHISE/ ACCESS
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
2007	19,747,087	25,024,647	6,031,239
REV 08	20,119,740	25,775,380	6,310,610
BUD 09	21,536,520	26,547,100	6,357,300

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 34.6% of revenue in FY 2000 to 38.3% in FY 2009. Property taxes lag at least one year behind other indicators. It has risen from 24.4% of revenue in FY 2000 to 31.0% in FY 2009. Franchise/Access fees have increased as a percentage of revenue from 8.7% in FY 2000 to 9.2% in FY 2009. 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

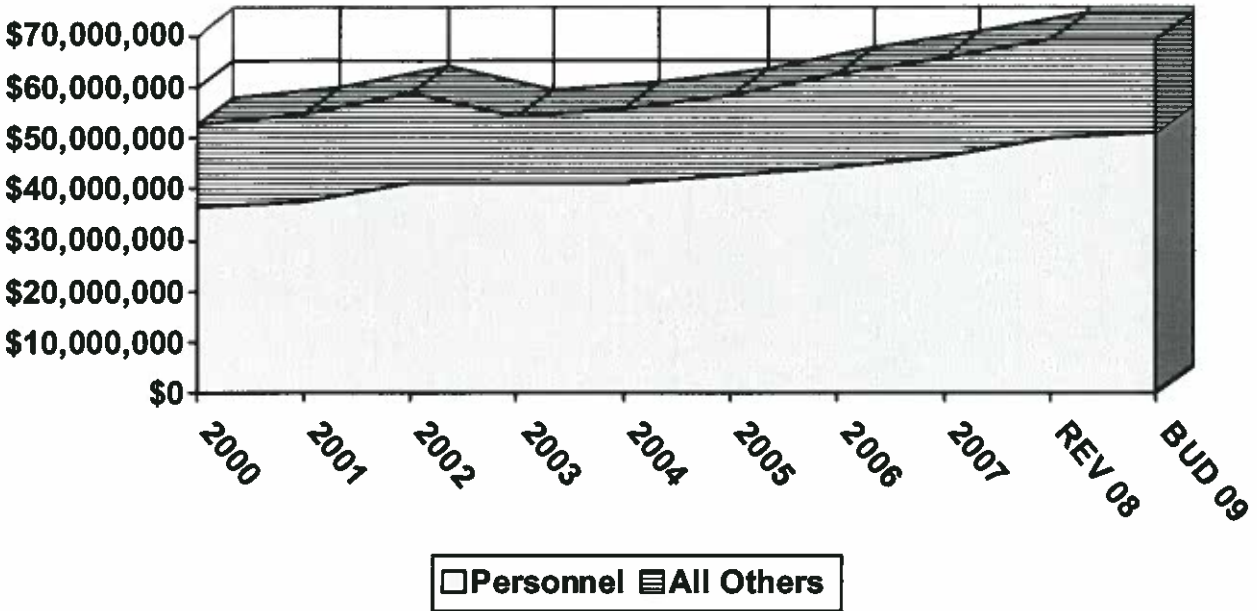


2000	\$82,546,203
2001	98,206,280
2002	84,562,903
2003	97,363,186
2004	100,277,345
2005	138,016,960
2006	166,123,570
2007	163,486,926
2008	146,242,349
PRJ 09	155,000,000

Discussion of the Graph

The number of building permits issued from FY 00 to FY08 has remained steady while the valuation has seen a 77.2% increase for the same time period with an 10.5% decrease from FY07 to FY08. Major projects in FY 2008 include Abilene Surgery Center, Famous Dave's Restaurant, DCOA Spec 3 building, The Residence at Heritage Park Apartments, DCOA addition, The Reserve Apartments, Sleep Inn Hotel, Residence Inn by Marriot Hotel, and Hunter Welcome Center at ACU.

GENERAL FUND EXPENDITURES 10 YEAR COMPARISON

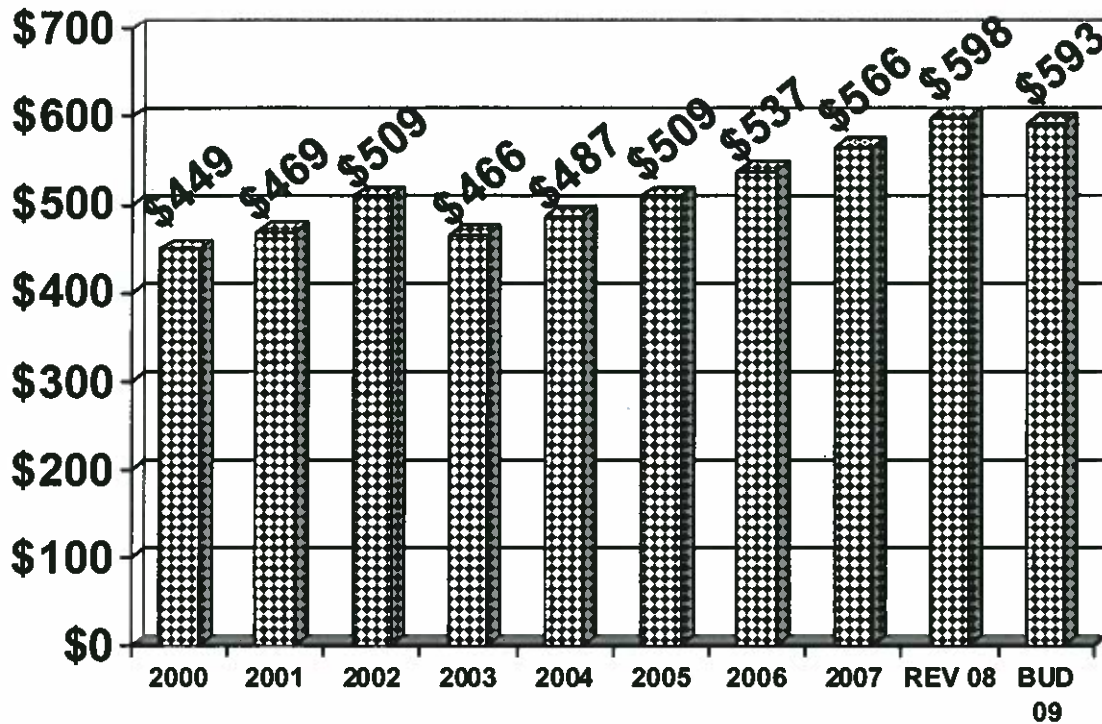


	PERSONNEL	OTHER	TOTAL
2000	\$36,318,324	\$16,214,686	\$52,533,010
2001	37,409,940	17,342,780	54,752,720
2002	41,373,594	17,622,897	58,996,491
2003	41,289,330	12,864,716	54,154,046
2004	41,447,206	14,392,311	55,839,517
2005	42,838,746	15,375,895	58,214,641
2006	44,143,383	18,363,144	62,506,527
2007	46,558,949	18,994,938	65,553,887
REV 08	50,380,580	19,026,350	69,406,930
BUD 09	51,025,130	18,335,720	69,360,850

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 32% between FY 2000 and FY 2009, and personnel expenditures have increased 40.5% between FY 2000 and FY 2009. The City experienced a 27th pay period in FY 08, which accounted for the large increase in personnel costs. The City set aside in the fund balance the amount to cover this for the last eleven years.

GENERAL FUND EXPENDITURES PER CAPITA 10 YEAR COMPARISON



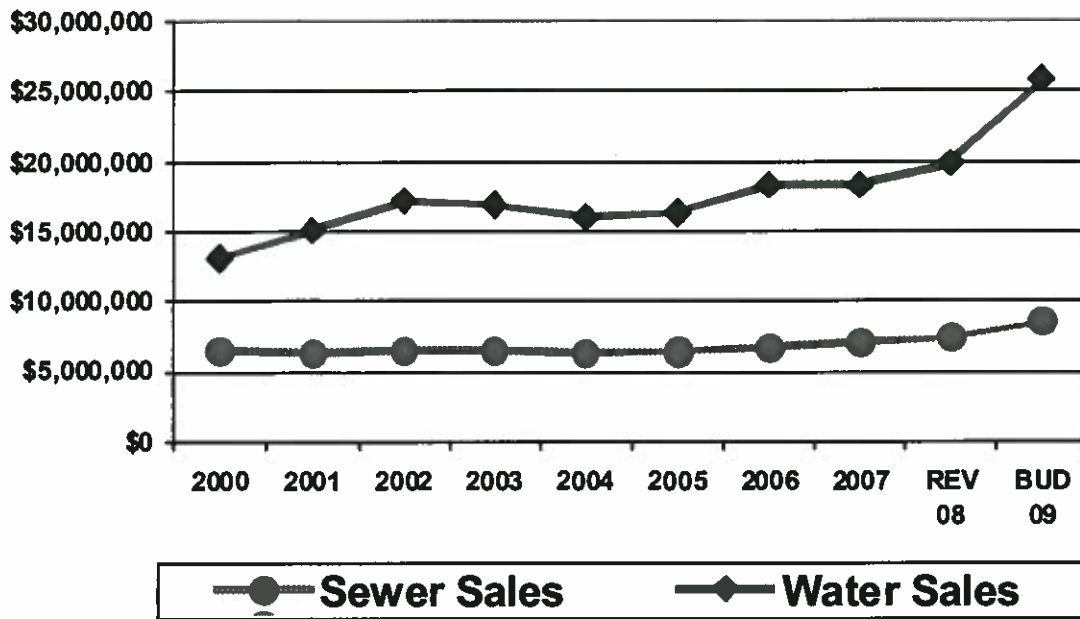
	POPULATION	EXPENDITURES
2000	117,111	\$52,533,010
2001	116,806	54,752,720
2002	115,930	58,996,491
2003	116,097	54,154,046
2004	114,729	55,839,517
2005	114,454	58,214,641
2006	116,482	62,506,527
2007	115,745	65,553,887
REV 08	115,981	69,406,930
BUD 09	117,028	69,360,850

Discussion of the Graph

Expenditures have increased an average of only 3.2% 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

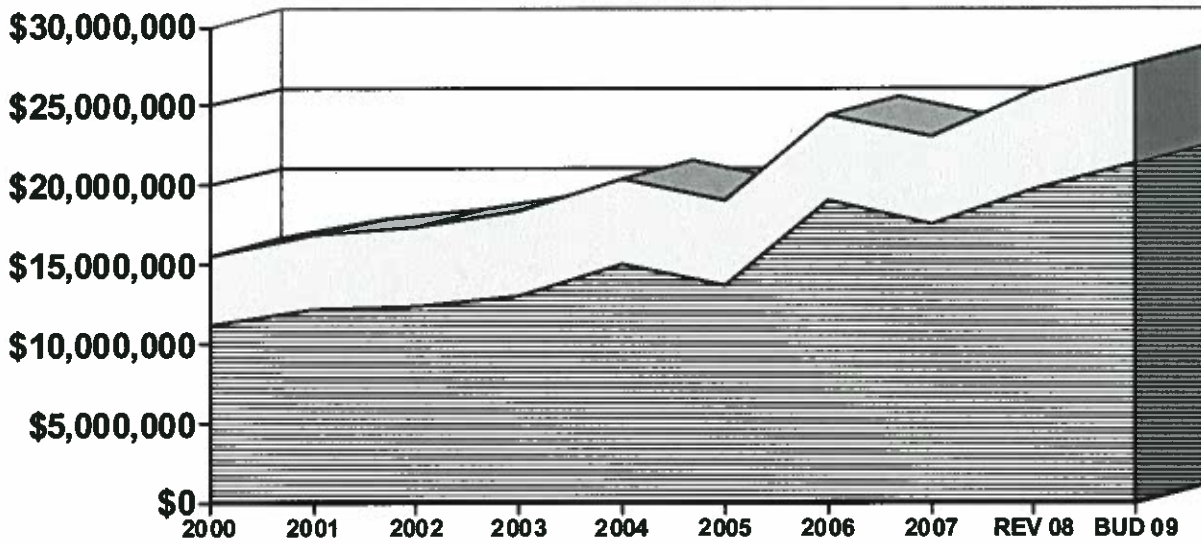


	WATER	SEWER
2000	\$13,090,440	\$6,517,134
2001	15,072,854	6,385,938
2002	17,199,053	6,436,526
2003	16,894,788	6,547,975
2004	15,998,938	6,321,375
2005	16,325,209	6,417,320
2006	18,293,449	6,751,876
2007	18,293,966	7,055,852
REV 08	19,940,000	7,380,000
BUD 09	25,867,000	8,526,000

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. The water and sewer rates were increased in FY 09 that will result in approximately \$6.15 million additional revenue. Ivie pipeline principal debt is approximately \$3,020,000 for FY 09. 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
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
2007	5,488,858	17,611,568	23,100,426
REV 08	6,188,880	19,707,450	25,896,330
BUD 09	6,241,360	21,384,720	27,626,080

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.