# City of Arlington, Texas

# (Tarrant County, Texas)

# Annual Report

# Updating Financial Information and

# Operating Data

# For

# Fiscal Year Ending

# September 30, 2007

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# SECTION ONE: THE CITY OF ARLINGTON, TEXAS

## INTRODUCTION

The City is located in the eastern part of Tarrant County, equidistant between Dallas and Fort Worth on Interstate Highways 20 and 30, which are limited access highways. The City's location places it at the geographical center of the Dallas-Fort Worth metropolitan area. The land area of the City contained within its corporate boundary is approximately 99.4 square miles.

The City was incorporated January 17, 1920, under the provisions of the Home Rule Amendment to the Texas State Constitution. The City provides the following services to the citizens of the City: public safety (police and fire), public works, public welfare, parks and recreation, public health, water and wastewater utilities, and general administrative services.

### General

The City operates under the Council-Manager form of government as established by its Charter. There is a nine member City Council (the "Council") vested with local legislative power. Three council members and the Mayor are elected "at large" and five council members are elected in five single member districts. All members of the Council are elected for terms of two years, with the elections being held in even/odd years for approximately half the seats. The Council elects a Mayor Pro Tem from among its members.

### Mayor and City Council

Policy-making and supervisory functions are the responsibility of and are vested in the Council under provisions of the City Charter. Ordinances, resolutions and zoning decisions are presented at Council meetings at 6:30 p.m. on the second and fourth Tuesday of each month. Council meetings are broadcast on the local cable public access station. A simple majority of the Council constitutes a quorum. The Mayor is required to vote on all matters considered by the Council, but has limited power to veto Council actions that can be overridden by simple majority action of the Council.

### Administration

The City Manager is the administrative head of the municipal government and carries out the policies of the Council. With the assistance of four Deputy City Managers, he coordinates the functions of the various municipal agencies and departments responsible for the delivery of services to residents. The City Manager is appointed by the Council and serves at the pleasure of the Council.

Excluding the positions and offices of the City Attorney, City Auditor and certain others whose appointments are reserved for Council action, the City Manager appoints and removes all City employees. The City Manager exercises control over all City departments and divisions and supervises their personnel; recommends Council legislative actions; advises Council on the City's financial conditions and needs; prepares and submits to Council the annual budget; and performs such duties required by Council.

### Certain City Council Appointees

The Council appoints the City Attorney who has management, charge, and control of all legal business of the City. He is chief legal advisor to the Council, the City Manager, and all City departments and agencies. It is his duty to advise Council concerning the legality of actions by the City and to represent the City in all matters affecting its interest.

The City's Municipal Court Judiciary provides for the adjudication of Class "C" misdemeanor cases, issuance of warrants and the arraignment of prisoners.

The Council appoints the City Auditor who manages the Internal Audit Division which monitors the internal controls and operations of the City and its assets, monitors security of electronic data and responds to management requests for analyses, appraisals and recommendations.

The Council also appoints members to certain boards, commissions, and authorities as it deems necessary to the operation of the City.

**Principal Executive Officers**

City Manager – Mr. James Holgersson – with the City since June, 2005, received his bachelor's degree from Augustana College in Illinois and a master's degree in public administration from the University of Arkansas. He is an active member of the International City/County Management Association. Prior to joining the City, he served as a deputy city manager with the City of San Jose, California, city manager in Waco, Texas and Kalamazoo, Michigan. In addition he served as Executive Director of the Rapoport Foundation in Waco.

Deputy City Manager for Strategic Support – Mr. Bob Byrd – with the City since 1985 he received his B.S. from the U.S. Naval Academy, and spent five years in the United States Marine Corps. Prior to working for the City, Byrd was the general manager for field operations for a natural gas company and a project manager for a construction company.

Deputy City Manager for Economic Development – Mr. Trey Yelverton – with the City since January 1993, most recently as the Director of the Neighborhood Services Department since 2000. He is an active member of the International City/County Management Association. He received an undergraduate degree in Political Science - Public Administration from the University of Texas at Arlington, and a M.P.A. from University of North Texas.

Deputy City Manager for Capital Investment – Ms. Fiona Allen, P.E. – with the City since December 1990, most recently as the Director of the Water Utilities Department since 2003. She received her B.S. in Civil Engineering from Texas A&M University and is a Professional Engineer and Registered Sanitarian.

Deputy City Manager for Neighborhood Services – Mr. Gilbert Perales – with the City since January 2007. Prior to working for the City, Perales was the assistant city manager of Irving since April 2001. He received a Bachelors Degree in Art and a Master's Degree in Public Administration from St. Mary's University.

Director of Financial Services – Ms. Anna Mosqueda – with the City since November 2006, she received her bachelor's degree in journalism from West Texas State University in Canyon and a master's degree in business administration from Texas Tech University. She has 18 years of municipal government experience.

Director of Water Utilities – Ms. Julia J. Hunt, P.E. – with the City since September 1984, she received her bachelor's degree in civil engineering from Texas A & M University. She is a licensed professional engineer in Texas. Previously, she was Assistant Director, overseeing operations, and the manager of Water Information Services.

City Attorney – Mr. Jay Doegey – with the City since March 1986, a graduate of Southern Illinois University, he received his law degree from the University of Texas. Prior to joining the City, he was Senior Assistant City Attorney for Corpus Christi, Texas.

**Governmental Services and Facilities**

The City provides a full range of municipal services including police and fire, health, parks and recreation, public works, planning, and general administrative services. Water and wastewater services are accounted for in the City's Enterprise Fund. The City leased operation of the landfill to a private company beginning in May 2005.

The City's main municipal facilities include two general administrative building, and a public safety building. There are 16 fire stations, two police stations and two substations, a police training center, a fire training center, one main and five branch libraries, 84 city parks, and four municipal golf courses.

Some of the other major facilities provided by the City include a convention center, five recreational centers, two senior citizen centers, and a municipal airport.

The City of Arlington provides a comprehensive range of public services characteristic of its position as the most populous city in the Mid-Cities area of the Dallas-Fort Worth Metroplex. Presented in the following pages is a description of selected City agencies and departments contained within each of the four functional groups.

## FUNCTIONAL GROUPS

### Neighborhood Services Group

The Deputy City Manager for Neighborhood Services is responsible for the oversight and management of the Police, Fire, Library, Community Services and the Parks and Recreation Departments. The partnering of these departments provides a strong connection between City resources and neighborhoods.

The Police Department is composed of three major units: Operations, Management Services, and Community Services. More than 580 members of the Arlington Police Department deliver law enforcement services using a neighborhood based policing model. The Police Department responded to 147,668 calls for service in fiscal year 2007. In 1989, the Police Department joined an elite number of police agencies nationwide in achieving the certification standards required by the Commission on Accreditation for Law Enforcement Agencies, Inc. The Department was recertified in 1999.

The City's Fire Department, which is responsible for fire prevention, fire suppression and first response emergency medical services, responded to approximately 30,665 calls for service in fiscal year 2007. The 407 employees of the Fire Department provide emergency responses from the City's 16 fire stations. Fire has responsibility for 9-1-1 dispatch services. The Emergency Management Office is responsible for coordinating major emergency disaster responses for the City and will also report to the Deputy City Manager.

The Library Department is responsible for the management and operation of the City's central library and five branch libraries. Circulation exceeds 1.5 million items annually.

The Community Services Department is responsible for providing a communication and service link between the residents and business owners of Arlington and all City Departments. The Code Enforcement Division is responsible for enforcing city regulations related to the maintenance, sanitation, rehabilitation and conservation of existing housing. The Health Division is responsible for the inspection of food services establishments, public swimming pools and new septic system installations. In conjunction with Tarrant County, it operates the Public Health Center which is responsible for administering immunizations to children and supplying preventive health screening for the elderly. The Housing Division is responsible for administering federal and state grant funds and providing housing assistance to qualified citizens. This department also includes Animal Services and Handitran.

The Parks and Recreation Department is responsible for the operation and maintenance of the City's 4,663 acres of parks, including four municipal golf courses and five recreational centers, two senior citizen centers, and the management of the Bob Duncan Center. It conducts a wide range of high quality, year-round leisure time programs that are responsive to the physical, social, cultural and environmental needs of the citizens of Arlington.

### Economic Development Group

The Deputy City Manager for Economic Development is responsible for oversight and management of four departments and three outside organizations. The City functions covered by the Economic Development Group include Economic Development, Community Development and Planning, the Convention Center and Aviation. They also oversee the City contract with the Convention and Visitors Bureau, the Arlington Chamber of Commerce, and the Downtown Management Corporation.

Economic Development is responsible for the airport and expanding its opportunities, downtown development as well as growing neighborhood businesses, and managing special districts.

Community Development and Planning is responsible for maintaining a long-range Comprehensive Plan which optimizes the physical, fiscal, and natural resources of the City in its development. The Building Inspection Division enforces City ordinances regarding general construction, zoning, mechanical, electrical and plumbing activities. The planning staff provides coordination services in an effort to effectively facilitate program development and implementation. Additional responsibilities include providing City staff and the general public with current zoning and inventory maps and a wide range of demographic statistics.

The Convention and Event Services Department is responsible for the management of the Arlington Convention Center. The City contracts with the Arlington Convention and Visitors Bureau for the tourism marketing of the City of Arlington.

**Capital Investment Group**

The Deputy City Manager for Capital Investment is responsible for oversight and management of three departments. The City functions covered by the Capital Investment Group include Environmental Services, the Water Utilities Department, and Public Works and Transportation.

Environmental Services oversees solid waste and fleet services contracts, air and water quality, public health concerns, the natural gas program and stormwater management.

The Water Utilities Department is responsible for assuring a continuous supply of safe high quality drinking water and collection and safe disposal of wastewater. Arlington's water treatment operations are nationally known and are recognized for their use of advanced technology. Transmission capacity has been designed to anticipate future peak demands well into the century. The department is structured in divisions focusing on Operations, Business Services, and Treatment. The Department has received awards from the United States Environmental Protection Agency, Texas Municipal Utilities Association, and the American Water Works Association.

Public Works and Transportation plans, designs, operates, acquires, constructs and maintains public facilities to ensure the safe and efficient movement of people, goods and storm water. The department is structured in divisions focusing on transportation planning, engineering operations, traffic, signal engineering, streets and storm water drainage. This department is also responsible for facilities maintenance and real estate services.

**Strategic Support Group**

The Deputy City Manager for Strategic Support is responsible for the oversight and management of five City departments which include Management Resources, Financial Services, Workforces Services, Information Technology, and Municipal Court.

Management Resources oversees the budget division, and the City Secretary's Office which transcribes and maintains official City records, minutes and ordinances, and conducts City elections. It is also responsible for improving legislative and lobbying efforts as well as Public Information. It works with news media, issues publications, and implements programs to educate and inform citizens about City policies and programs. It also includes General Services which provides printing, copying, records management, and mailroom services to the organization.

Financial Services oversees the financial affairs of the City and ensures the financial integrity of City operations. Departmental services include accounts payable, accounting, payroll, purchasing, treasury management, and maintenance of the City's fixed asset inventory.

Workforce Services is responsible for planning, developing, and administering the functions of employment, testing, training, and employee relations. It also administers the salary and benefit program and risk management program.

Information Technology has the responsibility for the processing and electronic storage of information used in the daily business of the City. The Geoprocessing Division is responsible for meeting the automated geographic information and mapping needs of the City.

Municipal Court is responsible for collecting court fines, setting trial dockets, and maintaining the Municipal Court records.

## WATER FACILITIES

### Water Treatment Facilities

Arlington currently operates two plants to treat and purify raw water prior to distribution for use. The Pierce-Burch Water Treatment Plant (PBWTP), located in west Arlington, treats raw water pumped into the plant from Lake Arlington. The PBWTP has a present ozonated treatment capacity of 75 million gallons per day (MGD). At this time, there are no plans to expand the plant. However, land is available at the site to accommodate an additional 100 MGD capacity treatment facility in the future, if needed.

The rapid population growth and development in the southern part of the City necessitated the construction of the John F. Kubala Water Treatment Plant (JKWTP), located on US Highway 287 at Eden Road. The JKWTP began serving Arlington's citizens in May, 1989. The plant receives its raw water directly from the Tarrant Regional Water District's (TRWD) Richland Chambers and Cedar Creek pipelines. Beginning in August 1998, TRWD also began delivering water from Lake Benbrook, a U.S. Army Corps of Engineers-owned reservoir. The JKWTP currently has a rated treatment capacity of 65 MGD and is currently under design for expansion to a treatment capacity of 97.5 MGD by the spring of 2010. It can be further expanded as demand necessitates to an ultimate treatment capacity of 130 MGD.

### The Distribution System

The City's water distribution system is divided into three pressure planes, referred to as the Upper pressure plane, Ridge Pointe pressure plane, and Lower pressure plane. The Upper and Ridge Pointe pressure planes are supplied by the JKWTP, which is a newer, more energy efficient plant and is operated at maximum capacity whenever possible. The Pierce-Burch Water Treatment Plant supplies the remaining volume necessary to meet citywide demand in the Lower pressure plane. With this arrangement, the JKWTP normally supplies all of the water required by the Upper and Ridge Pointe pressure planes, and as much of the water as is possible in the Lower pressure plane. A combination of electrically driven and natural gas pumps transfer water from the plants into the distribution system. There are nine elevated storage tanks and nine ground storage tanks with a combined capacity of 47.7 million gallons. A tenth elevated tank will be constructed in 2008.

The City's water distribution system is fully metered and consists of 1,389 miles of pipe. The System includes concrete cylinder, cast iron, polyvinyl chloride (PVC), and ductile iron pipes with a minimum diameter of six inches. The entire System meets the minimum standards prescribed by the Texas Fire Insurance Commission, the United States Environmental Protection Agency and the Texas Commission on Environmental Quality (TCEQ).

The City's water system has adequately met the demand for treating and distributing water during the past ten fiscal years as follows:

| Fiscal Year | Average Daily Pumpage (MGD) | Maximum Daily Pumpage (MGD) |
|---|---|---|
| 1998 | 58.47 | 121.97 |
| 1999 | 56.20 | 108.31 |
| 2000 | 63.89 | 128.23 |
| 2001 | 57.96 | 113.14 |
| 2002 | 57.76 | 112.88 |
| 2003 | 57.13 | 120.02 |
| 2004 | 54.68 | 91.19 |
| 2005 | 57.49 | 95.41 |
| 2006 | 67.26 | 116.72 |
| 2007 | 51.52 | 86.04 |

Source: City Water Utilities Department.

**Water Supply**

The Tarrant Regional Water District is the primary supplier of raw water used by a total of 65 municipal and non-municipal entities located both within and outside of Tarrant County. Among the major customers of the District are the cities of Fort Worth, Arlington, and Mansfield, and a wholesale water provider, the Trinity River Authority (TRA).

The City receives water from TRWD's Cedar Creek Reservoir, completed in 1964, and Richland Chambers Reservoir, completed in November 1987. Water from these reservoirs is transported through transmission facilities to Lake Arlington and the John F. Kubala Water Treatment Plant. In August 1998, TRWD also began delivering water from the U.S. Army Corps of Engineers-owned reservoir Lake Benbrook. This water supply service was initially provided under the terms and provisions of a contract dated July 13, 1971. Under that contract, TRWD agrees to supply all of the City's municipal water requirements during its term.

On September 1, 1982, TRWD entered into a revised water supply contract ("Amendatory Contract") with the City, and the cities of Fort Worth and Mansfield, and TRA. The revised contract shall continue in effect until all bonds of TRWD relating to TRWD's System have been paid, and thereafter during the useful life of TRWD's System. Under the Amendatory Contract, the City is required to purchase all of its raw water needs from TRWD. TRWD is obligated to meet the City's needs by developing additional water supply sources, subject to force majeure, the ability of TRWD to obtain suitable financing, and a determination of feasibility. If TRWD is unable to supply all of the City's raw water requirements or if it should become apparent that TRWD will become unable to supply such requirements, the Amendatory Contract provides a procedure by which the City would be permitted to develop or obtain a supplemental water supply to meet its needs. The City is depending upon TRWD to meet its full raw water needs under the Amendatory Contract and, at present, the City has no assurance of the availability of a supplemental water supply if TRWD should fail to meet such needs. TRWD's current sources as well as additional supplies that are actively under development are projected to provide an adequate water supply through 2035.

TRWD's most recent system enhancement was the Benbrook Connection Project, completed in the fall of 1998. It consists of approximately 35,000 feet of 90 inch diameter pipeline, approximately 20,000 feet of 108 inch diameter tunnel, a pump station at Lake Benbrook with a capacity of approximately 200 million gallons per day, an outlet structure at Lake Benbrook and improvements to the existing balancing reservoirs. It now benefits all District customers by allowing TRWD to reduce electrical costs by using Benbrook for off peak pumping and storage.

In May 1999, TRWD issued $22,725,000 (Series 1999) in Water Revenue Refunding and Improvement Bonds, which were issued to refund the Benbrook Lake Water Surplus Contract with the U.S. Army Corp of Engineers in the amount of $1,848,750, and to fund a Wetland Water Treatment System for Richland Chambers, and for construction, improvements and repairs to TRWD's Water system. In March 2001, $15,890,000 in Water Revenue Refunding Bonds (Series 2001) were issued to refund the Series 1992-A bonds. In March 2002, TRWD issued $331,430,000 in Water Revenue Refunding and Improvement Bonds (Series 2002) to refund the Series 1993 Bonds and to fund the acquisition and expansion of the Wetland Water Treatment System for Richland Chambers, for design/engineering of the pipeline connection to Eagle Mountain Lake and other construction, improvements and repairs to TRWD's Water System. Construction of the Richland Chambers Dam and Reservoir Project was funded with proceeds derived from the sale of Water Revenue Bonds, which were originally issued in 1979 (Series 1979-A) and have since been refunded with the Series 2002 Bonds. In 2006, TRWD issued $182,905,000 in Water Revenue Bonds for:

- acquisition and expansion of the Wetland Water Treatment system for Richland Chambers Reservoir;
- initial cost for a Wetland Water Treatment system for the Cedar Creek Reservoir;
- expansion and improvements to TRWD's water supply transmission system to Eagle Mountain Lake;
- acquisition and installation of control equipment for the Eagle Mountain Pipeline connection and Richland Chambers Wetland projects;
- engineering, acquisition and construction of a new communication system;
- engineering and studies for expansion of discharge facilities at Lake Arlington;
- acquisition and improvements to TRWD's existing water supply security system;
- acquisition of right-of-way and permanent and perpetual flowage easements for the System together with all other design, construction, improvements and repairs and studies and plans for TRWD's Water System;
- to fund a debt service reserve fund; and
- to pay the costs associated with the issuance of the Bonds.

Both the expansion to the water supply transmission system (pipeline) and the expansion to the wetland water treatment system for Richland Chambers Reservoir projects have begun, with $140,161,000 in contracts being let for the pipeline project and $15,564,000 in contracts being let for the wetland project.

Tarrant Regional Water District estimates that the existing and permitted water supply system has adequate water to meet its customers' projected water requirements through the year 2035. TRWD has participated in the statewide regional water planning effort authorized by the 1997 passage of Senate Bill 1. The regional plan for the Dallas-Fort Worth region includes plans for TRWD to develop an additional 622 MGD through the year 2060 at an estimated cost of $3.6 billion.

Under the terms of the Amendatory Contract, the City pays TRWD an amount equal to the City's proportionate share of TRWD's "Annual Requirement." Said annual requirement includes the costs of operation and maintenance of TRWD's raw water supply facilities, debt service on TRWD's bonds and any future bonds it might issue, including deposits to any special or reserve fund established in TRWD's bond resolutions. Based upon the projected usage of the City for the 2008 fiscal year, the budgeted monthly purchase price to be paid by the City under the revised water contract is $1,190,186, which results in a rate of approximately 64.497 cents per one thousand gallons. Such amount is subject to adjustment as provided in the Amendatory Contract. The City is obligated to pay TRWD for all water used by it, and under the Amendatory Contract, the minimum amount of water the City shall be deemed to have used shall be calculated at an amount equal to the greater of 30 MGD or the average MGD actually used by the City during the period of the immediately preceding five consecutive annual periods.

The Amendatory Contract provides that all payments to be made under said Contract shall constitute reasonable and necessary operating expenses of the System, and thus the City's requirements to make such payments from the revenues of the System shall have priority over any obligation to make payments from such revenues, including payment of principal and interest on the City's Outstanding Bonds, the Bonds and any additional Bonds.

**Drought Contingency Plan**

The City continues to work closely with TRWD to plan for the implementation of drought contingency measures, should drought conditions arise.

TRWD updated is Water Conservation and Drought Contingency Plans in May 2005, in accordance with the Texas Commission of Environmental Quality (TCEQ) directives. The plans were revisited and, with guidance from major customers, revised in May 2007 following the most recent drought, which occurred during 2005 and 2006. Regular meetings were held to discuss evolving approaches to water conservation and extending supplies during drought or emergency situations. TRWD’s customers had extensive input defining drought conditions and prescribing conservation measures related to each drought ~~condition~~ stage. All major customers agreed to specific, staged measures related to emergency conditions brought on by drought-induced water supply depletion or failure of components in TRWD’s supply system.

The latest Drought Contingency Plan reduced the number of drought stages from four to three. Based on a statistical analysis of 43-year weather patterns in North Texas and their potential effects on water supplies, new drought triggers were established. The revised responses for each drought stage are triggered by two sets of conditions – water supply levels or excessive demand and emergency situations. Drought stages are triggered when the total combined raw water supply within the TRWD reservoir system drops below 75, 60 and 45 percent of conservation storage. Other conditions that would activate a drought response would include situations where:

- Water demand exceeds the amount that can be delivered to customers.
- Water demand for all or part of the TRWD delivery system exceeds delivery capacity because delivery capacity is inadequate.
- One or more of TRWD’s water supply sources has become limited in availability.
- Water demand is projected to approach the limit of permitted supply.
- Supply source becomes contaminated.
- Water supply system is unable to deliver water due to the failure or damage of major water system components.

- The General Manager, with concurrence of the TRWD Board of Directors, finds that conditions warrant the declaration of a drought stage.

In conjunction with TRWD, the City adopted its own Water Conservation and Drought Contingency Plans in May 2005, as directed by TCEQ. This Drought Contingency Plan identifies and explains water management practices that will protect water supplies during short and long term emergency situations. The May 2005 Water Conservation Plan implemented by the City includes water conservation goals and practices to address long term reductions in water demands by residents.

The City is currently coordinating with TRWD to update its Water Conservation and Drought Contingency Plans to incorporate changes and revisions made in the 2007 TRWD Plans. The new plans will include more water conservation measures and actions based on the revised triggers. Because of the strategy to adopt long term water conservation programs and a proactive approach to addressing drought conditions and managing emergency demand, combined with historical planning and system development initiatives, the City does not anticipate any system supply problems. The new drought triggers and ensuing actions established by the Water District will increase available water supplies by a projected three to four times the amount that would have been available under the 2005 plan. However, additional steps will be taken in the event water supplies reach critical levels to ensure that the financial condition of the System remains strong.

The City has coordinated with TRWD and its customer cities to take a regional approach in updating its 2005 Water Conservation and Drought Contingency Plan. This update, which includes more water conservation measures and more conservative action triggers, will be implemented along with an updated Conservation Plan in the summer of 2008. Because of this proactive approach to addressing drought conditions and managing emergency demand, combined with an excellent track record in planning and system development initiatives, the City does not anticipate any system supply problems. However, steps will be taken in the event of a prolonged drought to ensure that the financial condition of the System remains strong.

**Consumer Analysis Data**

The following data provides information as to the average daily water consumption, excluding sales to municipalities, by user category for the fiscal years ended September 30, 2003, through September 30, 2007.

| | Average Daily Consumption (MGD) | | | | |
|---|---|---|---|---|---|
| **Category** | **2007** | **2006** | **2005** | **2004** | **2003** |
| Residential ........................................................ | 23.81 | 35.49 | 27.72 | 25.50 | 27.47 |
| Commercial ....................................................... | 10.49 | 12.52 | 11.20 | 11.63 | 11.09 |
| Fire lines, Sprinklers........................................ | 4.19 | 7.38 | 5.07 | 4.60 | 4.76 |
| Apartment Units ................................................ | 8.40 | 9.00 | 8.77 | 9.03 | 9.14 |
| Mobile Homes, Condominiums, Townhouses ... | .58 | .63 | .80 | .79 | .84 |
| Total ................................................................... | 47.47 | 65.02 | 53.56 | 51.55 | 53.30 |

The following table shows the number of units served, excluding sales to municipalities, by user category for the fiscal years ended September 30, 2003, through September 30, 2007.

| | Number of Units Served | | | | |
|---|---|---|---|---|---|
| **Category** | **2007** | **2006** | **2005** | **2004** | **2003** |
| Residential ........................................................ | 90,978 | 90,080 | 89,613 | 88,289 | 86,444 |
| Commercial ....................................................... | 3,725 | 3,761 | 3,772 | 3,821 | 5,338 |
| Fire lines, Sprinklers........................................ | 2,202 | 2,070 | 2,027 | 1,997 | 952 |
| Apartment Units ................................................ | 45,069 | 45,971 | 45,093 | 41,059 | 45,838 |
| Mobile Homes, Condominiums, Townhouses ... | 4,077 | 4,344 | 4,222 | 4,166 | 4,252 |
| Total ................................................................... | 146,042 | 146,226 | 144,728 | 139,332 | 142,824 |

The following is a listing of the top ten water customers of the City, ranked by consumption during the fiscal year ended September 30, 2007. Billing will vary based on the number of meters, increased minimum charges for larger meters, and higher commodity charges for sprinkler usage. During this period, the top ten customers' total annual water billings, which represented 9.16 percent of the System's water sales, were as follows:

| | Consumption in 1,000 Gallons | Billing |
|---|---|---|
| Arlington Independent School District | 281,703 | $649,611 |
| University of Texas at Arlington | 270,825 | 540,185 |
| National Semiconductor | 253,479 | 468,368 |
| EUSB/General Motors | 229,541 | 422,418 |
| City of Arlington | 205,324 | 538,942 |
| Six Flags Park | 123,123 | 226,738 |
| Arlington Memorial Hospital | 65,586 | 122,661 |
| Six Flags Hurricane Harbor | 64,299 | 118,050 |
| Indian Creek Apartments | 56,954 | 110,368 |
| HCA Arlington Hospital | 39,931 | 86,069 |
| Total | 1,590,805 | $3,283,410 |

The following table lists certain data on historical water consumption during the last five fiscal years.

**Historical Water Consumption Data**
**(Inside City Limits)**

| Fiscal Year Ended 9/30 | Total Accounts In Service | Total Water Pumped MG | Average Water Pumped MGD | Maximum Day Pumpage MGD | GPD Per Account | Ratio Maximum Day to Average Day |
|---|---|---|---|---|---|---|
| 2003 | 99,144 | 20,853 | 57.13 | 120.02 | 583 | 2.10 |
| 2004 | 101,057 | 20,013 | 54.68 | 91.19 | 543 | 1.67 |
| 2005 | 102,421 | 20,984 | 57.49 | 95.41 | 561 | 1.66 |
| 2006 | 102,518 | 24,545 | 67.26 | 116.72 | 656 | 1.74 |
| 2007 | 103,689 | 18,434 | 51.52 | 86.04 | 487 | 1.67 |

Source: City Water Utilities Department.

## WASTEWATER FACILITIES

The wastewater collection system that serves all developed areas within the City limits is comprised of approximately 1,194 miles of sanitary sewer mains ranging in size from six to seventy-two inches. Although the City owns and maintains an extensive wastewater collection system, it does not treat its own wastewater. Wastewater produced in the City is treated under contract by TRA's Central Regional Wastewater System (CRWS). The City's annual volume of contributing flow amounts to approximately 29 percent of the total wastewater flow into the CRWS Plant. As the city with the largest population in the CRWS service area, Arlington contributes the highest daily flow of all TRA regional plant customers. The CRWS Plant meets the effluent permit conditions to treat 162 MGD as set by the TCEQ and Environmental Protection Agency (EPA).

The following is a list of Arlington's wastewater flows treated by TRA's CRWS plant during the last five fiscal years.

**Wastewater Treated**
**(Millions of Gallons)**

| | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|
| TRA CRWS Plant ............................................ | 14,868* | 13,942 | 15,168 | 15,817 | 15,074 |

*unaudited

### Treatment Contract with Trinity River Authority

The City's wastewater is treated under the terms of a 50-year contract with TRA dated October 10, 1973. TRA is the owner and operator of the CRWS Plant and the interceptor pipeline system, which serves part of Dallas, Dallas-Fort Worth International Airport, and 19 other Dallas County and Tarrant County municipalities. Under the terms of the contract, each contracting party contributes to TRA's "Annual Requirements" in proportion to its contributing flow of wastewater into the CRWS Plant. The "Annual Requirements" include cost of operation and maintenance of the system and debt service on TRA's bonds issued to construct the system, including deposits to special funds established by the bond resolution. Based upon actions approved in 1996, TRA began treating all of Arlington's wastewater when facilities constructed by Arlington were completed in September 2000. These pipeline facilities convey west Arlington wastewater to TRA System facilities, and on to the TRA treatment plant for final treatment. This Arlington to TRA pipeline project cost was $11,000,000. The transfer of west Arlington's wastewater flows from the Fort Worth Village Creek Regional Plant to this pipeline began in September 2000. Cash balances of the Water Utilities Department funded this project.

In 1989, TRA sold $134.75 million in System Revenue Bonds to fund an expansion of the System's treatment plant from 100 to 135 MGD, which was placed into operation in early 1994. Subsequently in 1992, an additional $33.0 million in System Revenue Bonds were issued to fund improvements required primarily in the System's 200 mile network of large diameter pipelines over the first half of a five-year planning period. These improvements increased the capacity of numerous segments of the pipelines, rehabilitated pipelines and initiated several engineering evaluations to define required improvements to the plant and pipelines in the future. In 1995, TRA issued $43.515 million in System Revenue bonds to fund the remaining portions of the 1992-1996 capital plans. A new five-year plan for 1997-2001 resulted in relief and rehabilitation of interceptors and plant improvements. Initial funds of $49 million were obtained from the 1998A bond issue. Also in 1998, $67 million in bonds were refunded through TRA's issuance of the 1998B Revenue Refunding Bonds. In 2001 TRA issued an additional $88.2 million in System Revenue Bonds through the Texas Water Development Board for plant improvements and relief pipeline construction as identified in the 2001 Capital Improvement Plan update. In early fiscal year 2003, TRA issued $136 million in refunding bonds to pay off the Series 1993 bonds. This results in a debt service savings to the City.

TRA's updated five-year capital improvement plan for 2004-2009 has been completed, including treatment process improvements and interceptor rehabilitation. Initial funds of $106 million were obtained from a 2004 bond issue. Additional bonds in the amount of $9.5 million were issued in 2005 for land acquisition and other related wastewater system improvements. In April 2007, a new update of the five-year capital improvement plan was issued outlining plans for expanding plant capacity from 162 MGD to 189 MGD, as well as badly needed relief (parallel) pipeline system construction. Estimated cost for there projects totals $300 million, and funding was obtained from the Texas Water Development Board at below-market rates. The current plan includes a $120 million bond issuance which took place in June 2007, and two additional issuances of $90 million in February 2008 and October 2008 to complete the objectives of the updated capital improvement plan.

The 162 MGD CRWS Plant is situated on a 500 acre site in Grand Prairie. The CRWS Plant uses a conventional activated sludge process enhanced for nitrification followed by filtration. Effluent quality discharged to the West Fork of the Trinity River has been excellent, meeting all regulatory requirements. The plant was selected by the state and federal regulatory agencies as the best large treatment plant in EPA's Region 6 five-state area during 1996 and has received the National Association of Clean Water Agencies Platinum Award for the second time in a row, each award signifying five continuous years of Gold Awards (100% permit compliance). The CRWS Plant received another Gold Award for fiscal year 2005 and a Platinum award for 2006 under the Agencies revised rules. A portion of the treated effluent is delivered for beneficial reuse to lakes in the Las Colinas area of Irving, where it is used for irrigation and lake and canal level control. Revenue from this sale is credited to the parties of the System.

Plant solids removed by this treatment plant are now being beneficially reused by a land application program, which exports all biosolids from the plant site. An onsite sludge monofill exists with a 20-year remaining life, as a backup to the land application program and to provide an alternative disposal method in the event contractor failure or other unanticipated failure occurs.

For TRA's fiscal year beginning December 1, 2007, the volume of contributing flow by the City is estimated to average 41.476 MGD, which amounts to approximately 28.4 percent of the total volume of wastewater flow into the CRWS plant. This percentage of wastewater flow is used to determine the City's annual requirements under this contract. Arlington has the largest service area population and contributes the highest average daily flow of all TRA CRWS Plant customers. The City's current cost of wastewater treatment under this contract budgeted for 2008 is $19,362,790.

In addition, the City is a party to a contract (the "Arlington Project Contract") dated October 10, 1973, under which TRA constructed certain improvements to the City's System with the proceeds of its revenue bonds, which the City, by the terms of the contract, was to pay, together with certain fees and administrative overhead. The payment of these bonds was completed in August 2000, as was the final administrative overhead payment.

The facilities constructed by TRA related to the Arlington Project Contract are integral parts of the System and are maintained and operated by the City. Ownership of such facilities was vested in the City when all of the TRA bonds were paid. The improvements to the System financed by TRA consist of the raw water pumping station on Lake Arlington and certain major wastewater collection lines.

### Treatment Contract with City of Fort Worth

Until September 2000, approximately 35 percent of the City's wastewater was treated at the City of Fort Worth's Village Creek Regional Plant. Under the terms of a five-year contract, dated July 11, 1996, the City completed the pipeline and other facilities to divert its wastewater and sludge to the Trinity River Authority's CRWS Plant. The City has negotiated a contract with Fort Worth for the transportation charges associated with the right to divert excess wastewater from their Village Creek Interceptor to the Arlington Rush Creek Interceptor until improvements, which are currently under construction, can be completed by Fort Worth to carry this flow or until the treatment capacity allotted to the City is maximized.

## ECONOMIC AND DEMOGRAPHIC FACTORS

### Population

The 2007 estimated population for the City of Arlington is 364,300. The following table presents population figures for selected years.

**Population and Rates of Change**
**Arlington and the United States**
**Selected Years**

| Year | Arlington | Annual Rate of Change | United States | Annual Rate of Change |
|---|---|---|---|---|
| 1950 | 7,692 | -- % | 150,697,361 | -- % |
| 1960 | 44,775 | 19.3 | 178,464,236 | 1.71 |
| 1970 | 90,229 | 7.3 | 203,211,926 | 1.31 |
| 1980 | 160,113 | 5.9 | 226,545,805 | 1.09 |
| 1990 | 261,721 | 5.0 | 248,765,170 | 0.94 |
| 2000 | 332,969 (1) | 2.4 | 281,421,906 | 1.40 |
| 2003 | 351,719 | 1.9 | 290,809,777 | 1.11 |
| 2004 | 355,630 | 1.1 | 293,655,404 | 1.01 |
| 2005 | 361,300 | 1.6 | 296,410,404 | .94 |
| 2006 | 362,393 | 0.3 | 301,071,787 | 1.57 |
| 2007 | 364,300 | 0.5 | 303,241,702 | 0.72 |

(1) Actual 2000 Census population.

Source: U.S. Dept. of Commerce, U.S. Census, and the Community Development and Planning Department Estimates.

### Per Capita Personal Income

| | 2005 | 2004 | 2003 |
|---|---|---|---|
| Tarrant County ........................ | $34,275 | $32,981 | $31,565 |
| Texas ....................................... | 32,460 | 30,732 | 29,452 |
| United States ........................... | 34,471 | 33,050 | 31,484 |

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

### Educational Facilities

Public education is provided principally by the Arlington Independent School District (AISD) and part of the Mansfield Independent School District (MISD). The AISD public schools feature six high schools, twelve junior high schools, fifty-one elementary schools, one pre-kindergarten campus, one immigrant education campus, one alternative school and three discipline-management campuses. AISD's professional staff of 4,229 serves a peak enrollment of 62,157 students. MISD has fifteen schools in Arlington, including two high schools, four middle schools and nine elementary schools. These fifteen schools serve approximately 14,456 students.

The University of Texas at Arlington, founded in 1895, has an approximate enrollment of 25,000 students and offers 185 degree programs at the bachelor, master, and doctoral levels. The physical plant, located on a 396 acre campus, includes 107 University academic and dormitory buildings.

Tarrant County College opened its Southeast Campus in Arlington during 1996. The 193-acre site features a current enrollment of approximately 10,000 students and approximately 750 employees. The college offers Associate degrees in Arts, Applied Sciences, and various Technical certificates.

Summarized below is information concerning the Arlington Independent School District's and Mansfield Independent School District's annual peak enrollment and the total percentage changes for the last five fiscal years.

**Public School Enrollment**

| Fiscal Year | AISD Peak Enrollment | MISD Peak Enrollment | Percentage Change |
|---|---|---|---|
| 2004 | 62,345 | 9,949 | 1.39 |
| 2005 | 62,531 | 12,006 | 3.10 |
| 2006 | 62,267 | 13,733 | 1.96 |
| 2007 | 63,397 | 15,085 | 3.27 |
| 2008 | 62,157 | 14,456 | (2.38) |

Source: Arlington Independent School District, Texas Education Association

**Employment**

**Arlington Major Employers**

| Employer | Type of Business | Number of Employees |
|---|---|---|
| Arlington Independent School District | Public Education | 8,000 |
| University of Texas at Arlington | Higher Education | 5,700 |
| Six Flags over Texas | Amusement Park | 3,200 |
| General Motors Corp | Automobile Assembly | 3,000 |
| The Parks at Arlington (Mall) | Retail | 3,000 |
| City of Arlington | Municipality | 2,400 |
| Chase Bank | Banking Services | 1,900 |
| Texas Rangers Baseball Club | Sports Entertainment | 1,800 |
| Arlington Memorial Hospital | Medical Center | 1,300 |
| Americredit | Finance | 1,300 |
| Providian Financial | Financial Services | 1,200 |
| Wal-Mart | Retail | 1,200 |
| National Semiconductor | Semiconductor Manufacturer | 1,100 |
| Total | | 35,100 |

(1) Includes part-time and peak seasonal employees.

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Source: Arlington Chamber of Commerce. This information will continue to be disclosed as long as it is available from the Chamber of Commerce or other reliable sources.

As illustrated in the table below, Arlington has managed to maintain lower unemployment rates than the United States and the State of Texas. For 2007, the City's unemployment rate averaged 4.2 percent compared to the U.S. rate of 4.6 percent and the Texas rate, which was 4.3 percent.

**Unemployment Rate**
**Annual Average Rates**
**2003 to 2007**

| | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|
| Arlington ................................ | 4.2% | 4.8% | 5.1% | 5.8% | 6.6% |
| Texas ....................................... | 4.3 | 4.9 | 5.4 | 6.0 | 6.7 |
| United States ........................... | 4.6 | 4.6 | 5.2 | 5.7 | 5.8 |

Source: U.S. Bureau of Labor Statistics.

### Financial Institutions

There are fifty-five commercial banks, state banks and savings and loan associations in the City.

### Building Permits

During the FY 2007 the City issued 3,235 building permits with a total value of $268,761,000. Presented below is a table covering building permit activity for the last three fiscal years:

| | 2007 | | 2006 | | 2005 | | 2004 | |
|---|---|---|---|---|---|---|---|---|
| | Number | Value (000's) | Number | Value (000's) | Number | Value (000's) | Number | Value (000's) |
| New Single Family | $ 829 | $ 126,286 | $ 1,115 | $ 176,935 | $ 1,367 | $ 189,234 | $ 1,707 | $ 251,102 |
| New Multifamily | 3 | 19,029 | 35 | 11,601 | 25 | 12,731 | 81 | 38,871 |
| New Commercial | 127 | 55,483 | 77 | 161,884 | 414 | 75,003 | 474 | 60,439 |
| New Institutional | - | - | 6 | 76,073 | 45 | 25,149 | 47 | 49,089 |
| Other (additons, etc) | 2,276 | 67,963 | 2,953 | 100,402 | 3,857 | 31,109 | 4,509 | 44,196 |
| Total | $ 3,235 | $ 268,761 | $ 4,186 | $ 526,895 | $ 5,708 | $ 333,226 | $ 6,818 | $ 443,697 |

Source: City Building Inspections Division.

## INVESTMENTS

The City invests its funds in investments authorized by Texas law in accordance with investment policies approved by the City Council of the City. Both state law and the City investment policies are subject to change.

### Legal Investments

Under Texas law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent, (6) bonds issued, assumed, or guaranteed by the State of Israel, (7) Certificates of Deposit issued by a depository institution that has its main office or a branch office in Texas, (i) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor or (ii) secured by obligations that are described in clauses (1) through (6) above, including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates or (iii) in any other manner and amount provided by law for deposits of the City, (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1) above and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (9) bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (10) commercial paper that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank, (11) no-load money market mutual funds regulated by the Securities and Exchange Commission that have a dollar weighted average portfolio maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share, (12) no-load mutual funds registered with the Securities and Exchange Commission that: have an average weighted maturity of less than two years; invests exclusively in obligations described in the preceding clauses; and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent; provided, however, that the City is not authorized to invest in the aggregate more than 15% of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in such no-load mutual funds, and (13) for bond proceeds, guaranteed investment contracts that have a defined termination date, are secured by obligations of the United States or its agencies and instrumentalities in an amount at least equal to the amount invested under the contract, and are pledged to the City and deposited with the City or with a third party selected and approved by the City.

### Investment Policies

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all City funds must be invested in investments that protect principal, and consistent with the operating requirements of the City, and yield the highest possible rate of return. Under Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest City funds without express written authority from the City Council or Director of Financial Services of the City.

**Current Investments**

The City's primary investment objective is to provide for the protection of principal with an emphasis on safety and liquidity. The City maintains a comprehensive cash management program that includes prudent investment of its available funds. Investment maturities are targeted to provide available cash for the operating requirements of the City.

As of September 30, 2007, the following percentages of the City's operating funds were invested in the following categories of investments:

| Type of Investment | % Invested |
|---|---|
| U.S. Treasury Notes & Bills | 21.55% |
| Federal Agencies | 59.80 |
| Statewide Pool | 18.65 |
| Totals | 100.0% |

As of September 30, 2007, the weighted average maturity of the City's operating portfolio was 292 days and the market value of the operating portfolio was 99.66 percent of its book value.

# SECTION TWO: DEBT STRUCTURE AND CAPITAL IMPROVEMENT PROGRAM

## TAX-SUPPORTED DEBT

### DEBT STATEMENT

Pursuant to the Constitution and laws of the State of Texas and the Charter of the City, the City is authorized to issue general obligation bonds secured by an ad valorem tax on all property within its boundaries subject to local taxation. A tax rate limitation is imposed by the Home Rule Section of the Texas Constitution, Article XI, Section 5, that allows a maximum tax rate of $2.50 per $100.00 assessed valuation.

The following table details the ad valorem tax-supported debt of the City as of September 30, 2007:

| | |
|---|---|
| Total Outstanding Tax-Supported Debt | $228,280,000 |
| Less Self-Supporting Debt [1] | 10,341,448 |
| Net Tax-Supported Debt | $217,938,552 |

[1] See "Debt Service Requirements -- Net Tax-Supported Debt."

Source: City Financial Services Department.

### DEBT INFORMATION

Information on the City's indebtedness is presented in the following tables. Included is information on key debt ratios, rapidity of principal retirement and selected debt service schedules.

In addition to the currently outstanding ad valorem tax-supported debt previously issued by the City, the City has also issued certain combination ad valorem tax and revenue supported debt and has incurred contractual and other indebtedness and liabilities payable from ad valorem taxation. Additionally, the City has issued revenue bonds and other indebtedness payable from specific pledged revenues. Various other political subdivisions, which overlap all or a portion of the area of the City are also empowered to incur debt to be paid from revenues raised or to be raised through taxation.

## Key Debt Ratios
## Fiscal Years 1998-2007

| Fiscal Year | Estimated Population [1] | Estimated Taxable Valuation Calendar Year [2] | Net Tax-Supported Debt Year Ended September 30 [3] | Ratio of Net Tax-Supported Debt: Per Capita | Ratio of Net Tax-Supported Debt: Assessed Valuation |
|---|---|---|---|---|---|
| 1998 | 293,991 | $10,868,585,827 | $251,622,000 | 856 | 2.32 % |
| 1999 | 309,859 | 11,415,146,297 | 268,633,000 | 867 | 2.35 |
| 2000 | 332,969[4] | 12,435,152,758 | 276,879,000 | 832 | 2.23 |
| 2001 | 339,215 | 13,513,378,507 | 286,398,601 | 844 | 2.12 |
| 2002 | 346,197 | 14,344,001,305 | 284,539,762 | 822 | 1.98 |
| 2003 | 351,719 | 15,018,724,599 | 283,792,540 | 807 | 1.89 |
| 2004 | 355,634 | 15,599,320,395 | 280,766,546 | 789 | 1.80 |
| 2005 | 361,300 | 16,143,581,172 | 258,483,552 | 715 | 1.60 |
| 2006 | 362,393 | 16,793,424,763 | 243,713,552 | 669 | 1.45 |
| 2007 | 364,300 | 17,591,230,061 | 217,938,552 | 598 | 1.24 |

(1) Population estimates are based on percent of occupancy in available residences and census data. The method for estimating occupancy rates was revised beginning in 1999.
(2) Estimated taxable valuation is obtained from the certified value as of September of each year including minimum estimated value of property under protest.
(3) Does not include self-supporting debt.
(4) Actual 2000 Census population.

Source: City Financial Services Department.

## Rapidity of Principal Retirement [1]
## All General Obligation Debt

| Maturing Within | Amount Maturing | Percent of Total Debt Outstanding |
|---|---|---|
| 5 years | $111,990,000 | 44.2% |
| 10 years | 198,345,000 | 78.2 |
| 15 years | 242,340,000 | 95.6 |
| 20 years | 253,545,000 | 100.0 |

(1) As of September 30, 2007

Source: City Financial Services Department.

## DEBT SERVICE REQUIREMENTS

The following schedule reflects the principal and interest requirements on the City's outstanding debt payable for which ad valorem tax is pledged.

**Tax-Supported Debt Service Requirements** [1]
**General Obligation Debt**

| Fiscal Year Ending 9/30 | Principal | Interest | Total |
|---|---|---|---|
| 2008 | $23,400,000 | $10,968,159 | $34,368,159 |
| 2009 | 21,510,000 | 9,821,892 | 31,331,892 |
| 2010 | 20,160,000 | 8,794,221 | 28,954,221 |
| 2011 | 20,160,000 | 7,852,029 | 28,012,029 |
| 2012 | 19,610,000 | 6,887,267 | 26,497,267 |
| 2013 | 18,490,000 | 5,933,581 | 24,423,581 |
| 2014 | 17,400,000 | 5,065,369 | 22,465,369 |
| 2015 | 16,090,000 | 4,225,269 | 20,315,269 |
| 2016 | 14,640,000 | 3,458,096 | 18,098,096 |
| 2017 | 13,385,000 | 2,746,847 | 16,131,847 |
| 2018 | 11,255,000 | 2,095,744 | 13,350,744 |
| 2019 | 9,975,000 | 1,553,327 | 11,528,327 |
| 2020 | 7,215,000 | 1,064,903 | 8,279,903 |
| 2021 | 5,555,000 | 713,699 | 6,268,699 |
| 2022 | 4,095,000 | 449,618 | 4,544,618 |
| 2023 | 2,905,000 | 251,626 | 3,156,626 |
| 2024 | 1,615,000 | 112,619 | 1,727,619 |
| 2025 | 410,000 | 37,925 | 447,925 |
| 2026 | 410,000 | 18,963 | 428,963 |
| 2027 | - | - | - |
| | $ 228,280,000 | $ 72,051,151 | $ 300,331,151 |

[1] As of September 30, 2007. Includes $12,000,000 of commercial paper scheduled to mature in 2007 and 2008.

Source: City Financial Services Department.

**NET TAX-SUPPORTED DEBT**

| Fiscal Year Ending 9/30 | Outstanding General Obligation Debt [1] | | Self Supporting Debt[2] | | Total Debt Service |
|---|---|---|---|---|---|
| | Principal | Interest | Principal | Interest | |
| 2008 | $23,400,000 | $10,968,160 | $670,000 | $485,265 | $33,212,895 |
| 2009 | 21,510,000 | 9,821,891 | 700,000 | 457,108 | 30,174,783 |
| 2010 | 20,160,000 | 8,794,221 | 735,000 | 432,348 | 27,786,873 |
| 2011 | 20,160,000 | 7,852,029 | 744,870 | 403,234 | 26,863,925 |
| 2012 | 19,610,000 | 6,887,267 | 782,875 | 369,811 | 25,344,581 |
| 2013 | 18,490,000 | 5,933,582 | 825,234 | 334,024 | 23,264,324 |
| 2014 | 17,400,000 | 5,065,368 | 870,684 | 295,336 | 21,299,348 |
| 2015 | 16,090,000 | 4,225,269 | 912,571 | 252,299 | 19,150,399 |
| 2016 | 14,640,000 | 3,458,096 | 956,680 | 206,711 | 16,934,705 |
| 2017 | 13,385,000 | 2,746,846 | 1,003,438 | 158,553 | 14,969,855 |
| 2018 | 11,255,000 | 2,095,745 | 1,048,855 | 107,544 | 12,194,346 |
| 2019 | 9,975,000 | 1,553,327 | 1,091,241 | 54,562 | 10,382,524 |
| 2020 | 7,215,000 | 1,064,903 | - | - | 8,279,903 |
| 2021 | 5,555,000 | 713,700 | - | - | 6,268,700 |
| 2022 | 4,095,000 | 449,619 | - | - | 4,544,619 |
| 2023 | 2,905,000 | 251,626 | - | - | 3,156,626 |
| 2024 | 1,615,000 | 112,619 | - | - | 1,727,619 |
| 2025 | 410,000 | 37,925 | - | - | 447,925 |
| 2026 | 410,000 | 18,963 | - | - | 428,963 |
| | $ 228,280,000 | $ 72,051,150 | $ 10,341,448 | $ 3,556,795 | $ 286,432,907 |

(1) As of September 30, 2007.

(2) Includes $8,236,448 of the Permanent Improvement Refunding Bonds, Series 2005 (the "Series 2005 Refunding Bonds") which will be paid with hotel occupancy tax revenues and $2,105,000. Combination Tax and Revenue Certificates of Obligation, Series 1998, payable from a combination of hotel occupancy tax revenues and ad valorem taxes as described under "Hotel Occupancy Tax Certificates of Obligation" below. To the extent that such revenues are insufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax.

Source: City Financial Services Department.

**Hotel Occupancy Tax Certificates of Obligation**

The Combination Tax and Revenue Certificates of Obligation, Series 1998, are currently outstanding in the aggregate principal amount of $2,105,000 and payable from (1) the proceeds of a continuing direct ad valorem tax levied, within the limits prescribed by law, against all taxable property within the City, and (2) a portion of the revenues derived by the City from the hotel occupancy tax. The hotel occupancy tax presently is levied and collected under authority of V.T.C.A., Government Code, Chapter 1504, as amended, and V.T.C.A., Tax Code, Chapter 351.

The Combination Tax and Revenue Certificates of Obligation, Series 1998, pledge the "Surplus Revenues" of the City's hotel occupancy tax levied and collected under authority of V.T.C.A., Government Code, Chapter 1504, and V.T.C.A., Tax Code, Chapter 351, remaining after payment of all current and future debt obligations payable in whole or in part from the City's hotel occupancy tax receipts. The following excerpt from the ordinance authorizing the Combination Tax and Revenue Certificates of Obligation, Series 1998, describes the method of payment:

"The amount of taxes to be provided annually for the payment of principal of and interest on the Certificates shall be determined and accomplished in the following manner:

(a) the City's annual budget shall reflect (i) the amount of debt service requirements to become due on the Certificates in the next succeeding Fiscal Year of the City, (ii) the amount on deposit in the Interest and Sinking Fund, as of the date such budget is prepared (after giving effect to any payments required to be made during the remainder of the then current Fiscal Year) and (iii) the amount of Surplus Revenues estimated and budgeted to be available for the payment of such debt service requirements on the Certificates during the next succeeding Fiscal Year of the City.

(b) The amount required to be provided in the succeeding Fiscal Year of the City from ad valorem taxes shall be the amount, if any, the debt service requirements to be paid on the Certificates in the next succeeding Fiscal Year of the City exceeds the sum of (i) the amount shown to be on deposit in the Interest and Sinking Fund (after giving effect to any payments required to be made during the remainder of the then current Fiscal Year) at the time the annual budget is prepared, and (ii) the Surplus Revenues shown to be budgeted and available for payment of said debt service requirements.

(c) Following the final approval of the annual budget of the City, the governing body of the City shall, by ordinance, levy an ad valorem tax at a rate sufficient to produce taxes in the amount determined in paragraph (b) above, to be utilized for purposes of paying the principal of and interest on the Certificates in the next succeeding Fiscal Year of the City."

The City will also use hotel occupancy taxes to pay a portion of the debt service on the Series 2005 Refunding Bonds. Based on a calculation of the pro rata share of debt service on the Series 2005 Refunding Bonds, the hotel occupancy tax will provide $389,622 of the total debt service on the Series 2005 Refunding Bonds from October 1, 2007 through fiscal year 2008.

In the fiscal year 2008 Budget, the City estimated that $5,071,500 of Hotel Occupancy Tax will be received by the City. This exceeds the $1,155,265 of debt service requirements on Combination Tax and Revenue Certificates of Obligation, Series 1998, and the allocable portion of Series 2005 Refunding Bonds. As shown in the section entitled "Tax Data - Hotel Occupancy Tax Receipts," Hotel Occupancy Tax Revenues in the fiscal years 2000 through 2007 have been more than adequate to pay debt service requirements on the Hotel Occupancy Tax Certificates and Bonds.

**Tax Adequacy**

The following analysis as of September 30, 2007, assumes 98 percent collection of ad valorem taxes levied against the City's fiscal year 2007 Net Assessed Valuation, and future Hotel Occupancy Tax collections at a level sufficient to pay debt service on the Combination Tax and Revenue Certificates of Certificates of Obligation, Series 1998, and the allocable portion of the Series 2005 Refunding Bonds.

| | |
|---|---|
| Average Annual Requirement (2008/2027) .................................. | $16,606,035 |
| A tax rate of $0.1002 per $100 assessed valuation produces .......... | 16,606,069 |
| Average Annual Requirement (2008/2017) .................................. | 27,009,836 |
| A tax rate of $0.1630 per $100 assessed valuation produces .......... | 27,013,864 |
| Maximum Annual Requirement (2008) ......................................... | 36,193,513 |
| A tax rate of $0.2184 per $100 assessed valuation produces .......... | 36,195,263 |

## GENERAL OBLIGATION COMMERCIAL PAPER PROGRAM

The City Council authorized the issuance of its General Obligation Commercial Paper Notes, Series A (the "Commercial Paper Notes") on May 24, 2005 in an aggregate principal amount not to exceed $30 million for voter approved capital projects (see "SECTION TWO: DEBT STRUCTURE AND CAPITAL IMPROVEMENT PROGRAM – Tax-Supported Capital Improvement Program" for a description of the approved capital projects for the Commercial Paper Notes). As of September 30, 2007, the City has issued $12,000,000 in Commercial Paper Notes. The liquidity provider for the principal portion of the Commercial Paper Notes is Bank of America, N.A.

The Commercial Paper Notes may be issued for a period not to exceed 270 days and will bear interest based upon the specified terms of the Commercial Paper Notes, but not to exceed 15%. The principal on the Commercial Paper Notes is payable from ad valorem taxes and other funds that may be provided under the Credit Agreement by and between the City and Bank of America, N.A. The interest on the Commercial Paper Notes is payable from the receipts of ad valorem taxes.

## ESTIMATED OVERLAPPING DEBT

The following table indicates the indebtedness, defined as outstanding obligations payable from ad valorem taxes, of governmental entities within which the City is located or with which taxable property is jointly levied against, and the estimated percentages and amounts of such indebtedness attributable to taxable property within the City. Such figures do not indicate the tax burden levied by the applicable taxing jurisdictions for operation and maintenance purposes. Furthermore, certain of the entities listed may have issued additional Bonds since the date stated in the table, and such entities may have programs requiring the issuance of substantial additional amounts of indebtedness, the amount of which cannot be determined.

**Overlapping Debt**
**(amounts in thousands)**

| Taxing Jurisdiction | Amount[1] | As of | Percent[2] | Amount |
|---|---|---|---|---|
| City of Arlington [3] | $228,280 | 9-30-07 | 100.00 % | $ 228,280 |
| Arlington Independent School District | 451,168 | 8-31-07 | 78.48 | 354,077 |
| Tarrant County | 263,806 | 9-30-07 | 15.94 | 42,051 |
| Tarrant County Junior College District | 51,944 | 8-31-07 | 15.94 | 8,280 |
| Tarrant County Hospital District | 66,490 | 9-30-07 | 15.94 | 10,599 |
| Kennedale Independent School District | 52,315 | 8-31-07 | 57.53 | 30,097 |
| Mansfield Independent School District | 627,765 | 8-31-07 | 34.63 | 217,395 |
| Hurst-Euless-Bedford I.S.D. | 251,116 | 8-31-07 | 0.36 | 904 |
| Total Direct and Overlapping Debt [4] | | | | $891,682 |
| Overlapping debt as a percent of 2007 assessed value | | 5.3% | | |
| Overlapping debt per capita | | $2,448 | | |
| Per capita overlapping debt as a percent of 2004 County per capita personal income | | 7.14% | | |

---

(1) Source: Net debt outstanding per representative of each jurisdiction.

(2) Source: Texas Municipal Reports, compiled and published by Municipal Advisory Council of Texas.

(3) See "Debt Statement."

(4) Substantially all of the City's residents are located within the Arlington I.S.D. Although Fort Worth I.S.D. also has taxing jurisdiction within a portion of the City, reference to this district has been intentionally omitted because less than 1 percent of its total debt is paid by residents of the City.

## WATER AND WASTEWATER SYSTEM REVENUE BONDS

The following table sets forth the debt service requirements on the Outstanding Bonds of the Water and Wastewater System, formerly known as the Waterworks and Sewer System.

**Debt Service Requirements**
**Water & Wastewater System Revenue Bonds [1]**

| Fiscal Year Ending 9/30 | Outstanding Bonds | | |
|---|---|---|---|
| | Principal | Interest | Total |
| 2008 | $8,230,000 | $4,083,066 | $12,313,066 |
| 2009 | 8,190,000 | 3,998,850 | 12,188,850 |
| 2010 | 8,145,000 | 3,665,742 | 11,810,742 |
| 2011 | 7,495,000 | 3,342,071 | 10,837,071 |
| 2012 | 7,155,000 | 3,027,253 | 10,182,253 |
| 2013 | 6,705,000 | 2,714,201 | 9,419,201 |
| 2014 | 6,265,000 | 2,406,573 | 8,671,573 |
| 2015 | 6,250,000 | 2,113,651 | 8,363,651 |
| 2016 | 5,725,000 | 1,828,233 | 7,553,233 |
| 2017 | 5,125,000 | 1,562,257 | 6,687,257 |
| 2018 | 5,125,000 | 1,325,438 | 6,450,438 |
| 2019 | 4,725,000 | 1,096,827 | 5,821,827 |
| 2020 | 4,725,000 | 885,309 | 5,610,309 |
| 2021 | 3,690,000 | 672,328 | 4,362,328 |
| 2022 | 2,880,000 | 508,362 | 3,388,362 |
| 2023 | 2,880,000 | 382,961 | 3,262,961 |
| 2024 | 2,090,000 | 256,050 | 2,346,050 |
| 2025 | 1,200,000 | 162,000 | 1,362,000 |
| 2026 | 1,200,000 | 108,000 | 1,308,000 |
| 2027 | 1,200,000 | 54,000 | 1,254,000 |
| **Total** | $99,000,000 | $33,869,172 | $133,193,172 |

[1] As of September 30, 2007.

Source: City Financial Services Department.

## DALLAS COWBOY COMPLEX SPECIAL OBLIGATIONS

The following table sets forth the total debt service requirements for the Series 2005A, 2005B and 2005C Dallas Cowboys Complex Special Obligations.

**Dallas Cowboys Complex Debt Service Requirements**
**September 30, 2007**
**Outstanding Bonds**

| Fiscal Year | Principal | Interest | Debt Service |
|---|---|---|---|
| 2008 | $ - | $12,388,658 | $12,388,658 |
| 2009 | 4,950,000 | 12,388,658 | 17,338,658 |
| 2010 | 5,230,000 | 12,219,854 | 17,449,854 |
| 2011 | 7,415,000 | 12,033,230 | 19,448,230 |
| 2012 | 7,695,000 | 11,757,168 | 19,452,168 |
| 2013 | 8,000,000 | 11,444,157 | 19,444,157 |
| 2014 | 7,710,000 | 11,172,966 | 18,882,966 |
| 2015 | 8,070,000 | 10,811,076 | 18,881,076 |
| 2016 | 8,530,000 | 10,446,329 | 18,976,329 |
| 2017 | 7,535,000 | 10,242,365 | 17,777,365 |
| 2018 | 2,175,000 | 9,885,115 | 12,060,115 |
| 2019 | 2,285,000 | 9,776,365 | 12,061,365 |
| 2020 | - | 9,662,115 | 9,662,115 |
| 2021 | - | 9,662,115 | 9,662,115 |
| 2022 | - | 9,662,115 | 9,662,115 |
| 2023 | - | 9,662,115 | 9,662,115 |
| 2024 | - | 9,662,115 | 9,662,115 |
| 2025 | - | 9,662,115 | 9,662,115 |
| 2026 | - | 9,662,115 | 9,662,115 |
| 2027 | - | 9,662,115 | 9,662,115 |
| 2028 | - | 9,662,115 | 9,662,115 |
| 2029 | - | 9,662,115 | 9,662,115 |
| 2030 | - | 9,662,115 | 9,662,115 |
| 2031 | 14,880,000 | 9,662,115 | 24,542,115 |
| 2032 | 15,620,000 | 8,918,115 | 24,538,115 |
| 2033 | 16,405,000 | 8,137,115 | 24,542,115 |
| 2034 | 17,225,000 | 7,316,865 | 24,541,865 |
| 2035 | 164,265,000 | 5,648,663 | 169,913,663 |
| **Total** | $297,990,000 | $280,532,072 | $578,522,072 |

[1] Assumes swap rate of 3.719% until swaps expire; $49,210,000 on September 3, 2013 and $115,055,000 on September 1, 2016. Once swap expires assumes variable rate of 3.93%, the rate on September 30, 2007.

## TAX-SUPPORTED CAPITAL IMPROVEMENT PROGRAM

The City's Capital Improvement Program ("CIP") provides for multi-year improvements to the City's public facilities along with the means of financing these improvements. The City's Capital Improvement Program which is prepared annually is primarily driven by recent bond election results. The City's most recent permanent improvement bond election was held on May 7, 2005. The proposition on the ballot for Parks for $13,600,000 was approved by the voters. Combined with the authorized but unissued bonds from prior elections, the City has $63,160,000 in unissued permanent improvement bonding authority.

The approved CIP is the result of a process that balances the need for public facilities against the fiscal capability of the City to provide for those needs. The City’s tax-supported CIP for fiscal year 2008 is budgeted at $27,990,000. The projects include $22,830,000 for Streets and Transportation improvements, $3,825,000 for Park and Recreation improvements, $500,000 for Police facilities, $500,000 for Library's collection development, and $335,000 for Aviation improvements. The City is planning to use its authorized commercial paper program, permanent improvement bonds and a $3,335,000 certificate of obligation issue to finance the tax-supported CIP.

**Capital Improvement Program**
**Bond Elections (1993, 1997, 1999, 2003, and 2005)**
**and 2007 Certificate Sale**
**(amounts in thousands)**

| Sources | Estimated Total Costs | Total Financing To Date | Issuance | Unissued Comm Paper | Total Amount Remaining | Percent of Total Amount Remaining |
|---|---|---|---|---|---|---|
| General Obligation Bonds/ Commercial Paper Notes, Series 2005 | $ 241,790 | $ 139,545 | $ 18,085 | $ 16,000 | $ 68,160 | 100.00% |
| 2007 Certificates of Obligation | 7,180 | - | 7,180 | - | - | - |
| Total | $ 248,970 | $ 139,545 | $ 25,265 | $ 16,000 | $ 68,160 | 100.00% |
| **Uses** | | | | | | |
| Library | $ 3,005 | $ 1,185 | $ 250 | $ 500 | $ 1,070 | 1.57% |
| Parks and Recreation | 51,460 | 37,400 | 1,955 | 2,500 | 9,605 | 14.09% |
| Streets, Storm Drainage and Transportation | 169,155 | 94,440 | 13,960 | 7,000 | 53,755 | 78.87% |
| Police | 10,935 | 4,270 | 1,665 | 5,000 | - | 0.00% |
| Fire | 4,935 | 2,250 | 255 | 1,000 | 1,430 | 2.10% |
| Erosion Control | 1,900 | | | | 1,900 | 2.79% |
| Traffic Mgmt. Cameras | 400 | | | | 400 | 0.59% |
| Info Tech Cert. of Obligation | 1,700 | | 1,700 | | - | |
| Public Works Cert. of Obligation | 3,400 | | 3,400 | | - | |
| Aviation Cert. of Obligation | 800 | | 800 | | - | |
| Animal Srvcs. Cert. of Obligation | 1,280 | - | 1,280 | - | - | |
| Total | $ 248,970 | $ 139,545 | $ 25,265 | $ 16,000 | $ 68,160 | 100.00% |

(1) The $25,265,000 in bonds and certificates of obligation were issued in September, 2007 but did not close until October, 2007 and consequently they were not included in the financials for fiscal year 2007.

## WATER AND WASTEWATER SYSTEM CAPITAL IMPROVEMENT PROGRAM

The City's Water Utilities Department maintains a program of annually updating its estimate of foreseeable System capital improvements. This is accomplished through the joint efforts of the Operations, Treatment and Business Services Divisions of the Water Utilities Department and independent consulting engineers. The Water Utilities Department annually reviews its proposed Capital Improvement Program with the City Council.

The following table represents the estimated amount of financing needed to meet the proposed Capital Improvement Program for the fiscal years shown.

**Proposed Capital Improvement Program**

| Fiscal Year | Planned Capital Expenditures | Texas Water Development Board [1] | Planned Bond Sale [2] | Other Capital Financing Sources [3] |
|---|---|---|---|---|
| 2008 | $39,850,000 | $ 3,700,000 | $10,000,000 | $26,150,000 |
| 2009 | 55,050,000 | 28,300,000 | 15,000,000 | 11,750,000 |
| 2010 | 29,000,000 | 2,000,000 | 15,000,000 | 12,000,000 |
| 2011 | 27,500,000 | 0 | 15,000,000 | 12,500,000 |
| 2012 | 28,000,000 | 0 | 15,000,000 | 13,000,000 |

(1) Texas Water Development Board Drinking Water State Revolving Fund loan will be used to fund the John F. Kubala Water Treatment Plant expansion.

(2) Water Utilities has $40 million in Commercial Paper authority. This may be issued in lieu of or in combination with bonds.

(3) Includes annual budgeted amounts for the water and wastewater main replacement program, cash contributions from the operating fund to the capital fund and remaining bond proceeds.

# SECTION THREE: FINANCIAL INFORMATION

## BASIS OF ACCOUNTING AND ACCOUNTING STRUCTURE

The accounting records of the City are maintained on the modified accrual basis of accounting for the General Fund, Special Revenue Funds, Capital Projects Funds and Trust and Agency Funds and on the accrual basis of accounting for the Enterprise Funds, and the Internal Service Funds. In general, under the modified accrual basis of accounting, revenues are recorded as received in cash except for material revenues considered to be both measurable and available to finance current year appropriations, which are recognized as revenue when earned. Expenditures are recorded in the period in which liabilities are incurred. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when liabilities are incurred without regard to receipts or disbursements of cash.

### Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Arlington for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2006. The City has been awarded a Certificate of Excellence for its CAFR for the year ended April 30, 1966 and then annually from 1977 to 2003. The City has also received GFOA's Award for Distinguished Budget Presentation for fiscal years 1986 through 2006.

## ACCOUNTING STANDARDS

The basic financial statements are prepared in conformity with GASB Statement No. 34 (Statement No. 34) which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund or account group, but distinguish between the City’s governmental activities and activities of its discretely presented component units on the statement of net assets and statement of activities. Significantly, the City’s statement of net assets includes both noncurrent assets and noncurrent liabilities of the City, which were previously recorded in the General Fixed Assets Account Group and the General Long-term Debt Account Group. In addition, the government-wide statement of activities reflects depreciation expenses on the City’s capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus for governmental funds. The accrual basis of accounting and the economic resources measurement focus is utilized by proprietary fund types and the pension trust fund. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Accordingly, the accounting and financial reporting of the City’s General Fund, Capital Projects Funds and Debt Service Funds is similar to that previously presented in the City’s financial statements, although the format of financial statements has been modified by Statement No. 34. The following major funds are used by the City:

### Governmental Funds

The following is a description of the Governmental Funds of the City:

General Fund accounts for several of the City’s primary services (Public Safety, Public Works, Public Health, Public Welfare, Parks and Recreation, etc.) and is the primary operating unit of the City. Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. Street capital project fund accounts for the financing and acquisition of right of way and construction of streets and related facilities. Funds are provided primarily through bond sales, and interest earnings. Other Governmental Funds is a summarization of all of the nonmajor governmental funds.

**Proprietary Fund**

The following is a description of the City's Proprietary Fund:

Water and Sewer Fund accounts for the operation of the City's water and sewer utility. Activities of the fund include administration, operation and maintenance of the water and sewer system and billing and collection activities. The Fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for revenue bonds and obligations under capital leases when due throughout the year. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the Fund.

**Other Fund Types**

The City additionally reports for the following Fund types:

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, generally on a cost reimbursement basis. Agency Funds are used to account for assets held by the City in an agency capacity for individuals, local law enforcement agencies or developers. Pension Trust Fund is used to account for the accumulation of resources to be used for the retirement benefit payments to employees of the City.

**Component Units**

Component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component Units discretely presented include the Arlington Sports Facilities Development Authority, Inc., the Arlington Housing Authority, the Arlington Housing Finance Corporation, the Arlington Convention & Visitors Bureau, Inc., and the Arlington Industrial Development Corporation. The following component units have been blended with those of the City because (i) their governing bodies are substantially the same as the governing body of the City or (ii) the component unit provides services entirely to the City. These are the Arlington Property Finance Authority, Inc., Thrift Savings Plan, Disability Income Plan and Part-Time Deferred Income Trust.

## CERTAIN OPERATIONS OF THE GENERAL FUND

The General Fund of the City is that accounting entity which is used to account for all transactions which are not accounted for in another fund and which, specifically, receives all revenues and records all expenditures relating to the ordinary operations of general government. Other major funds of the City are the Special Revenue Funds, Capital Project Funds, the Enterprise Funds, and the Debt Service Funds.

Summaries for fiscal years 2003 to 2007 have been compiled from the Comprehensive Annual Financial Reports of the City, which were examined by the City's independent auditors. These summaries should be read in conjunction with their related financial statements and notes.

**Consolidated Financial Statements-General Fund**
**Fiscal Year Ended September 30**
**(amounts in thousands)**

| | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|
| **Beginning Fund Balance** | $66,114 | $52,057 | $25,317 | $20,806 | $20,707 |
| **Revenues** | | | | | |
| Ad Valorem Taxes | 75,090 | 68,166 | 62,701 | 58,972 | 51,958 |
| Sales Tax | 46,245 | 43,228 | 40,072 | 39,664 | 38,695 |
| Other Taxes | 895 | 1,452 | 1,435 | 4,021 | 3,718 |
| Franchise Fees | 29,145 | 31,140 | 28,928 | 29,371 | 29,163 |
| Service Charges | 5,668 | 5,198 | 5,781 | 4,760 | 5,388 |
| Interest | 4,549 | 3,365 | 1,501 | 380 | 499 |
| All Other | 19,008 | 26,856 | 16,742 | 15,004 | 14,716 |
| Total Revenues | 180,600 | 179,405 | 157,160 | 152,172 | 144,137 |
| **Expenditures** | | | | | |
| Total Expenditures | 179,882 | 168,327 | 164,724 | 152,923 | 146,946 |
| **Net Revenues Over (Under) Expenditures** | 718 | 11,078 | (7,564) | (751) | (2,809) |
| **Other Financing Sources** | | | | | |
| Issuance of Capital Leases | - | - | 1,626 | - | - |
| Operating Transfers | (6,486) | 2,979 | 32,678 | 5,262 | 2,908 |
| **Ending Fund Balance** | $60,346 | $66,114 | $52,057 | $25,317 | $20,806 |
| | | | | | |
| rev-exp+transfers | (5,768) | 14,057 | 25,114 | 4,511 | 99 |
| above /GF revenues | (3.19%) | 7.84% | 15.98% | 2.96% | 0.07% |

(2) Prior to FY 2005 Payment in Lieu of Taxes was included in Other Taxes. Beginning in FY 2005 it is included in Operating Transfers.

For the fiscal year ended September 30, 2007, the General Fund had revenues, lease issuances and transfers less than expenditures by $5,768,000 or -3.19 percent of General Fund revenues, leaving a General Fund balance at September 30, 2007, of $60,346,000. The following table presents a comparison of the City's General Fund balance for fiscal years 2003 to 2007.

**General Fund Balance**
**Fiscal Year Ended September 30**
**(amounts in thousands)**

| | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|
| General Fund Balance: | | | | | |
| Reserved for | | | | | |
| Encumbrances | $6,351 | $4,463 | $3,230 | $1,786 | $656 |
| Inventory | 574 | 240 | 254 | 113 | 112 |
| Prepaids | 35 | 5 | 46 | 46 | 67 |
| Infrastructure Maintenance | - | - | - | - | - |
| Park Acquisition | - | - | - | - | - |
| Utility Rate Case | 500 | 500 | 500 | 500 | 500 |
| Special Transportation | - | - | - | - | - |
| Net Increase in Fair Value | - | - | - | - | - |
| Unreserved – Designated for | | | | | |
| Telecommunications | - | - | 274 | 329 | 102 |
| Working Capital | 16,232 | 15,964 | 14,373 | 13,585 | 12,981 |
| Subsequent Years' Expenditures | 5,843 | 5,747 | 5,174 | 5,018 | 4,821 |
| Arbitrage | 184 | 33 | 12 | 38 | 320 |
| Compensated absences | 1,261 | 1,280 | 1,125 | 1,411 | 1,247 |
| Other Post Employment Balances | 1,718 | 1,718 | 1,718 | 1,718 | |
| Designated for landfill lease proceeds | 21,030 | 20,573 | 19,887 | | |
| Designated for Infrastructure | 1,000 | 5,020 | | | |
| Undesignated | 5,618 | 10,571 | 5,464 | 773 | - |
| Total General Fund Balance | $60,346 | $66,114 | $52,057 | $25,317 | $20,806 |
| General Fund Balance as a Percent of General Fund Expenditures | 33.55% | 39.28% | 31.60% | 16.56% | 14.16% |

## DEBT SERVICE FUND BUDGET

**Fiscal Year 2008**
**(amounts in thousands)**

| | |
|---|---|
| Beginning Fund Balance | $3,079 |
| Property Tax Revenue | 34,804 |
| Interest Revenue | |
| Transfers In (1) | 2,246 |
| Debt Service Expenditures | (37,725) |
| Estimated Ending Fund Balance | $2,404 |

(1) Includes transfers to the Debt Service Fund from the Convention and Event Services Fund, Park Performance Fund, and Water and Wastewater Fund.

Source: Fiscal Year 2008 Budget and Fiscal Year 2007 CAFR.

## CURRENT OPERATING BUDGET

On September 2007, the City Council adopted a total Budget for fiscal year 2008 with expenditures of $349,482,000. The adopted General Fund Budget reflects a property tax rate of $0.6480/$100.

The adopted Budget for fiscal year 2008 maintains core services levels and programs within tight financial constraints. Employee pay increases, based on merit, were between 1% and 2% and were included in the adopted budget. The overall value of taxable property in the City increased by 4.9 percent, from $16,793 billion in fiscal year 2007 to $17,612 billion in fiscal year 2008. The adopted Budget authorizes City government personnel of 2,481 full-time positions, an increase of 117 positions from the fiscal year 2007 budget.

The following table shows the City's estimated revenues and budgeted expenditures for fiscal year 2008, as reported in the adopted Budget.

**Estimated Revenues and Budgeted Expenditures**
**Fiscal Year 2008 Budget [(1)]**
**(amounts in thousands)**

| | Budget | Percent | |
|---|---|---|---|
| REVENUES | | | |
| Property Taxes | $112,828 | 32 | % |
| Sales Tax | 46,368 | 13 | |
| Other Taxes | 1,429 | 0 | |
| Licenses and Permits | 4,768 | 1 | |
| Utility Franchise Fees | 31,354 | 9 | |
| Fines and Forfeitures | 9,992 | 3 | |
| Leases and Rents | 4,732 | 1 | |
| Services Charges | 12,077 | 3 | |
| Miscellaneous Revenues | 4,334 | 1 | |
| Water and Sewer Fund Revenues | 102,559 | 29 | |
| Convention & Event Services Fund Rev | 7,591 | 2 | |
| Sanitary Landfill Fund | - | - | |
| Street Maintenance Fund | 11,829 | 3 | |
| Park Performance Fund | 8,805 | 3 | |
| Total Revenues | $358,666 | 100 | % |
| EXPENDITURES | | | |
| General Government | $9,545 | 3 | % |
| Police | 70,095 | 20 | |
| Fire | 42,078 | 12 | |
| Community Services | 6,249 | 2 | |
| Community Development & Planning | 6,330 | 2 | |
| Parks and Recreation | 13,346 | 4 | |
| Public Works & Transportation | 16,912 | 5 | |
| Library | 6,601 | 2 | |
| Administrative and Support Services | 23,626 | 7 | |
| Water and Sewer Fund | 86,169 | 25 | |
| Convention & Event Services Fund | 5,964 | 2 | |
| Sanitary Landfill Fund | - | - | |
| Park Performance Fund | 11,010 | 3 | |
| Street Maintenance Fund | 13,833 | 4 | |
| Debt Service | 37,724 | 11 | |
| Transfers (Net) | - | - | |
| Total Expenditures | $349,482 | 100 | % |

(1) All funds combined, excludes interfund transfers.

Source: Fiscal Year 2008 Budget.

## GENERAL FUND REVENUES AND EXPENDITURES

The General Fund is the primary operating Fund maintained by the City to account for revenue derived from City-wide ad valorem taxes, other local taxes, licenses, fees, permits, and certain other miscellaneous revenues. General Fund expenditures are the cost of general City government. The following is a discussion of the General Fund revenue structure and major classifications of General Fund expenditures.

## TAX DATA

### General

A major source of operational revenue and funds for tax-supported debt service payments is the receipts from ad valorem taxation. The following is a recapitulation of (1) the authority for taxation, including methodology, limitations, remedies and procedures; (2) historical analysis of collection and trends of tax receipts and provisions for delinquencies; and (3) an analysis of (a) the base, (b) the principal taxpayers, and (c) other ad valorem taxation that may compete with the City's tax collections. Additionally, sales tax, hotel occupancy tax and short term motor vehicle rental tax authority and collections are described.

### Authority for Ad Valorem Taxation

Article XI, Section 5 of the Texas Constitution, applicable to cities of more than 5,000 in population, limits the ad valorem tax rate to $2.50 per $100 assessed valuation for all city purposes and makes no allocation of such tax rate between debt service requirements and expenses of general city government. The City operates under a Home Rule Charter that adopts these provisions of the Constitution. For fiscal year 2008, the Council levied a tax rate equal to $0.6480 per $100 assessed valuation of which $0.2013 was allocated to pay debt service on outstanding tax-supported Bonds and notes. See "Tax Rate Distribution."

### Truth-in-Taxation Limitation

The effective tax rate is the rate that will produce the same amount of operating revenue that the City levied the prior year on the same property. If the tax rate adopted for the next succeeding fiscal year exceeds the effective tax rate by more than eight percent, the qualified voters of the City may petition for an election to determine whether to limit the increase of the tax rate to no more than eight percent. The City is required to hold public hearings to permit voter discussion should the proposed tax rate levy taxes in excess of the amount levied the prior fiscal year.

### Property Subject to Taxation

All real property and tangible personal property in the City is subject to taxation except for certain mandated and discretionary exemptions granted pursuant to State law and the Property Tax Code. The Property Tax Code mandates exemption of public property, property exempt by federal law from ad valorem taxes, household goods, personal effects of an individual, and certain property of religious and charitable organizations, schools, and disabled veterans. The Property Tax Code authorizes cities to exempt the residential homestead of those over 65 years of age and the disabled. The Council currently exempts up to $60,000 of the appraised value of such residential homesteads. The FY 2008 tax rolls reflect the Council granting persons 65 years of age and older, disabled persons and disabled veterans exemptions totaling $798,555,685.

Article VIII, Section 1-b of the Texas Constitution provides the City with the authority to exempt a percentage of the market value of residential homesteads. The percentage may not exceed 20 percent in FY 2008 and each subsequent year. Where an ad valorem tax has previously been pledged for the payment of debt, the Council may continue to levy and collect the tax against the value of the exempt homesteads until the debt is discharged if the cessation of the levy would impair the obligation. The Council granted 20 percent residential homestead exemptions on the FY 2008 tax roll, which totaled $1,849,185,776, or 10.4 percent of the FY 2008 taxable assessed valuation. In addition, $71,433,552 of value was reduced from the FY 2008 tax rolls in accordance with State law to reflect value of agricultural land based upon production rather than market value.

Section 23.83 of the Property Tax Code allows taxes to be deferred on property that is restricted to scenic use. Deferrals were first claimed under this section in 1990. The FY 2008 tax roll reveals a value loss increase from $2,662,906 to $9,674,534 due to scenic deferrals.

Chapter 312 of the Property Tax Code allows the Council to designate reinvestment zones and to enter into tax abatement agreements with property owners within these zones. The abatement value loss on the FY 2008 tax roll is $330,647,067. A schedule of abated values for the FY 2008 by property owners is as follows:

| Property Owner | FY 2007 Abatement Value |
|---|---|
| General Motors | $ 198,804,266 |
| Americredit | 35,802,503 |
| Siemens Dematic | 23,716,264 |
| National Semiconductor | 11,994,149 |
| Petula/Aetna | 10,798,791 |
| JPMorgan Chase Bank | 8,969,857 |
| Rooms To Go | 8,942,127 |
| Prologis | 8,003,144 |
| Primera | 5,891,729 |
| Mackie Automotive | 5,128,875 |
| For 1031 Arlington, LLC | 4,795,700 |
| Lear Corporation | 4,312,151 |
| Office Depot | 2,678,926 |
| Robinson Steel | 606,872 |
| Primeco | 201,713 |
| **Total** | **$ 330,647,067** |

With the passage of Proposition 5 on November 7, 1989, the State Constitution was amended to allow for the taxation of temporarily located inventory on a local option basis. To continue taxation of this so called "freeport" property, the governing body of a taxing entity, such as the Council, was required to take action prior to January 1, 1990. The Council adopted an ordinance, which allowed for the continued taxation of "freeport" property for 1990 and subsequent years. On January 13, 1998, the Council repealed the aforementioned ordinance, which has the effect of exempting “freeport” property from taxation effective January 1, 1999. This exemption is irrevocable under current State law. The amount of "freeport" assessed value subject to exemption for the FY 2008 tax roll was $283,889,556.

**Tax Increment Financing Districts**

The City Council adopted an ordinance on November 3, 1998, establishing a tax increment financing district (the “TIF District #1”) encompassing approximately 533 acres in the City’s downtown area. The TIF District took effect on January 1, 1999 and will terminate on December 31, 2018. The City Council can terminate the TIF District at an earlier date by subsequent ordinance. The tax increment base will be the total net appraised value of all taxable property located in the reinvestment zone on January 1, 1998. The TIF District has a nine-member board of directors, five appointed by the City of Arlington and four members appointed by the other taxing jurisdictions. The board of directors shall prepare and adopt a project plan and reinvestment zone financing plan for the TIF District and submit such plans to the City for its approval. All eligible tax jurisdictions are participating for the full amount of their maintenance and operations portion of their respective tax rates. The tax increment payments for FY07 were $156,111.

The City Council adopted an ordinance on September 27, 2005, establishing a tax increment financing district (the “TIF District #2”), encompassing approximately 2,000 acres in the northeast quadrant of the City. The TIF District took effect on January 1, 2006 and was dissolved by the City Council on March 27, 2007. TIF District #2 was replaced by TIF District #6.

The City Council adopted an ordinance on October 11, 2005, establishing a tax increment financing district (the “TIF District #3”) encompassing approximately 210 acres on the eastern side of the City. The TIF District took effect on January 1, 2006 and will terminate on December 31, 2020. The City is in discussions with other taxing jurisdictions regarding their participation.

The City Council adopted an ordinance on November 8, 2005, establishing a tax increment financing district (the "TIF District #4") encompassing approximately 320 acres in the City's south central area. The TIF District took effect on January 1, 2005 and will terminate on December 31, 2025.

The City Council adopted an ordinance on December 19, 2006, establishing a tax increment financing district (the "TIF District #5") encompassing 2,187 acres generally defined by Lamar Boulevard to the north, the Missouri Pacific Railroad to the south, State Highway 360 to the east and Collins street to the west. The TIF Entertainment District took effect on January 1, 2007 and will terminate on December 31, 2036.

The City Council adopted an ordinance on December 18, 2007, establishing a tax increment financing district (the "TIF District # 6") encompassing approximately 2,000 acres in the northeast quadrant of the City. The TIF District took effect on January 1, 2007 and will terminate on December 31, 2036. The City is in discussions with other taxing jurisdictions regarding their participation

**Appraisal of Taxable Property**

The Property Tax Code established a county-wide appraisal district in each county of the State. Each appraisal district assumed the responsibility of appraising all taxable property and preparing and certifying the tax rolls for each unit of government that levies ad valorem tax in that county. Under the 1981 amendment to the Property Tax Code, the City is now entitled to vote, in the proportion to its taxes levied in Tarrant County, in selecting the governing board of appraisal district. A city, or other taxing unit, may challenge the appraisals assigned to property within its jurisdiction under certain limited circumstances. These entities can also sue the appraisal district to compel it to comply with the Property Tax Code.

The City's FY 2008 appraisal roll was prepared and certified by the Tarrant Appraisal District's Chief Appraiser and Appraisal Review Board. Such appraisal rolls are used by the City in establishing its tax rate. The City Council is responsible for setting the rate, levying and collecting the taxes. All taxable property in the City is presently valued on the City's tax roll at 100 percent of its estimated market value as of January 1, 2007. The rate of taxation was determined and set by the Council based upon the January 1, 2007 valuation. Taxes are due October 1 of the subject year and become delinquent after January 31 of the following year, except for a split payment option. Under the split payment option, adopted by the City beginning with fiscal year 2003, taxpayers can make one-half payment prior to December 1, and the final one-half payment prior to July 1 of the following year without penalty or interest. Since October 1, 2002 ad valorem taxes for the City have been collected by the Tarrant County Tax Assessor-Collector.

**City's Rights in the Event of Tax Delinquencies**

In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

**Tax Limitation Election**

A City election was approved on February 5, 2005, which adopted a homestead property tax limitation for disabled individuals and individuals 65 years of age or older. This limitation on the residential homesteads of qualifying property owners is defined under the Texas Property Tax Code, section 11.621. The limitation can not be repealed by any action of the City or through an election of the City under current state law. The homestead property tax ceiling limits the amount of taxes paid to the City based on the taxes paid in the first year that the property qualifies for the disabled exemption or the 65 years of age or older exemption. The limitation is a dollar amount and does not increase unless improvements are made to the residential homestead. For those property owners who qualified in 2005 for either exemption, the tax ceiling was set based on the taxes levied in September 2005 by the City. The tax ceiling carries forward to a surviving spouse age 55 or older of an individual who is 65 years of age or older.

The City has 67,059 residential homestead properties in FY 2008 and 13,602 (20.3%) of these properties received an exemption for a disabled individual or individual 65 years of age or older.

**Tax Revenue**

The following table shows the City's principal tax revenues by source for each of the last five fiscal years. Growth in total tax revenues has averaged 4.6 percent per year over the last five years.

**Principal Tax Revenue by Source**
**Fiscal Years 2003 to 2007**
**(amounts in thousands)**

| Fiscal Year | General Fund Ad Valorem Taxes | General Fund Sales Tax | Franchise Fees | Hotel Occupancy Tax | Other Taxes [1] | Total |
|---|---|---|---|---|---|---|
| 2003 | $51,958 | $38,695 | $29,163 | $3,910 | $3,718 | $127,444 |
| 2004 | 58,972 | 39,664 | 29,371 | 3,981 | 4,021 | 136,009 |
| 2005 | 62,701 | 40,072 | 28,928 | 4,530 | 1,435 | 137,666 |
| 2006 | 68,166 | 43,228 | 31,140 | 4,774 | 1,452 | 148,760 |
| 2007 | 74,589 | 45,923 | 29,145 | 5,400 | 823 | 155,880 |

[1] Prior to FY 2005 Payment in Lieu of Taxes was included in Other Taxes. Beginning in FY 2005 it is included in Operating Transfers.

Source: City Financial Services Department.

The following table sets forth the assessed value of all taxable property less exemptions in the City for each of its five most recent fiscal years. Tax-exempt properties owned by Federal and State governments, churches, and schools, totaling $1,850,607,701 for fiscal year 2008, are not included in the table. The Tarrant Appraisal District certified appraisal of taxable property less exemptions for fiscal year 2008 is $17,612,052,806. This value is obtained from the certified taxable value as of September of each year including minimum estimated value of property under protest.

**Historical Taxable Assessed Value**[1]
**Fiscal Years 2004 to 2008**

| Fiscal Year | Real Property Taxable Value | Percentage Change From Prior Year | Personal Property Taxable Value | Percentage Change From Prior Year | Total Taxable Value | Percentage Change From Prior Year |
|---|---|---|---|---|---|---|
| 2004 | $12,899,757,009 | 6.61% | $2,118,967,590 | -5.58% | $15,018,724,599 | 4.70% |
| 2005 | 13,349,818,463 | 3.49 | 2,249,501,932 | 6.16 | 15,599,320,395 | 3.87 |
| 2006 | 13,930,395,955 | 4.35 | 2,213,185,217 | -1.61 | 16,143,581,172 | 3.49 |
| 2007 | 14,561,490,051 | 4.53 | 2,231,934,712 | 0.85 | 16,793,424,763 | 4.03 |
| 2008 | 15,304,029,995 | 5.10 | 2,287,200,066 | 2.48 | 17,591,230,061 | 4.75 |

[1] Real and personal property is assessed at 100 percent of fair market value. Total taxable assessed value excludes abated value.

Source: City Financial Services Department.

**Tax Rate Distribution**
**Fiscal Years 2004 to 2008**

| | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| General Fund | 0.4467 | 0.4468 | 0.4244 | 0.4023 | 0.3879 |
| Debt Service Fund | 0.2013 | 0.2012 | 0.2236 | 0.2457 | 0.2601 |
| Total | 0.6480 | 0.6480 | 0.6480 | 0.6480 | 0.6480 |

Source: City Financial Services Department.

**Collection Ratios**
**Fiscal Years 2003 to 2007**

| Fiscal Year | Net Taxable Valuation[1] | Tax Rate | Tax Levy | % Collections[2] Current Year | % Collections[2] Prior Years | Year Ending |
|---|---|---|---|---|---|---|
| 2003 | $14,344,001,305 | 0.6480 | $90,940,968 | 98.15 | 99.89 | 9/30/2003 |
| 2004 | 15,018,724,599 | 0.6480 | 97,321,335 | 99.60 | 101.26 | 9/30/2004 |
| 2005 | 15,599,320,395 | 0.6480 | 101,083,596 | 97.85 | 100.22 | 9/30/2005 |
| 2006 | 16,143,581,172 | 0.6480 | 104,610,406 | 97.88 | 99.65 | 9/30/2006 |
| 2007 | 16,793,424,763 | 0.6480 | 108,821,392 | 97.54 | 99.82 | 9/30/2007 |

(1) Net Assessed Valuation is the certified roll as of September of each year including minimum estimated value of property under protest.
(2) Prior year's collections include current year collections, prior year delinquent collections and all penalty and interest collections.

Source: City Financial Services Department.

**Analysis of Delinquent Taxes**
**as of September 30, 2007**

| Fiscal Year | Tax Levy | Uncollected | Percentage of Levy |
|---|---|---|---|
| 2007 | $ 108,821,392 | $ 1,503,568 | 1.38% |
| 2006 | 104,610,406 | 519,389 | 0.50% |
| 2005 | 101,083,596 | 391,653 | 0.39% |
| 2004 | 97,321,335 | 329,056 | 0.34% |
| 2003 | 90,940,968 | 263,406 | 0.29% |
| 2002 | 85,674,820 | 254,232 | 0.30% |
| 2001 | 78,838,868 | 168,381 | 0.21% |
| 2000 | 72,828,633 | 187,180 | 0.26% |
| 1999 | 69,341,578 | 158,633 | 0.23% |
| 1998 | 64,954,721 | 154,124 | 0.24% |
| 1997 | 62,105,100 | 99,351 | 0.16% |
| 1996 | 58,374,990 | 58,857 | 0.10% |
| 1995 | 54,305,297 | 74,941 | 0.14% |
| 1994 | 53,777,666 | 94,877 | 0.18% |
| Prior to 1994 | N/A | 1,175,227 | N/A |
| | | $5,432,872 | |

Source: City Financial Services Department

**Tax Base Distribution**
**Fiscal Years 2004 to 2008**

| | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| Residential | 62.4% | 62.3% | 62.1% | 62.2% | 61.8% |
| Commercial, Industrial, Retail | 35.7 | 35.7 | 35.9 | 35.7 | 35.9 |
| Undeveloped | 1.9 | 2.0 | 2.0 | 2.1 | 2.3 |

Source: City Financial Services Department

**Top Ten Taxpayers**

| Name | Type of Business | FY2008 |
|---|---|---|
| General Motors Corporation[1] | Auto Assembly | $ 182,901,104 |
| TXU Electric Delivery | Public Utility | 147,804,519 |
| Parks at Arlington LP | Real Estate Holdings | 144,693,332 |
| Southwestern Bell Telephone Co. | Public Utility | 82,000,414 |
| Lincoln Square, Ltd | Real Estate Holdings | 60,015,624 |
| Texas Flags/Six Flags Over Texas | Amusement Park | 59,790,771 |
| National Semiconductor[1] | Computer Chip Mfg. | 58,966,392 |
| USMD Surgical Hospital | Healthcare | 51,443,186 |
| Arlington Highlands Ltd | Retail | 49,023,518 |
| HCA – Arlington Inc. | Healthcare | 40,000,000 |
| Total | | $ 876,638,860 |
| Above ten taxpayers as % of total tax rolls | | 4.98% |
| Total tax roll | | $ 17,612,052,806 |

(1) See Tax Data: Property Subject to Taxation and Assessed Value of Tax Abatement Agreement for 2008 abatement values.

Source: Tarrant County Tax Office.

### Tax Abatements

**Assessed Value of Tax Abatement Agreements**

| Fiscal Year | Total Assessed Valuation Abated |
|---|---|
| 1999 | $369,707,519 |
| 2000 | 377,017,981 |
| 2001 | 359,001,468 |
| 2002 | 561,859,024 |
| 2003 | 509,488,606 |
| 2004 | 381,607,734 |
| 2005 | 331,596,017 |
| 2006 | 312,216,195 |
| 2007 | 329,173,313 |
| 2008 | 330,647,067 |

Source: City Financial Services Department.

### Municipal Sales Tax

The City has adopted the provisions of Sections 321.101 and 321.103 of the Texas Tax Code, which grants the City the power to impose and levy a one percent sales tax for general purposes of the City. On September 14, 2002, an election to adopt an additional one-quarter cent city sales and use tax for municipal street maintenance as permitted under Chapter 327 of the Texas Tax Code was held and the additional one-quarter cent sales and use tax was approved. The additional one-quarter cent sales and use tax became effective on January 1, 2003. On November 2, 2004, an election to adopt an additional one-half cent sales and use tax for the Dallas Cowboys Complex Development Project as permitted by Chapter 334 of the Texas Local Government Code was held and the additional one-half cent sales and use tax was approved. The additional one-half cent sales and use tax became effective on April 1, 2005. The Comptroller of Public Accounts of the State of Texas, after the deduction of a two percent service fee, currently remits monthly the City's portion of sales tax collections to the City. The statute provides the Comptroller must remit at least twice annually. Revenue from sales tax levied for general purposes of the City may not be pledged, under the applicable statutes, to the payment of debt service of the City's debt obligations.

| Fiscal Year | Sales Tax Receipts | Ad Valorem Tax Levy | Sales Tax as a % of Ad Valorem Tax Levy | Population Estimate | Per Capita Sales Tax Collection |
|---|---|---|---|---|---|
| 2000 | $43,383,927 | $72,828,633 | 60% | 332,969 [(1)] | $130.29 |
| 2001 | 44,436,164 | 78,838,868 | 56 | 339,215 | 131.00 |
| 2002 | 41,172,479 | 85,674,820 | 48 | 346,197 | 118.93 |
| 2003 | 38,695,033 | 90,940,968 | 43 | 351,719 | 110.02 |
| 2004 | 39,663,609 | 97,321,335 | 41 | 355,634 | 111.53 |
| 2005 | 40,072,031 | 101,083,596 | 40 | 361,300 | 110.91 |
| 2006 | 43,228,000 | 104,610,406 | 41 | 362,393 | 119.28 |
| 2007 | 46,368,418 | 107,643,977 | 43 | 364,300 | 127.28 |

(1) Actual 2000 Census population.

Source: City Financial Services Department.

**Hotel Occupancy Tax Receipts**

Under the provisions of Section 351.002 and 351.003 of the Texas Tax Code, the City is authorized to levy and collect a hotel occupancy tax not to exceed seven percent of the price paid for a room in a hotel in the City which costs $2 or more per day and is ordinarily used for sleeping (the "Hotel Occupancy Tax") to pay for or finance a variety of public improvements, including, specifically, convention center facilities. Section 351.103(b) of the Texas Tax Code states that the Hotel Occupancy Tax revenue allocated by the municipality cannot exceed 15 percent for the encouragement, promotion and application of the arts and cannot exceed 15 percent for historical preservation projects or activities. The City has levied a Hotel Occupancy Tax of seven percent since 1983. On November 2, 2004 an election was approved under Chapter 334 of the Texas Local Government Code to increase the Hotel Occupancy Tax by two percent for the Dallas Cowboys Complex Development Project. The additional two percent can only be used for this purpose and became effective on April 1, 2005. **The additional two percent is not reflected in the table below**.

The Series 2005 Refunding Bonds and the Combination Tax and Revenue Certificates of Obligation, Series 1998 are payable in part from the Hotel Occupancy Tax. Set forth below are the revenues received by the City from the seven percent Hotel Occupancy Tax for the last five years.

| Fiscal Year | Hotel Occupancy Tax Receipts |
|---|---|
| 2003 | $3,909,501 |
| 2004 | 3,980,814 |
| 2005 | 4,530,102 |
| 2006 | 4,773,828 |
| 2007 | 5,400,772 |

Source: City Financial Services Department.

**Dallas Cowboys Complex Development Project**

On November 2, 2004, a majority of the voters of the City voted in favor of a proposition authorizing the City to provide for the planning, acquisition, establishment, development, construction and financing of the Dallas Cowboys Complex Development Project (the "Project") within the City and (i) to impose a sales and use tax within the City at a rate of one-half of one percent (0.5%), (ii) to impose a tax at a maximum rate of five percent (5%) on the gross rental receipts from the short-term rental in the City of a motor vehicle, (iii) to impose a tax on the occupancy of a room in a hotel located within the city, at a maximum rate of two percent (2%) of the price paid for such room, (iv) to impose an admissions tax on each ticket sold as admission to an event held at the Project at a maximum rate not to exceed ten percent (10%) of the price of the ticket, and (v) to impose a tax on each parked motor vehicle parking in a parking facility of the Project at a maximum rate not to exceed three dollars ($3.00) per vehicle. On February 8, 2005, the City Council approved the Cowboys Complex Funding and Closing Agreement.

On September 1, 2005, the City issued $297,990,000 Dallas Cowboys Complex Special Obligations (the "Obligations") in three series (Series 2005A, Series 2005B and Series 2005C) for this project. The remainder of the City's $325,000,000 share of project costs, if necessary, will come from excess sales, hotel and short term motor vehicle rental tax as well as interest earned on bond proceeds. The Obligations are limited obligations of the City, secured by a lien on and pledge of certain Pledged Special Taxes. Pledged Special Taxes consist of amounts received from the levy and collection of (i) a local sales and use tax of one-half of one percent (0.5%) (the "Sales Tax"); (ii) a five percent (5%) tax on the short-term rental in the City of a motor vehicle (the "Motor Vehicle Rental Tax"); and (iii) a two percent (2%) tax on hotel rooms located within the City (the "Hotel Tax"). The Series 2005C Bonds are additionally secured by and payable from the Pledged Rent which consists of annual rental payments of $2,000,000 received under the Lease and five percent (5%) of certain naming rights proceeds, not to exceed $500,000 annually, derived, if at all, from the sale by the Tenant of naming rights for the Cowboys Complex

The Obligations are *not* secured by any mortgage or security interest in the Cowboys Complex or any of the revenues thereof or by any property of the Dallas Cowboys, the National Football League, or any of their affiliates, owners or partners, or, except as expressly provided herein, by the City, the State or any agency, political corporation or subdivision thereof and neither the faith and credit of any of them has been pledged to the payment of the Obligations.

The table below displays the revenues from the collection of the 0.5% Sales Tax, 5.0% Motor Vehicle Rental Tax, and the 2.0% Hotel Tax. The taxes were collected for six months during fiscal year 2005 beginning on April 1, 2005.

**Dallas Cowboy Complex Project Tax Revenues**

| FY | Sales Tax | Motor Vehicle Rental Tax | Hotel Tax | Total Taxes |
|---|---|---|---|---|
| 2005 | $10,199,454 | $366,959 | $730,787 | $11,297,200 |
| 2006 | 22,070,968 | 793,711 | 1,360,672 | 24,225,351 |
| 2007 | 22,653,714 | 781,397 | 1,459,619 | 24,894,730 |

## FINANCIAL INFORMATION CONCERNING THE WATER AND WASTEWATER SYSTEM

### WATER AND WASTEWATER RATES

The Council is authorized by its home rule charter and by laws of the State of Texas to establish and to amend rates charged for water and wastewater service. Rates so fixed by the Council for domestic application are not subject to review by any other regulatory agency.

In August 2003, the City Council approved transitioning to a phased cost of service rate methodology and the introduction of conservation rate blocks. In order to minimize the impact to rate payers of implementing a full cost of service rate structure, cost of service rates are being phased in over a five-year period, which began with fiscal year 2004. The two components of the rate structure are a fixed monthly charge based upon meter size and a commodity charge per 1,000 gallons used. Fiscal year 2007 is year four of the five-year plan.

A separate fixed monthly fee scale was established for residential class customers with ¾-inch meters whose water and wastewater use is less than 2,000 gallons per month. The fixed charge for meter sizes other than ¾-inch increases with meter size to recognize the additional demands that large meter installations place on the system.

The water commodity charge is designed to encourage customers to efficiently use water. The commodity charge increases with higher volumes of water usage for both residential and commercial class customers. Unlike the variable water commodity rate, the wastewater commodity rate per 1,000 gallons is a flat rate for all account classifications that will not change based on usage. Beginning in fiscal year 2004, the 2,000 gallon volume credit was removed from the wastewater fixed monthly charge.

**CITY OF ARLINGTON WATER UTILITIES**
**FIXED MONTHLY FEE**
**Effective October 1, 2007**

| Meter Size | Water | Wastewater |
|---|---|---|
| 3/4" (≤2,000 gal) | $ 4.65 | $ 3.75 |
| 3/4" (≥3,000 gal) | 8.16 | 7.20 |
| 1" | 14.28 | 12.13 |
| 1 1/2" | 32.64 | 27.72 |
| 2" | 51.54 | 44.28 |
| 3" | 117.27 | 57.77 |
| 4" | 188.24 | 100.18 |
| 6" | 437.66 | 228.80 |
| 8" | 685.83 | 360.76 |
| 10" | 1,030.20 | 541.11 |

**CITY OF ARLINGTON WATER UTILITIES**
**CONSERVATION RATES BLOCK STRUCTURE**
**Effective October 1, 2007**

**RESIDENTIAL**

| Usage (1,000 gal) | Water | Wastewater |
|---|---|---|
| 0 – 2 | $1.28 | $2.65 |
| 3 - 10 | 1.68 | 2.65 |
| 11 - 15 | 2.53 | 2.65 |
| 16 - 29 | 3.00 | 2.65 |
| ≥ 30 | 3.50 | 2.65 |

**COMMERCIAL**

| Usage (1,000 gal) | Water | Wastewater |
|---|---|---|
| 0 - 15 | $1.68 | $2.65 |
| ≥ 16 | 1.84 | 2.65 |

**IRRIGATION**

| Usage (1,000 gal) | Rate |
|---|---|
| 0 - 29 | $3.00 |
| ≥ 30 | 3.50 |

**CONSTRUCTION**

| Usage (1,000 gal) | Rate |
|---|---|
| All Usage | $4.00 |

### Historical Rate Adjustments

Changes in revenue requirements during the past twenty years have resulted in the following changes in rates for the average residential customer. An average residential customer uses 10,000 gallons of water. Until December 1988, they were also billed for up to 12,000 gallons of wastewater flows. At that time, the wastewater maximum for residential customers was reduced to 9,000 gallons. Since March 1990, wastewater flows have been based on average winter water consumption. Each residential customer's maximum wastewater flows are calculated according to their water use during the billing periods of December through March. The overall system winter average for a residential customer is approximately 6,000 gallons.

**Rate Changes by Percent**
**Last Ten Fiscal Years**
**Average Residential Customer**
**Using 10,000 Gallons Water and 6,000 Gallons Wastewater**

| Fiscal Year | Water | Wastewater | Total |
|---|---|---|---|
| 1999 | 0.0 | 0.0 | 0.0 |
| 2000 | (3.2) | 0.0 | (2.1) |
| 2001 | (1.6) | 0.0 | (1.1) |
| 2002 | 1.7 | 1.6 | 1.7 |
| 2003 | 0.0 | 0.0 | 0.0 |
| 2004 | (6.8) | 49.3 | 12.4 |
| 2005 | 3.3 | 3.4 | 3.3 |
| 2006 | 0.2 | 4.2 | 2.0 |
| 2007 | (1.7) | 10.2 | 3.8 |
| 2008 | 7.8 | 3.1 | 5.5 |

Source: City Water Utilities Department.

### Operating Reserve

The current policy, authorized by the City Council in May 2003, requires the operating reserve to equal a minimum of 45 days of the proposed operating and maintenance expense budget, excluding debt service. Additionally, the reserve can be increased to a 60 day level using excess unbudgeted revenues, if available. The reserve fund balance as of September 30, 2007, was $11,466,257, which equals 60 days of operating and maintenance expense.

## HISTORICAL FINANCIAL INFORMATION

The following three tables present five-year historical information and selected financial ratios for the System. Unless otherwise noted, all information is from the City's Comprehensive Annual Financial Report. Selected amounts and ratios in the tables are unaudited as noted. The tables are titled Water and Wastewater Statement of Net Assets, Historical Net Revenues Available for Debt Service, and Historical Net Revenues of the System and Financial Ratios.

### WATER AND WASTEWATER SYSTEM STATEMENT OF NET ASSETS
**Fiscal Year Ended September 30,**
**(amounts in thousands)**

| Assets | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|
| Cash and cash equivalents | $11,977 | $13,183 | $12,526 | $11,777 | $9,986 |
| Receivable (net of allowances for uncollectibles) | 12,909 | 14,391 | 13,746 | 11,560 | 11,867 |
| Inventory of supplies, at cost | 444 | 404 | 432 | 482 | 359 |
| Restricted assets: | | | | | |
| Bond contingency | 10,713 | 10,586 | 11,612 | 10,884 | 10,907 |
| Capital/Bond construction | 30,576 | 43,209 | 39,516 | 32,491 | 22,509 |
| Meter deposits | 4,725 | 4,129 | 3,996 | 3,635 | 3,597 |
| Property, plant and equipment less accumulated depreciation | 468,835 | 451,030 | 436,325 | 414,073 | 394,598 |
| Total Assets | $569,807 | $536,932 | $518,153 | $484,902 | $453,823 |
| Liabilities and Net Assets | | | | | |
| Current Liabilities: | | | | | |
| Accounts payable and accrued liabilities | $4,583 | $4,465 | $4,348 | $3,627 | $2,564 |
| Payable from restricted assets | 12,933 | 10,254 | 11,262 | 10,712 | 10,215 |
| Accrued compensated absences | | | | | |
| Current | 113 | 112 | 71 | 85 | 64 |
| Non Current/Long Term | 1,775 | 1,548 | 1,481 | 1,593 | 1,600 |
| Revenue bonds, net of discount, payable from unrestricted assets | 90,332 | 80,844 | 90,779 | 83,927 | 79,411 |
| Total Liabilities | $109,736 | $97,223 | $107,941 | $99,944 | $93,854 |
| Net Assets/Equity: | | | | | |
| Invested in Capital Assets | 429,321 | 387,534 | 364,678 | 342,545 | 317,563 |
| Restricted | 9,097 | 9,273 | 10,041 | 9,460 | 9,638 |
| Unrestricted | 16,166 | 42,902 | 35,493 | 32,953 | 32,768 |
| Total Assets/Equity | $454,584 | $439,709 | $410,212 | $384,958 | $359,969 |
| Total Liabilities and Net Assets/Equity | $564,320 | $536,932 | $518,153 | $484,902 | $453,823 |

**HISTORICAL NET REVENUES AVAILABLE FOR DEBT SERVICE**
**Fiscal Year Ended September 30**
**(amounts in thousands)**

| Revenues | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|
| Water Sales | $43,693 | $58,571 | $50,034 | $44,857 | $47,206 |
| Wastewater Service | 40,246 | 38,052 | 37,094 | 37,615 | 30,058 |
| Interest Income | 1,222 | 2,930 | 1,731 | 1,112 | 1,209 |
| Other Income | 4,847 | 6,122 | 5,016 | 6,002 | 4,626 |
| Total Revenues | $90,008 | $105,675 | $93,875 | $89,586 | $83,099 |
| **Expenses** | | | | | |
| Labor Costs | $12,917 | $12,846 | $13,848 | $13,018 | $12,646 |
| Supplies | 2,356 | 2,937 | 2,226 | 1,924 | 1,739 |
| Maintenance | 2,493 | 2,764 | 2,105 | 1,964 | 2,030 |
| Water Supply (The District) | 12,549 | 13,738 | 10,761 | 12,697 | 12,423 |
| Wastewater Treatment Contracts | 19,364 | 18,179 | 15,906 | 16,070 | 15,959 |
| Utilities | 3,155 | 3,831 | 2,505 | 1,907 | 2,528 |
| Other Expenses [1] | 8,210 | 8,876 | 7,788 | 9,977 | 9,984 |
| Total Operating Expenses Before Depreciation | $61,044 | $63,171 | $55,139 | $57,557 | $57,309 |
| Net Revenues of the System | $28,964 | $42,504 | $38,736 | $32,029 | $25,790 |
| Interest During Construction Included Above | (1,059) | (756) | (553) | (317) | (208) |
| Net Revenues Available for Debt Service | $27,905 | $41,748 | $38,183 | $31,712 | $25,582 |
| Debt Service Paid [2] | $13,139 | $14,508 | $14,115 | $14,522 | $16,188 |
| Debt Service Coverage (times) | 2.12 x | 2.88 x | 2.71 x | 2.18 x | 1.58 x |
| Debt Service Requirements Paid From Surplus Net Revenues [4] | - | - | - | - | - |

(1) Beginning in 2005 Payment in Lieu of Taxes was not included in Other Expenses.
(2) Excludes TRA Revenue Bonds, accrued interest from bond sales, and refundings or cash defeasances.
(3) Unaudited.

**HISTORICAL NET REVENUES OF THE SYSTEM AND FINANCIAL RATIOS**
**Fiscal Year Ended September 30,**
**(amounts in thousands)**

| | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|
| Gross Operating Revenues | $88,786 | $102,745 | $92,144 | $88,474 | $81,890 |
| Interest Revenues (Excluding Interest During Construction) | 1,685 | 2,174 | 1,178 | 795 | 1,001 |
| Operating Expenses Before Depreciation (1) | 61,044 | 63,171 | 55,139 | 57,557 | 57,309 |
| Net Revenues Available for Debt Service | $29,427 | $41,748 | $38,183 | $31,712 | $25,582 |
| Average Annual Debt Service | $6,659 | $6,176 | $6,615 | $6,078 | $6,066 |
| Average Annual Debt Service Coverage (times) (2) | 4.42 x | 6.76 x | 5.77 x | 5.22 x | 4.22 x |
| Accounts Receivable to Gross Operating Revenues (%) | 14.54% | 14.01% | 14.92% | 13.07% | 14.49% |
| Unrestricted Cash to Unrestricted Current Liabilities (times) (2) | 2.24 x | 2.88 x | 2.83 x | 3.19 x | 3.80 x |
| Unrestricted Current Assets to Unrestricted Current Liabilities (times) (2) | 5.39 x | 6.11 x | 6.04 x | 6.44 x | 8.45 x |
| Long-term Debt to Net Plant (%) | 19% | 17% | 19% | 19% | 18% |

(1) Beginning in 2005, Payment in Lieu of Taxes was not included in Operating Expenses.
(2) Unaudited.
(3) Revenue Bonds payable excluded from unrestricted current liabilities.

## PENSION FUND

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), one of 811 currently administered by TMRS, an agent multiple-employer public employee retirement system. TMRS issues a publicly available financial report that includes financial statements and required supplementary information for TMRS. That report may be obtained by writing to TMRS, P.O. Box 149153, Austin, Texas, 78714.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100 percent, 150 percent, or 200 percent) of the employee's accumulated contributions. In addition, the City can grant as often as annually another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions, with interest, and the employer-financed monetary credits, with interest, were used to purchase an annuity.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years, but he must leave his accumulated contributions in the plan. If a member withdraws his own money, he is not entitled to the employer-financed monetary credits, even if he was vested. The plan provisions are adopted by the City Council, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

Plan provisions for the City were as follows (as of 4/1/06):

| | |
|---|---|
| Deposit Rate: | 7% |
| Matching Ratio: (City to Employee) | 2 to 1 |
| A member is vested after: | 5 years |

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year open amortization period. When the City periodically adopts updated service credits and increases annuities in effect, the increased unfunded actuarial liability is to be amortized over a new 25-year period. Currently, the unfunded actuarial liability is being amortized over the 25-year period, which began in January 1997. The unit credit actuarial cost method is used for determining the City contribution rate. Contributions are made monthly by both the employees and the City. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year lag between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

For 2007, the City's annual pension cost of $15,164,348 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2005 actuarial valuation using the unit credit actuarial cost method. The actuarial assumptions included a 7 percent investment rate of return (net of administrative expenses), (b) no projected salary increases, (c) no cost of living adjustment, and (d) no inflation rate adjustment. The actuarial value of assets is adjusted cost for bonds (original cost adjusted for amortization of premium or accrual of discount) and original cost for short-term securities and stocks, which is the same as book value. The City's unfunded actuarial accrued liability is being amortized over a constant 25-year open amortization period as a level percentage of payroll.

The following table discloses three-year historical trend information relating to the TMRS plan.

| **Fiscal Year Ending** | **Annual Pension Cost (APC)** | **Percentage of APC Contribution** | **Net Pension Obligation** |
|---|---|---|---|
| 9/30/2005 | $14,671,901 | 100.00% | - |
| 9/30/2006 | 14,512,396 | 100.00% | - |
| 9/30/2007 | 15,164,348 | 100.00% | - |

## SELF INSURANCE

As of November 1, 1986, the City of Arlington became fully self-insured for General, Auto, Public Officials, and Law Enforcement Liability coverages. The self-insurance plan provides for $1 million per occurrence coverage with a $3 million annual aggregate loss limit. In the absence of commercial liability insurance at reasonable cost, alternative measures for funding liability claims expense had to be developed. Arlington officials created a fully funded self-insurance program by issuing taxable municipal obligations. An actuarial study performed by the Wyatt Company, Dallas, Texas, determined that the City of Arlington would need $9.9 million to cover statistically predictable liability losses incurred between November 1, 1986, and November 1, 1996. Obligations were issued in the principal amount of $9,000,000 and the City contributed $1,000,000 from its General Fund. On January 12, 1999, the City issued $7,000,000 Combination Tax and Revenue Certificates of Obligation, Taxable Series 1999. The proceeds of this issue have been used to recapitalize the City's self-insurance program. The annual actuarial study in May 1999 estimated that the $7,000,000 of proceeds would adequately fund the self-insurance program through September 30, 2004. Subsequent actuarial studies and actual fund performance allowed continuation through September 30, 2006. As of September 30, 2007, total current assets less both current and non-current claims payable, was $2,469,980. Beginning in fiscal year 2007, funding for the self-insurance plan has been provided by annual transfers from budgeted operating funds.