

Department of Financial & Strategic Services
Quarterly Review

For the Period and Year Ended December 31, 2008

*Town of Addison
February 2009*

Quarter Ended 12/31/08

Table of Contents

	Pages
Executive Dashboard	i-iii
Memorandum to the City Manager	1-2
 Financial Section:	
Executive Summary of Major Operating Funds	3
General Fund, Quarterly Statement of Revenues Compared to Budget.....	4
General Fund, Quarterly Statement of Expenditures Compared to Budget	5
Hotel Fund, Quarterly Statement of Revenues and Expenditures Compared to Budget	6
Street Capital Project Fund, Quarterly Statement of Revenues and Expenditures Compared to Budget.....	7
Parks Capital Project Fund, Quarterly Statement of Revenues and Expenditures Compared to Budget.....	7
2002 Capital Project Fund, Quarterly Statement of Revenues and Expenditures Compared to Budget	8
2004 Capital Project Fund, Quarterly Statement of Revenues and Expenditures Compared to Budget.....	8
2006 Capital Project Fund, Quarterly Statement of Revenues and Expenditures Compared to Budget	9
2008 Capital Project Fund, Quarterly Statement of Revenues and Expenditures Compared to Budget	9
Airport Fund, Quarterly Statement of Revenues and Expenditures Compared to Budget	10
Utility Fund, Quarterly Statement of Revenues, Expenses and Changes in Working Capital Compared to Budget.....	11
Schedule of Sales Tax Collections and Related Analyses.....	12
Hotel Occupancy Tax Collection by Hotel Service Type	13
Interim Combined Statement of Cash Receipts and Disbursements	14
Collateral Summary.....	15
Statement of Compliance.....	16
 Attachments:	
First Southwest Portfolio Report	Attached

Executive Dashboard – 1st Quarter, 2009 Fiscal Year

Financial Indicators

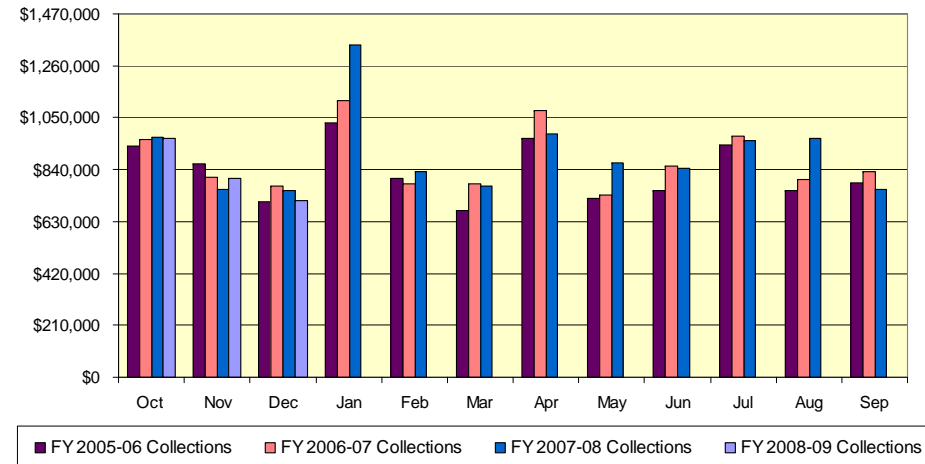
Key Revenue Sources:

	FY09 Budget	FY09 Projection*	Outlook/Variance
Ad Valorem Taxes	\$10,270,470	\$9,900,000	(\$370,470)
Sales Taxes	\$11,124,500	\$10,201,900	(\$922,600)
Franchise Fees	\$2,559,680	\$2,674,070	\$114,410
Licenses and Permits	\$658,560	\$658,560	\$-0-
Court Fines	\$1,300,000	\$1,024,000	(\$276,000)
Hotel Tax	\$5,200,000	\$4,400,000	(\$800,000)
Fuel Flowage Fees	\$800,000	\$500,000	(\$300,000)
Water and Sewer Charges	\$9,542,000	\$8,842,000	(\$700,000)

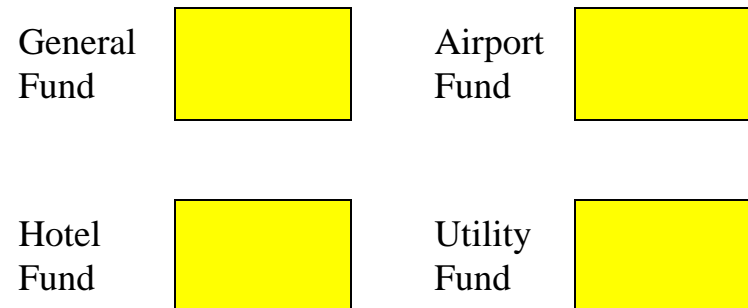
Key Expenditures:

	FY09 Budget	FY09 Projection*	Outlook/Variance
General Fund	\$28,981,820	\$28,000,000	\$981,820
Hotel Fund	\$7,033,610	\$7,033,610	\$-0-
Airport Operations	\$3,048,640	\$2,700,000	\$348,640
Utility Dept.	\$2,544,310	\$2,200,000	\$344,310

Addison Sales Tax Collections



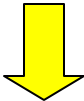
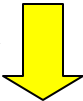
Overall Fund Outlook:



*Using data through December 31, 2008

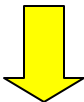
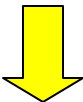
Economic Indicators

Office Occupancy Indicators:

North Dallas / Addison  Down from 83.01% to 81.10% Dallas/Fort Worth Metroplex  Down from 80.92% to 78.23%

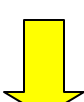
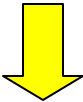
Source: Blacks Guide, Summer/Fall 2007 vs. Summer/Fall 2008

Hotel Indicators:

Hotel Occupancy  2008 down 11.4% from 2007 RevPAR  2008 down \$6.71 from 2007

Source: STR Report – December 2007 vs. December 2008

Area Economic Indicators:

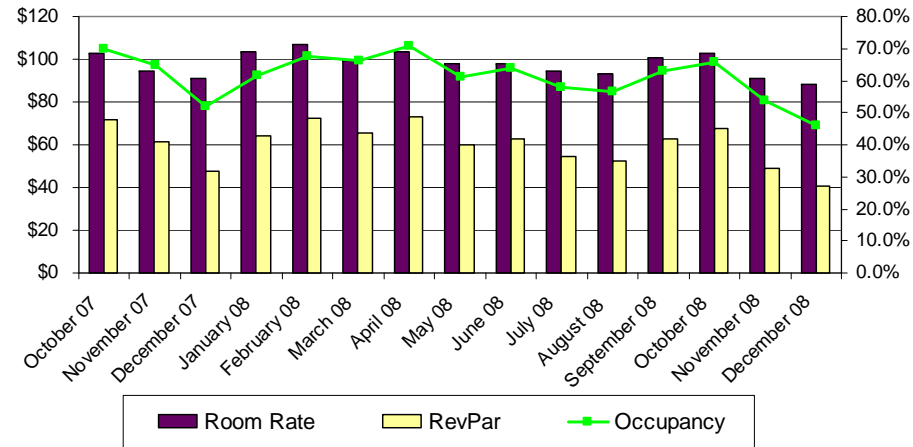
Area Employment  2008 down 0.7% from 2007 Texas Leading Indicators Index  2008 down 4.33% from 2007

Source: Dallas Federal Reserve

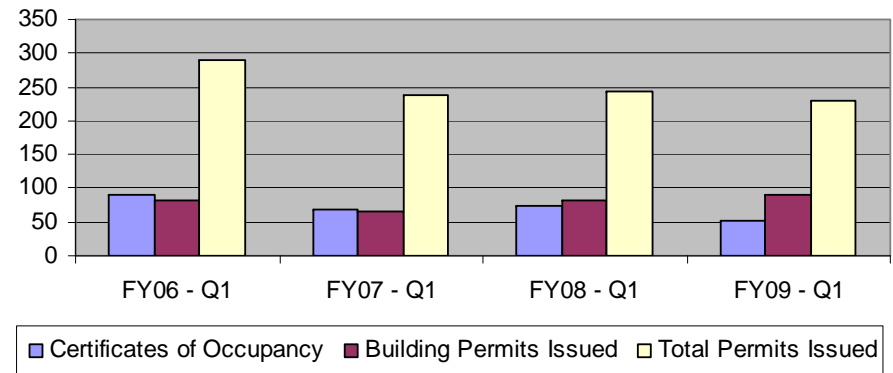
Building Permit Activity:

	FY 2008 (thru December 31st)	FY 2009 (thru December 31st)
Certificates of Occupancy	74	53
Building Permits Issued	82	89
Total Permits Issued	242	229
Total Valuation	\$9,665,865	\$9,900,865

Hotel Industry Statistics



Comparison of Permit Activity








Contract Summary Dashboard - 1st Quarter, 2009 Fiscal Year

For the period ended December 31, 2008


Status of Current Contracts

Type of Service






Key Maintenance Contracts

<u>Contract</u>	<u>Vendor/Contractor</u>	<u>Project Manager</u>	<u>Contract Amount</u>	<u>Paid Amount YTD</u>	<u>% of Contract</u>	<u>Status</u>	<u>Comments</u>
General Services - HVAC Maintenance	Brothers A/C & Heating	Mark Acevedo	\$89,652	\$35,479	40%		Includes heater replacement
General Services - Janitorial Services	Jani-King of Dallas	Mark Acevedo	\$102,480	\$38,276	37%		
Parks Mowing	Blade Turner	Slade Strickland	\$164,302	\$32,509	20%		
Street Sweeping	Sweeping Services of Texas	Robin Jones	\$53,000	\$11,160	21%		
Solid Waste Pick-Up	Waste Management	Robin Jones	\$224,160	\$57,308	26%		

Key Construction Contracts

<u>Contract</u>	<u>Vendor/Contractor</u>		<u>Contract Amount**</u>	<u>Paid Amount YTD</u>	<u>% of Contract</u>	<u>Status</u>	<u>Comments</u>
Spruill Park Construction	Ratliff Hardscape, Ltd	Slade Strickland	\$471,080	\$0			Contract just awarded - no payments yet

Key Service Contracts





<u>Contract</u>	<u>Vendor/Contractor</u>		<u>Contract Amount***</u>	<u>Paid Amount YTD</u>	<u>% of Contract</u>	<u>Status</u>	<u>Comments</u>
Legal Services	Cowles and Thompson	Ron Whitehead	\$466,500	\$88,934	19%		
Investment Services	First Southwest	Brian Hogan	\$49,000	\$14,245	29%		
Advertising Services	Krause	Lea Dunn	\$948,430	\$205,531	22%		
Sponsorship Services	PPI and Cavanaugh	Lea Dunn	\$86,000	\$46,984	55%		
Airport Management+	Washington Staubach	Mark Acevedo	\$2,415,520	\$345,373	14%		

* Paid amount higher due to four more weeks of mowing season

** Includes all change orders

*** Because contract amounts are based on different variables (hourly rate, percentage of funds invested, etc), contract amount represents amount budgeted for 2009 fiscal year

+ based on a percentage of gross receipts

Completed	
No issues	
Some issues	
Major issues	

Department of Financial & Strategic Services

To: Ron Whitehead, City Manager

From: Randy Moravec, Director
Jason L. Cooley, Strategic Services Manager

Re: First Quarter FY 2009 Financial Report

Date: February 17, 2009

This is the first financial report to be published since the national recession began in late 2007 that reflects an impact to the Town's financial condition. We are witnessing declines in revenues in the General, Hotel, and Utility funds. Because of its dense commercial development, Addison is particularly susceptible to variations in the national and regional economy. For this reason, the Town has long had in place financial policies that encourage the judicious use of financial resources when economic times are good, so that funds will be available for use when declines in the economy occur. For example, in the General fund, the actual beginning fund balance for the 2009 fiscal year is \$11.7 million, which represents 40.3% of the 2009 annual budget. In the Hotel fund, beginning balance is \$5.7 million, which is 81% of operating expenditures. Staff will diligently monitor income and keep the council informed of any significant changes that will require modifications to services or projects.

GENERAL FUND

- Revenues for the first quarter of fiscal year 2009 totaled \$4.97 million, which is roughly \$455k, or 8.4% less than received this time a year ago.
- Property tax collections of \$1.1 million is down 33% from this time last year. It is typical that payment of property taxes are deferred until the second quarter, since taxes are not due until January 31st. However, the significant decline is a source of concern. Having investigated this decline, we learned that the delay in collections is not due to the economy, but the fact that Dallas County is having some problems with their billing and collections of tax. The County instituted a new billing system in 2008 and has experienced conversion issues. These problems have been exacerbated by the fact that the long-tenured County Tax Collector, David Childs, was defeated in the last election and has been replaced by John R. Ames, who is having to learn the processes of the tax department. Conversations with Mr. Ames indicates that the county tax office is aggressively addressing the problems and that current tax collections will be processed by the end of February.
- Sales tax of \$2.49 million is almost identical to the amount received this time last year. Addison's collection experience is slightly less than Dallas County, which recorded a 1.6% increase and the State of Texas that experienced a 5.2% year-to-date increase.
- Through three months, operating expenditures total approximately \$5.89 million, which is 20.3% of budget and \$60k less than spent this time last year.

HOTEL FUND

- Revenues through the first quarter totaled \$1.3 million, a decline of \$116k from last year. The lower level of revenue is due to the 11% decline in hotel occupancy taxes caused by an anemic business travel market.
- Operating expenditures amounted to \$1.4 million or 18% of budget, an increase of \$143k, from last year at the same time.

AIRPORT FUND

- Operating revenue through three months totaled \$652k, down \$23k from last year. The decline is due to sluggish fuel sales attributed to rising fuel prices and current economic conditions.
- Year-do-date operating expenses amounted to \$488k, or \$61k less than this time last year. Net income of \$140k is \$19k more than last year.

UTILITY FUND

- Operating revenues through the first quarter total \$1.62 million, which represents a 3.6% decline from a year ago. This reduction in operating revenues is of some concern since utility rates were increased 11% effective in November. The decline is attributed to the removal of the Brookhaven Club apartments in advance of Vitruvian Park development and the closing of several large commercial accounts including Steak & Ale, Bennigans, Vue Restaurant, and Ounce Restaurant. The higher vacancy rate of hotels has also impacted utility sales to those accounts. Operating expenses total \$1,072k, a decrease of \$246k from a year ago, however this comparison is distorted by the fact that wastewater treatment expenses last year were inflated by timing differences in the payment of bills. Accounting for this difference, operating expenses would be about the same as a year ago.
- For the first three months of the fiscal year net income totals \$417k, when netted against payment of debt principal and capital project expenses, results in a decline in working capital of \$255k.

CASH AND INVESTMENT REPORT

- Cash for all funds as of December 31, 2008 totaled \$73.4 million, a net decrease of \$1.5 million from last quarter. The decrease is typical for the first quarter of the fiscal year when the pattern of expenditures exceed revenues for this period.
- The Town's average investment yield to maturity as of 12/31/08 was 2.443%, down significantly from the 2.806% of the previous quarter and 5.189% same time last year. The average weighted maturity decreased 15 days to 174 days. The decline in market interest rates will have an impact on the budget. For all funds, interest earnings were projected to be \$1.7 million. However with the lower interest rate environment expected to continue through the year, income from this source may be down as much as ½ the budgeted amount.
- Despite the decline in interest rates, the Town's return is still significantly above the benchmark Texpool return due to the long-term investments made before the decline in interest rates. We concur with the investment strategy recommended by First Southwest and will move money out of the investment pools and place the funds in longer-term government instruments.

TOWN OF ADDISON

EXECUTIVE SUMMARY OF MAJOR OPERATING FUNDS FOR THE QUARTER ENDED DECEMBER 31, 2008 UNAUDITED ACTUAL AMOUNTS COMPARED TO THE 2009 ADOPTED BUDGET AND PREVIOUS YEAR ACTUAL FOR SAME PERIOD

All Amounts Expressed in Thousands of Dollars

	General Fund			Hotel Fund			Airport Fund			Utility Fund			Total Major Operating Funds*		
	Budget	Actual	PY Actual	Budget	Actual	PY Actual	Budget	Actual	PY Actual	Budget	Actual	PY Actual	Budget	Actual	PY Actual
RESOURCES															
Ad Valorem Tax	\$ 10,295	\$ 1,051	\$ 1,666	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,295	\$ 1,051	\$ 1,666
Non-Property Tax	12,130	2,486	2,484	5,200	1,074	1,203	-	-	-	-	-	-	17,330	3,560	3,687
Franchise Fees	2,560	669	402	-	-	-	-	-	-	-	-	-	2,560	669	402
Service/Permitting/License Fees	1,943	388	411	1,475	79	10	837	122	166	9,612	1,623	1,684	13,867	2,213	2,270
Rental, Interest and Other Income	2,063	374	459	1,005	198	213	3,370	542	542	351	64	70	6,789	1,178	1,284
Transfers and Other Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Resources	28,991	4,967	5,422	7,680	1,351	1,427	4,207	664	708	9,963	1,687	1,753	50,841	8,669	9,310
APPLICATION OF RESOURCES															
Personal Services	19,289	3,957	3,991	1,620	273	263	286	51	31	1,404	246	242	22,599	4,527	4,528
Supplies and Materials	1,351	282	268	123	36	32	26	4	4	128	23	21	1,628	345	325
Maintenance	2,714	454	434	657	81	86	1,615	162	203	312	61	37	5,299	758	760
Contractual Services	4,594	967	990	4,521	797	625	1,481	271	310	5,185	737	1,013	15,781	2,772	2,939
Capital Equipment Amortization	862	215	269	61	15	15	-	-	-	18	4	4	941	235	289
Capital Equipment/Projects	172	17	-	52	17	56	200	7	27	1,748	134	22	2,171	176	105
Transfers and Other Uses**	-	-	-	700	175	175	390	98	97	2,987	747	656	4,077	1,019	928
Total Application of Resources	28,982	5,892	5,952	7,734	1,395	1,252	3,999	593	673	11,781	1,952	1,996	52,495	9,832	9,874
Net Change in Fund Balances	\$ 9	\$ (925)	(531)	\$ (54)	\$ (44)	\$ 175	\$ 208	\$ 72	\$ 35	\$ (1,818)	\$ (265)	(243)	\$ (1,655)	\$ (1,162)	(564)

Notes:

* Totals may not exactly match due to rounding.

** Transfers and other uses includes interfund transfers and and retirement of debt in the Airport and Utility funds.

TOWN OF ADDISON
GENERAL FUND
FY 2009 QUARTERLY STATEMENT OF REVENUES COMPARED TO BUDGET
With Comparative Information from Prior Fiscal Year

Category	2008-09 FY				2007-08	
	Budget	1st Quarter	Year-to-Date	YTD as % of Budget	Year-to-Date	YTD as % of Budget
Advalorem taxes:						
Current taxes	\$ 10,270,470	1,091,583	1,091,583	10.6%	\$ 1,640,387	16.0%
Delinquent taxes	3,120	-36,062	-36,062	-1155.8%	21,628	626.9%
Penalty & interest	21,830	-4,511	-4,511	-20.7%	4,160	17.2%
Non-property taxes:						
Sales tax	11,124,500	2,485,753	2,485,753	22.3%	2,483,933	23.1%
Alcoholic beverage tax	1,005,060	-	-	0.0%	-	0.0%
Franchise / right-of-way use fees:						
Electric franchise	1,550,000	443,296	443,296	28.6%	367,712	23.0%
Gas franchise	301,680	13,388	13,388	4.4%	-	0.0%
Telecommunication access fees*	575,000	173,102	173,102	30.1%	-	0.0%
Cable franchise	125,000	36,086	36,086	28.9%	31,650	28.6%
Wireless network fees	1,000	400	400	40.0%	-	0.0%
Street rental fees	7,000	2,250	2,250	32.1%	2,250	30.0%
Licenses and permits:						
Business licenses and permits	158,560	35,262	35,262	22.2%	35,345	24.1%
Building and construction permits	500,000	85,746	85,746	17.1%	74,221	18.1%
Intergovernmental revenue	-	-	-	0.0%	-	0.0%
Service fees:						
General government	600	123	123	20.5%	50	8.3%
Public safety	713,000	134,020	135,020	18.9%	174,309	24.1%
Urban development	5,000	1,220	1,220	24.4%	1,310	28.5%
Streets and sanitation	310,250	71,606	71,606	23.1%	65,231	22.0%
Recreation	74,100	13,822	13,822	18.7%	14,945	25.6%
Interfund	181,650	45,414	45,414	25.0%	45,414	25.0%
Court fines	1,300,000	257,373	255,793	19.7%	300,738	26.3%
Interest earnings	552,500	67,536	67,536	12.2%	115,000	20.5%
Rental income	156,500	42,485	42,485	27.1%	36,624	25.0%
Other	54,000	7,799	7,799	14.4%	6,842	14.0%
Total Revenues	\$ 28,990,820	\$ 4,967,692	\$ 4,967,112	17.1%	\$ 5,421,749	19.2%

NOTES:

* Telecommunication fees are due 45 days following the end of the quarter. First quarter report for FY 2008 completed prior to deadline which explains disparity compared to previous year.

TOWN OF ADDISON
GENERAL FUND
FY 2009 QUARTERLY STATEMENT OF EXPENDITURES COMPARED TO BUDGET
With Comparative Information from Prior Fiscal Year

Category	2008-09 FY				2007-08	
	Budget	1st Quarter	Year-to-Date	YTD as % of Budget	Year-to-Date	YTD as % of Budget
General Government:						
City manager	1,504,200	326,007	326,007	21.7%	\$ 341,843	24.8%
Financial & strategic services	1,052,050	222,676	222,676	21.2%	213,974	20.7%
General services	880,370	178,240	178,240	20.2%	178,150	19.1%
Municipal court	520,570	98,006	98,006	18.8%	91,938	20.1%
Human resources	572,960	84,932	84,932	14.8%	66,933	14.8%
Information technology	1,272,440	270,823	270,823	21.3%	188,316	12.0%
Combined services	794,020	168,302	168,302	21.2%	166,023	18.2%
Council projects	249,340	170,934	170,934	68.6%	163,661	57.6%
Public safety:						
Police	7,392,850	1,543,226	1,543,226	20.9%	1,535,056	20.6%
Emergency communications	1,150,000	286,108	286,108	24.9%	317,080	30.0%
Fire	6,115,870	1,256,557	1,256,557	20.5%	1,281,107	20.9%
Development services						
Streets	975,160	183,510	183,510	18.8%	218,463	23.3%
Parks and Recreation:						
Parks	2,308,180	383,894	383,894	16.6%	386,200	18.5%
Recreation	2,766,050	451,370	451,370	16.3%	534,712	20.3%
	1,427,760	267,682	267,682	18.7%	268,835	16.1%
Total Expenditures	\$ 28,981,820	\$ 5,892,267	\$ 5,892,267	20.3%	\$ 5,952,289	19.5%

NOTES:

- 1) N/A - Not Applicable

TOWN OF ADDISON

HOTEL FUND

FY 2009 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET

With Comparative Information from Prior Fiscal Year

Category	2008-09 FY				2007-08	
	Budget	1st Quarter	Year-to-Date	YTD as % of Budget	Year-to-Date	YTD as % of Budget
Revenues:						
Hotel/Motel occupancy taxes	\$ 5,200,000	\$ 1,074,028	\$ 1,074,028	20.7%	\$ 1,203,461	22.3%
Intergovernmental	-	-	-	0.0%	-	0.0%
Proceeds from special events	1,474,600	78,877	78,877	5.3%	10,017	0.7%
Conference centre rental	640,000	138,332	138,332	21.6%	119,827	23.2%
Theatre centre rental	90,000	19,631	19,631	21.8%	23,297	26.5%
Interest and miscellaneous	275,000	40,202	40,202	14.6%	70,124	28.0%
Total Revenues	7,679,600	1,351,070	1,351,070	17.6%	1,426,726	18.5%
Expenditures and other uses:						
Visitor services	1,292,700	174,940	174,940	13.5%	161,792	14.7%
Marketing	1,178,980	182,328	182,328	15.5%	149,714	12.3%
Special events	2,961,750	372,766	372,766	12.6%	224,110	8.4%
Conference centre	1,038,910	199,981	199,981	19.2%	228,051	20.8%
Performing arts	561,270	289,842	289,842	51.6%	313,378	45.4%
Capital projects	-	-	-	0.0%	-	0.0%
Other financing uses:						
Transfer to debt service fund	699,800	174,950	174,950	25.0%	175,000	25.0%
Total Expenditures and Other	\$ 7,733,410	\$ 1,394,806	\$ 1,394,806	18.0%	\$ 1,252,045	15.7%

NOTES:

- 1) N/A - Not Applicable
- 2) Amounts spent by special project:

Public Relations	\$ 716,770	\$ 103,366	\$ 103,366	14.4%	\$ 108,959	15.2%
Oktoberfest	544,080	20,033	20,033	3.7%	27,743	5.3%
Kaboom Town	249,350	-	-	0.0%	190	0.1%
Calendar	50,000	19,411	19,411	38.8%	22,142	44.3%
Hotel Support Program	260,000	44,274	44,274	17.0%	35,741	13.7%
Taste Addison	670,950	1,500	1,500	0.2%	2,895	0.5%
Jazz Festival	198,340	8,883	8,883	4.5%	9,244	4.7%
Shakespeare Festival	34,500	19,975	19,975	57.9%	18,762	60.5%
Summer Jazz Festival	47,750	280	280	0.6%	214	0.5%
Cinema in the Circle	24,580	6,485	6,485	26.4%	1,140	5.7%
WorldFest (formerly International Fest.)	180,000	170,986	170,986	95.0%	965	0.0%
Urbanato	100,000	17,374	17,374	17.4%	-	0.0%
Book Fair	1,530	907	907	59.3%	-	0.0%
Weekend to Wipe Out Cancer	15,000	167	167	1.1%	169	1.1%
TOTAL	\$ 3,092,850	\$ 224,890	\$ 224,890	7.3%	\$ 228,164	8.3%

TOWN OF ADDISON
STREET CAPITAL PROJECT FUND
FY 2009 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
With Comparative Information from Prior Fiscal Year

Category	2008-09 FY				2007-08	
	Budget	1st Quarter	Year-to-Date	YTD as % of Budget	Year-to-Date	YTD as % of Budget
Revenues:						
Intergovernmental grants	\$ 600,000	\$ -	\$ -	0.0%	\$ 188,387	19.4%
Interest income and other	100,000	19,342	19,342	19.3%	45,606	45.6%
Total Revenues	700,000	19,342	19,342	2.8%	233,993	21.8%
Expenditures:						
Personal services	-	-	-	0.0%	8,347	104.3%
Design and engineering	43,000	390	390	0.9%	7,813	52.1%
Construction and equipment:	1,200,000	-	-	0.0%	155,025	6.2%
Total Expenditures	\$ 1,243,000	\$ 390	\$ 390	0.0%	\$ 171,185	6.7%

NOTES:

1) N/A - Not Applicable

TOWN OF ADDISON
PARKS CAPITAL PROJECT FUND
FY 2009 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
With Comparative Information from Prior Fiscal Year

Category	2008-09 FY				2007-08	
	Budget	1st Quarter	Year-to-Date	YTD as % of Budget	Year-to-Date	YTD as % of Budget
Revenues:						
Interest income and other	\$ 20,000	\$ 6,287	\$ 6,287	31.4%	\$ 11,391	N/A
Developer contributions	-	-	-	0.0%	\$ -	0.0%
Transfer from street capital project fund	-	-	-	0.0%	-	0.0%
Total Revenues	20,000	6,287	6,287	31.4%	11,391	#DIV/0!
Expenditures:						
Personal services	2,000	296	296	14.8%	-	0.0%
Design and engineering	5,000	445	445	8.9%	-	0.0%
Construction and equipment:	934,340	-	-	0.0%	-	0.0%
Total Expenditures	\$ 941,340	\$ 741	\$ 741	0.1%	\$ -	0.0%

NOTES:

1) N/A - Not Applicable

TOWN OF ADDISON
2002 CAPITAL PROJECT FUND
FY 2009 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
With Comparative Information from Prior Fiscal Year

Category	2008-09 FY				2007-08	
	Budget	1st Quarter	Year-to-Date	YTD as % of Budget	Year-to-Date	YTD as % of Budget
Revenues:						
Interest earnings and other	75,000	\$ 13,866	\$ 13,866	18.5%	\$ 25,991	43.3%
Total Revenues	75,000	13,866	13,866	18.5%	25,991	43.3%
Expenditures and other uses:						
Personal services	-	-	-	0.0%	-	0.0%
Design and engineering	400,000	7,798	7,798	1.9%	26,008	6.0%
Arbitrage rebate	-	-	-	0.0%	56,681	N/A
Construction and equipment	1,200,000	-	-	0.0%	-	0.0%
Total Expenditures	\$ 1,600,000	\$ 7,798	\$ 7,798	0.5%	\$ 82,689	18.2%

NOTES:

1) N/A - Not Applicable

TOWN OF ADDISON
2004 CAPITAL PROJECT FUND
FY 2009 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
With Comparative Information from Prior Fiscal Year

Category	2008-09 FY				2007-08	
	Budget	1st Quarter	Year-to-Date	YTD as % of Budget	Year-to-Date	YTD as % of Budget
Revenues:						
Intergovernmental grants	\$ -	\$ -	\$ -	0.0%	\$ -	N/A
Interest earnings and other	15,000	2,974	2,974	19.8%	5,221	26.1%
Total Revenues	15,000	2,974	2,974	19.8%	\$ 5,221	26.1%
Expenditures and other uses:						
Personal services	-	-	-	0.0%	-	0.0%
Design and engineering	15,000	-	-	0.0%	-	0.0%
Construction and equipment	-	-	-	0.0%	-	N/A
Total Expenditures	\$ 15,000	\$ -	\$ -	0.0%	\$ -	N/A

NOTES:

1) N/A - Not Applicable

TOWN OF ADDISON
2006 CAPITAL PROJECT FUND
FY 2009 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
With Comparative Information from Prior Fiscal Year

Category	2008-09 FY				2007-08	
	Budget	1st Quarter	Year-to-Date	YTD as % of Budget	Year-to-Date	YTD as % of Budget
Revenues:						
Interest earnings and other	\$ 15,000	\$ 2,392	\$ 2,392	15.9%	4,198	N/A
Total Revenues	15,000	2,392	2,214	14.8%	4,198	N/A
Expenditures and other uses:						
Bond sale costs	-	-	-	0.0%	-	0.0%
Design and engineering	-	-	-	0.0%	-	0.0%
Construction and equipment	-	-	-	0.0%	-	0.0%
Total Expenditures	\$ -	\$ -	\$ -	0.0%	\$ -	0.0%

NOTES:

1) N/A - Not Applicable

TOWN OF ADDISON
2008 CAPITAL PROJECT FUND
FY 2009 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
With Comparative Information from Prior Fiscal Year

Category	2008-09 FY				2007-08	
	Budget	1st Quarter	Year-to-Date	YTD as % of Budget	Year-to-Date	YTD as % of Budget
Revenues:						
Interest earnings and other	\$ 500,000	\$ 188,643	\$ 188,643	37.7%	-	0.0%
Total Revenues	500,000	188,643	188,643	37.7%	\$ -	0.0%
Expenditures and other uses:						
Personal Services	50,000	87	87	0.2%	-	0.0%
Design and engineering	1,200,000	374,209	374,209	31.2%	-	0.0%
Construction and equipment	15,250,000	-	-	0.0%	-	0.0%
Land Acquisition	-	-	-	0.0%	-	0.0%
Total Expenditures	\$ 16,500,000	\$ 374,296	\$ 374,296	2.3%	\$ -	0.0%

NOTES:

1) N/A - Not Applicable

AIRPORT FUND

FY 2009 QUARTERLY STATEMENT OF REVENUES, EXPENDITURES AND CHANGES TO WORKING CAPITAL COMPARED TO BUDGET

With Comparative Information from Prior Fiscal Year

Category	2008-09 FY				2007-08	
	Budget	1st Quarter	Year-to-Date	YTD as % of Budget	Year-to-Date	YTD as % of Budget
Operating revenues:						
Operating grants	\$ 50,000	\$ -	\$ -	0.0%	\$ -	0.0%
Fuel flowage fees	800,000	117,723	117,723	14.7%	158,763	16.3%
Rental	3,240,000	529,632	529,632	16.3%	509,125	16.9%
User fees	37,200	4,431	4,431	11.9%	6,843	19.6%
Total operating revenues	<u>4,127,200</u>	<u>651,786</u>	<u>651,786</u>	15.8%	<u>674,731</u>	16.6%
Operating expenses:						
Town - Personal services	285,650	50,926	50,926	17.8%	31,179	11.0%
Town - Supplies	26,300	4,157	4,157	15.8%	4,261	17.9%
Town - Maintenance	30,970	6,657	6,657	21.5%	7,597	28.2%
Town - Contractual services	550,200	80,980	80,980	14.7%	111,069	21.1%
Grant - Maintenance	100,000	-	-	0.0%	-	0.0%
Operator operation & maintenance	1,484,320	155,007	155,007	10.4%	195,402	13.1%
Operator service contract	931,200	190,365	190,365	20.4%	199,194	21.1%
Total operating expenses	<u>3,408,640</u>	<u>488,092</u>	<u>488,092</u>	14.3%	<u>548,702</u>	16.2%
Net operating income	<u>718,560</u>	<u>163,693</u>	<u>163,693</u>	22.8%	<u>126,029</u>	18.6%
Non-Operating revenues (expenses):						
Interest earnings and other	80,000	12,571	12,571	15.7%	33,261	19.0%
Interest on debt, fiscal fees & other	(145,270)	(36,317)	(36,317)	25.0%	(38,418)	25.0%
Total non-operating revenues (expenses)	<u>(65,270)</u>	<u>(23,746)</u>	<u>(23,746)</u>	36.4%	<u>(5,157)</u>	-24.2%
Net income (loss) (excluding depreciation)	<u>\$ 653,290</u>	<u>\$ 139,947</u>	<u>\$ 139,947</u>	21.4%	<u>\$ 120,872</u>	17.3%
CHANGES IN WORKING CAPITAL						
Net income (excluding depreciation)	<u>\$ 653,290</u>	<u>\$ 139,947</u>	<u>\$ 139,947</u>	21.4%	<u>120,872</u>	0.0%
Sources (uses) of working capital:						
Retirement of long-term debt	(245,000)	(61,250)	(61,250)	25.0%	(58,750)	0.0%
Net additions to fixed assets with grants	(200,000)	(7,158)	(7,158)	3.6%	(1,861)	0.0%
Other net additions to fixed assets	-	-	-	0.0%	(25,163)	0.0%
Net sources (uses) of working capital	<u>(445,000)</u>	<u>(68,408)</u>	<u>(68,408)</u>	15.4%	<u>(85,774)</u>	7.0%
Net increase (decrease) in working capital	208,290	71,539	71,539	34.3%	35,098	15.1%
Beginning fund balance	<u>1,032,580</u>	<u>1,384,264</u>	<u>1,384,264</u>	134.1%	<u>1,693,503</u>	125.8%
Ending fund balance	<u>\$ 1,240,870</u>	<u>\$ 1,455,803</u>	<u>\$ 1,455,803</u>	117.3%	<u>\$ 1,728,601</u>	207.0%

NOTES:

1) Operating income and portions of operating expenses are underreported by one month due to transactions being accounted for by operator one month and not reported to Town until following month.

UTILITY FUND

FY 2009 QUARTERLY STATEMENT OF REVENUES, EXPENDITURES AND CHANGES TO WORKING CAPITAL COMPARED TO BUDGET

With Comparative Information from Prior Fiscal Year

Category	2008-09 FY				2007-08	
	Budget	1st Quarter	Year-to-Date	YTD as % of Budget	Year-to-Date	YTD as % of Budget
Operating revenues:						
Water sales	\$ 4,885,500	876,381	876,381	17.9%	\$ 843,824	17.9%
Sewer charges	4,656,500	721,810	721,810	15.5%	804,571	15.8%
Tap fees	10,000	2,870	2,870	28.7%	13,785	275.7%
Penalties	60,000	22,250	22,250	37.1%	21,421	38.9%
Total operating revenues	9,612,000	1,623,311	1,623,311	16.9%	1,683,601	17.0%
Operating expenses:						
Water purchases	2,610,200	397,961	397,961	15.2%	378,297	15.1%
Wastewater treatment	1,892,200	227,576	227,576	12.0%	546,693	28.0%
Utility operations	2,544,310	446,604	446,604	17.6%	393,407	15.2%
Total operating expenses	7,046,710	1,072,141	1,072,141	15.2%	1,318,397	18.7%
Net operating income	2,565,290	551,170	551,170	21.5%	365,204	12.8%
Non-Operating revenues (expenses):						
Interest income and other	351,000	63,536	63,536	18.1%	69,550	34.8%
Interest on bonded debt and fiscal charges	(790,530)	(197,632)	(197,632)	25.0%	(128,200)	25.0%
Total non-operating revenues (expenses)	(439,530)	(134,096)	(134,096)	30.5%	(58,650)	18.8%
Net income (excluding depreciation)	\$ 2,125,760	\$ 417,074	\$ 417,074	19.6%	\$ 306,554	12.1%
CHANGES IN WORKING CAPITAL						
Net income (loss)	2,125,760	417,074	417,074	19.6%	306,554	12.1%
Sources (uses) of working capital:						
Retirement of long-term debt	(2,196,060)	(549,015)	(549,015)	25.0%	(527,500)	25.0%
Net additions to fixed assets	(1,747,800)	(132,922)	(132,922)	7.6%	(22,378)	1.3%
Net sources (uses) of working capital	(3,943,860)	(681,937)	(681,937)	17.3%	(549,878)	14.2%
Net increase (decrease) in working capital	(1,818,100)	(264,863)	(264,863)	14.6%	(243,324)	18.3%
Beginning fund balance	8,964,360	9,801,446	9,801,446	109.3%	3,502,761	93.4%
Ending fund balance	\$ 7,146,260	\$ 9,536,583	\$ 9,536,583	133.4%	\$ 3,259,437	134.6%

NOTES:

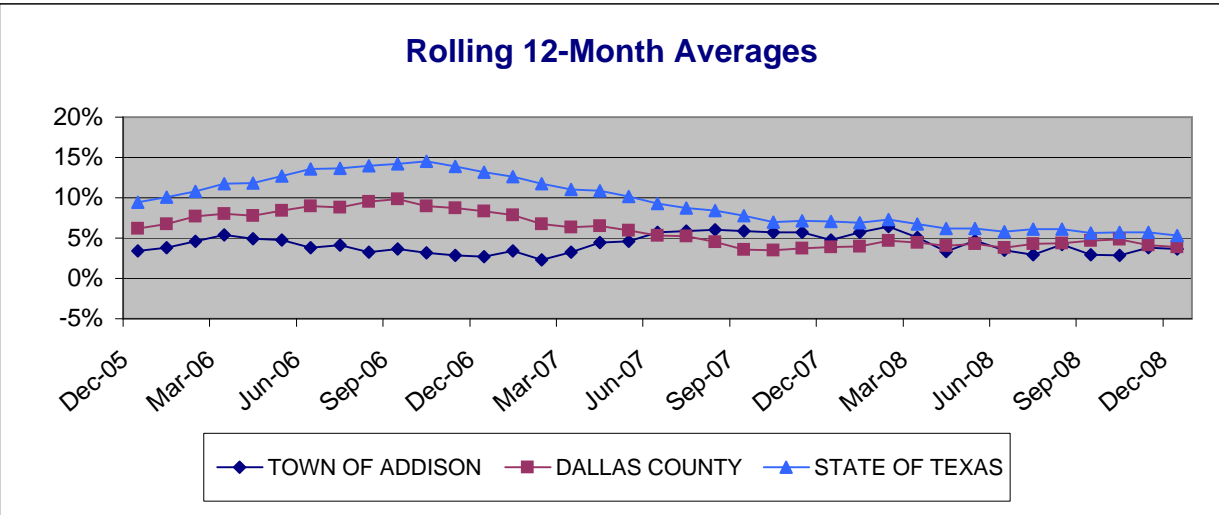
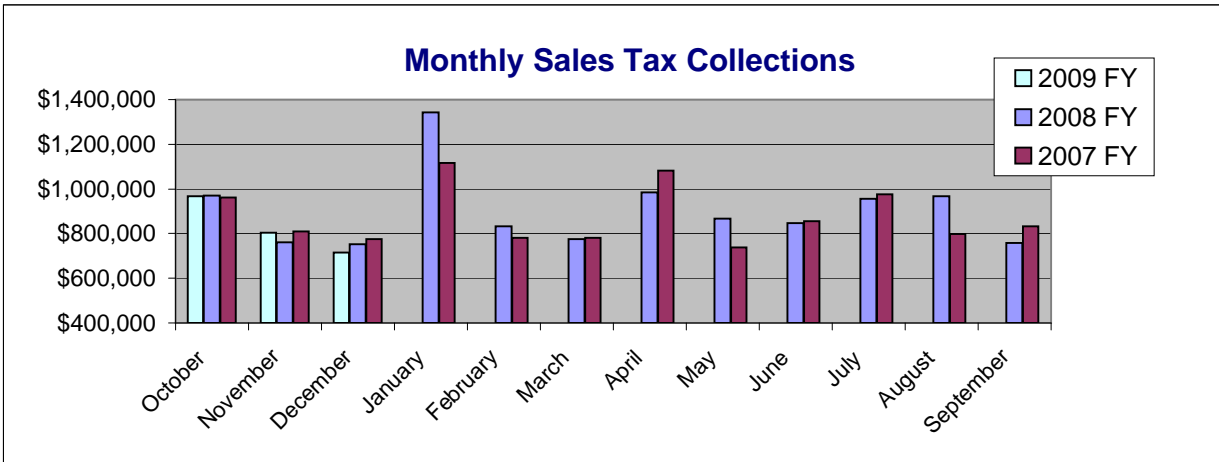
- 1) N/A - Not Applicable
- 2) Purchases of water and wastewater treatment services are underreported by one to two months due to prior year accruals and delay in receiving billings from Dallas Water Utilities.

TOWN OF ADDISON

Schedule of Sales Tax Collections and Related Analyses

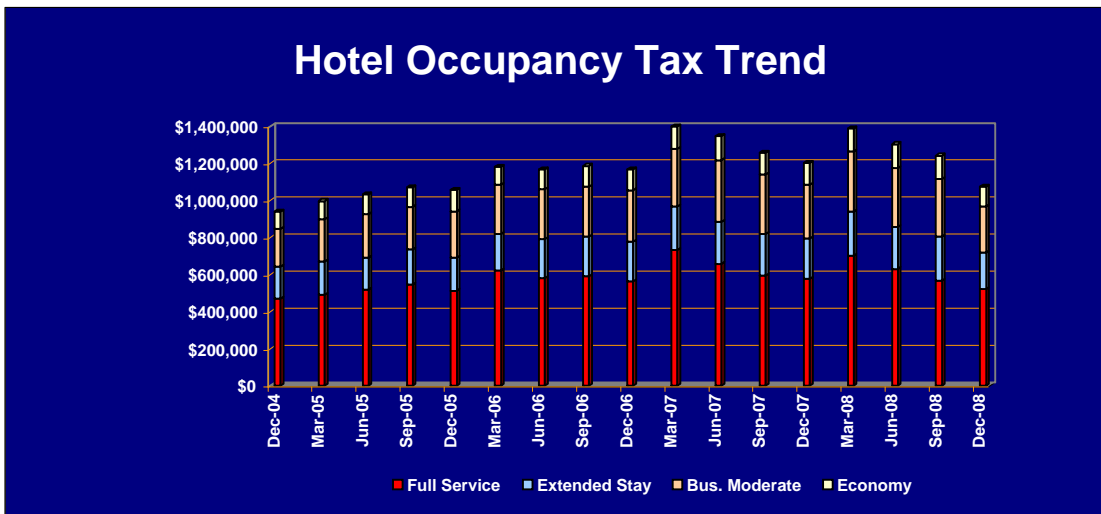
For the fiscal year ending September 30, 2009

	TOWN OF ADDISON				DALLAS COUNTY		STATE OF TEXAS	
	2008-09 Collections		% Change from Prior Year		% Change from Prior Year		% Change from Prior Year	
	Monthly	Cumulative	Monthly	Cumulative	Monthly	Cumulative	Monthly	Cumulative
October	\$ 966,519	\$ 966,519	-0.4%	-0.4%	2.0%	2.0%	4.0%	4.0%
November	\$ 803,512	\$ 1,770,031	5.7%	2.3%	-1.3%	0.6%	9.5%	6.5%
December	\$ 715,722	\$ 2,485,753	-5.0%	0.1%	4.1%	1.6%	2.2%	5.2%
January	\$ -							
February	\$ -							
March	\$ -							
April	\$ -							
May	\$ -							
June	\$ -							
July	\$ -							
August	\$ -							
September	\$ -							
Budget 08-09:		\$ 11,124,500						
Projected Year-End		\$ 10,201,900						



TOWN OF ADDISON HOTEL OCCUPANCY TAX COLLECTION
Hotels By Service Type for the Quarter and Year-To-Date Ended December 31, 2008
With Comparisons to Prior Year

	Rooms		1st Quarter FY 09		09 to 08 % Diff.	YTD FY 09		09 to 08 % Diff.
	Number	Percentage	Amount	Percentage		Amount	Percentage	
Full Service								
Marriott Quorum	535	14%	\$ 199,054	19%	-14%	\$ 199,054	19%	-14%
Intercontinental	532	13%	192,968	18%	-3%	192,968	18%	-3%
Crown Plaza	429	11%	129,860	12%	-11%	129,860	12%	-11%
	1,496	38%	521,883	49%	-9%	521,883	49%	-9%
Extended Stay								
Budget Suites	344	9%	7,654	1%	58%	7,654	1%	58%
Best Western	70	2%	8,396	1%	-48%	8,396	1%	-48%
Marriott Residence	150	4%	49,846	5%	-9%	49,846	5%	-9%
Summerfield Suites	132	3%	33,618	3%	-18%	33,618	3%	-18%
Homewood Suites	128	3%	46,670	4%	12%	46,670	4%	12%
Springhill Suites	159	4%	49,642	5%	-14%	49,642	5%	-14%
	983	25%	195,827	18%	-10%	195,827	18%	-10%
Business Moderate								
Marriott Courtyard Quorum	176	4%	61,058	6%	-17%	61,058	6%	-17%
LaQuinta Inn	152	4%	37,439	3%	-13%	37,439	3%	-13%
Marriott Courtyard Proton	145	4%	38,579	4%	-24%	38,579	4%	-24%
Holiday Inn Express	102	3%	37,358	3%	4%	37,358	3%	4%
Hilton Garden Inn	96	2%	38,662	4%	-9%	38,662	4%	-9%
Holiday Inn - Arapaho	101	3%	27,480	3%	-19%	27,480	3%	-19%
Comfort Inn	86	2%	10,071	1%	-7%	10,071	1%	-7%
	858	22%	250,648	23%	-14%	250,648	23%	-14%
Economy								
Motel 6	126	3%	10,528	1%	-42%	10,528	1%	-42%
Hampton Inn	159	4%	51,431	5%	-1%	51,431	5%	-1%
Quality Inn	115	3%	13,522	1%	-22%	13,522	1%	-22%
Comfort Suites	78	2%	20,043	2%	-2%	20,043	2%	-2%
Super 8	78	2%	7,187	1%	-5%	7,187	1%	-5%
Best Value	60	2%	2,960	0%	-22%	2,960	0%	-22%
	616	16%	105,670	10%	-11%	105,670	10%	-11%
TOTAL	3,953	100%	\$ 1,074,028	100%	-11%	\$ 1,074,028	100%	-11%



TOWN OF ADDISON
INTERIM STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
For the Quarter Ending December 31, 2008

Fund	Balance 9/30/2008	Quarter Receipts	Quarter Disbursements	Balance 12/31/2008
General Fund	\$ 12,684,895	\$ 7,398,106	\$ 9,814,808	\$ 10,268,193
Special Revenue Funds:				
Hotel	6,553,631	1,931,918	3,554,613	4,930,936
Public Safety	43,324	3,654	8,307	38,671
Municipal Court	531,148	337,618	303,015	565,751
Arbor	181,822	16,549	11,115	187,256
Debt Service Funds:				
G. O. Bonds	1,696,123	1,363,739	883,018	2,176,844
Hotel Revenue Bonds	885,643	711,517	-	1,597,160
Capital Projects Funds:				
Streets	2,748,163	35,402	5,742	2,777,823
Parks	896,419	11,117	5,691	901,845
2002 G.O. Bonds	1,981,194	28,618	25,886	1,983,926
2004 G.O. Bonds	422,082	5,249	-	427,331
2006 G.O. Bonds	339,484	4,221	-	343,705
2008 G.O. Bonds	26,956,291	333,912	378,476	26,911,727
Enterprise Funds:				
Utility	11,226,980	2,882,155	2,090,039	12,019,096
Airport	1,613,232	982,080	766,656	1,828,656
Internal Service Funds:				
Capital Replacement	3,366,397	167,526	665	3,533,258
Information Services	2,782,054	143,396	24,440	2,901,010
TOTAL - ALL FUNDS	\$ 74,908,882	\$ 16,356,777	\$ 17,872,471	\$ 73,393,188

Note: Cash inflows and outflows represent revenues, expenditures, and investment transactions.

INVESTMENTS BY MATURITY AND TYPE				
For the Quarter Ending December 31, 2008				
	Type	% of Portfolio	Yield to Maturity	Amount
	Pools	28.52%	1.45%	\$ 20,544,214
	Agencies	64.30%	2.71%	46,310,524
	Bank CD's	3.04%	5.23%	2,188,100
	Commercial Paper	4.14%	3.14%	2,981,315
Total Investments		100.00%	2.44%	72,024,153
Accrued Interest Earnings				441,504
Demand Deposits				927,531
TOTAL				\$ 73,393,188

COLLATERAL SUMMARY

The first and most important objective for public funds investments is safety of assets. Therefore, all non-government security investments and bank accounts in excess of FDIC coverage must be secured by collateral. The bank balances and investments are monitored on a regular basis for appropriate coverage by marking the collateral to market. Collateral levels are adjusted to secure the varying levels of receipts throughout the fiscal year.

Town of Addison Collateral Analysis Demand Deposit Cash December 31, 2008

Pledging Institution	Safekeeping Location	Account Title	Pledged Security Description	Security Par Value	Market Value	FDIC Insurance	Ending Bank Balance	Difference Over(Under)
Frost Bank	Federal Reserve	Operating	GNMA due:					
			20-Feb-28	\$ 496,722	\$ 526,152			
			20-Jan-23	\$ 288,860	\$ 286,246			
			15-Oct-35	<u>\$ 837,827</u>	<u>\$ 863,524</u>			
				<u><u>\$ 1,623,409</u></u>	<u><u>\$ 1,675,922</u></u>	<u>\$ 100,000</u>	<u>737,612</u>	<u>\$ 1,038,310</u>

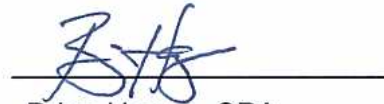
**Quarterly Investment Report
Pooled Investment Funds
Quarter ending December 31, 2008**

This quarterly Investment report has been prepared in compliance with Section 2256.023 "Internal Management Reports", of the Public Funds Investment Act, and in accordance with reporting requirements contained in the Town of Addison Investment Policy as approved by City Council on September 23, 2008.

Activity in the Town's portfolio during this quarter is in compliance with the investment strategy as specified in the Town's Investment Policy. All investments are high-quality securities with no perceived default risk. Securities reflect active and efficient secondary markets in the event of an unanticipated cash requirement. Operating funds require the greatest short-term liquidity. Investment pools have been utilized to provide short-term fund requirements. Investment maturities have been staggered throughout the budget cycle to provide cash flow based on anticipated operating needs of the Town. Diversifying the appropriate maturity structure has reduced market cycle risk. There has been no loss of principal during this quarter of activity, and none is anticipated in the future.



Randolph C. Moravec
Chief Financial Officer



Brian Hogan, CPA
Financial Services Manager



Investment Portfolio Summary
For the Quarter Ended
December 31, 2008

Prepared By

 **First Southwest Asset Management**

Fourth Quarter of Calendar Year 2008 Review

MAJOR EVENTS

A major theme in the third quarter was the series of unexpected financial events that shattered investor confidence, ushered in certain recession and prompted an abrupt shift in expected Fed policy. The fourth quarter theme was recession, as virtually all economic data releases were terrible, sending the media scrambling to history books searching for data comparisons to the Great Depression. The quarter began with Congress fiercely debating the proposed financial market bailout. During the second week of October as critics showed disdain for what they viewed as a vague and hastily constructed plan, the DOW dove an astonishing 1,874 points. At one point, the index was down 2,440 points, a 24% plunge in only five days time. By contrast, the infamous 1929 crash was back-to-back declines of 12.8% and 11.7%. The panic effect was felt on a global scale as equity markets around the world tumbled along with the United States. At week's end, the U.S. Central Bank along with the European Central Bank, England, Canada and Sweden all cut key short-term interest rates by 50 bps in a rare coordinated emergency move. Over the next two days, 185 member nations of the IMF met and pledged to use "all available tools" to ensure that "no systemically important financial institution failed." This bold unified action seemed to stop the bleeding but not the extreme volatility. Investor trust was severely damaged. Only two weeks after gaining approval for the \$700 billion rescue plan, referred to as the Troubled Asset Relief Program (TARP), the Treasury department announced that it would direct \$250 billion in TARP funds to shore up the nation's banks, a sharp deviation from the original plan to purchase toxic financial assets. At the same time, the FDIC announced that it would begin insuring all non-interest bearing deposits and would begin a temporary program to insure new bank debt. These actions were intended to encourage banks to lend more freely. Unfortunately, most banks simply sat on the money. Although it may be too early to get an accurate reading, the October Senior Loan Officer Survey revealed that 70% of banks said they'd made it more difficult to obtain prime mortgages while 65% tightened standards on consumer loans. By the end of October, consumer confidence had plunged to the lowest level since recordkeeping began in 1967 and the Fed had cut the overnight rate by another 50 bps to 1.0%.

On November 25th, the Fed announced even more massive initiatives intended to increase market liquidity and encourage borrowing. They proposed to lend up to \$200 billion to holders of consumer-related asset-backed securities, purchase up to \$100 billion in GSE debt and up to \$500 billion in agency mortgage-backed securities. The announcement had an immediate effect on agency debt, driving yields down by 25 to 30 basis points and making it cheaper for Fannie, Freddie and the Federal Home Loan Banks to borrow funds. The more desired effect was that mortgage lending rates began moving significantly lower, opening the door for refinancing and providing some financial incentive for those borrowers who were still considered credit-worthy.

On Dec 1st, the National Bureau of Economic Research (NBER) officially declared that a recession had begun ...a year ago. Usually, by the time a recession has been identified, it's just about over. Not this time. The November employment report showed that 533k jobs were lost during the month, the largest drop in 34 years, bringing payroll losses to 1.9 million for the year. Adding sympathetic support for an auto bailout, the Center for Automotive Research projected that a total collapse of the U.S. auto industry could lead to the loss of another 2.5 million jobs. Before the year ended, \$13 billion in TARP funds would be allocated to Chrysler and GM; tiding them over for the time-being. On December 11th, market confidence was dealt another severe blow as authorities learned that Bernie Madoff, the former President of the NASDAQ stock exchange, had operated a Ponzi scheme disguised as a hedge fund that had reportedly lost a staggering \$50 billion in investor cash. If there was a bright spot during the quarter, it was that inflation all but evaporated amid the deteriorating global economy with crude oil dropping below \$40 per barrel and gas prices falling to \$1.50 per gallon.

THE FED

The Fed had a very busy quarter as they tried to find the right medicine for the seriously ailing economy and broken financial markets. There were numerous programs introduced to try and

restore liquidity and get the credit markets working again. Many of these programs were coordinated with the Treasury Department and the FDIC. One of the most significant was the previously discussed plan to purchase GSE debt and MBS. These programs have sharply reduced yields on agency debt and MBS. The Fed ultimately cut the overnight fed funds target rate to a range of zero to 0.25%, effectively establishing a zero percent interest rate policy.

Summary of FOMC Monetary Policy Actions:

- 1) October 8th – Emergency inter-meeting 50bps rate cut.
- 2) October 29th – Fed cuts fed funds target rate 50bps to 1.00%
- 3) December 16th – Fed cuts fed funds target rate to a *range* of 0% to 0.25%.

HOUSING

Last December, the National Association of Realtors issued a press release entitled “Existing Home Sales to Trend Up in 2008”. You can’t blame the realtors for trying, but this optimism turned out to be wishful thinking as an 8.6% drop in November 2008 sales hammered home the point that the housing market was still in terrible shape. Since reaching a peak in the summer of 2005, existing home sales have fallen by 38%, while new home sales dropped a massive 71%. This has driven home inventories to record highs at the same time the number of qualified buyers has shrunk by nearly two-thirds. New home inventories are at a staggering 11.5 months supply while the supply of unsold condos has reached 16.7 months. New construction has virtually ceased. Housing starts fell by 18% in November to the lowest level since recordkeeping began. With homeownership near a record high of 68%, the question becomes, exactly who will purchase this bloated inventory of available homes? With an imbalance of sellers and buyers, prices have dropped at an alarming rate – the Case Shiller home price index fell another 2.2% in October and is now down 18% year-over-year and more than 23% from its peak. CNN Money reported that a record 1.35 million homes were in foreclosure in the third quarter, pushing the foreclosure rate to 2.97%, while the WSJ reported that one in ten American mortgages are either delinquent or already in foreclosure. On a bright note, the last weekly Mortgage Banker’s Association survey of the year showed an average 30-year fixed rate of 5.03%, down from 5.99% five weeks earlier and well below the Q3 average of 6.31%.

EMPLOYMENT

Payroll growth had been negative each month in 2008, an abrupt change from 2007 which experienced nothing but positive growth. But the decline had been fairly marginal until the fourth quarter. The November payroll report was a disaster with 533k jobs lost, the most in 34 years. Downward revisions increased job losses by an additional 383k in the four months prior. Through November, 1.9 million jobs had been lost during the year with most experts calling for another 500k drop in the final month. The unemployment rate for November was 6.7%, but was largely expected to reach 7% in December. Most experts predicted that later in 2009 unemployment would reach 8% for the first time in 25 years. The WSJ reported that a broader measure of unemployment, which includes those who want to work but are no longer seeking employment, jumped to 12.5% in November.

CONSUMER SPENDING

Clearly, consumers aren’t spending money on housing, nor are they spending money on automobiles. Auto sales fell by an astonishing 30% in November to an annualized pace of only 10.2 million units, a sharp decline from 2007’s pace of over 16 million. The decline was led by Chrysler at 49%, followed closely by GM at 41%. The possibility that one, if not all, of the big three automakers could declare bankruptcy dominated headlines in December.

The lack of spending is an interesting paradox. The U.S. economy is consumer-driven. This means that for economic growth to pick up, the consumer has to start spending money again. Until recently, borrowed money fueled much of the spending. Saving rates were near zero. For years, cash-out refinancing injected hundreds of billions into consumer’s pockets. The labor market was growing and confidence was high. But all of that has changed. Consumer confidence dropped to a historical low of 38 in December. People are fearful of losing their jobs, credit standards have tightened, home equity has been fully drained and there are no rainy-day savings to draw on. So, the consumer is finally starting to act responsibly ...which ironically has stifled economic growth. The savings rate has jumped from 0.8% to 2.8% in just four months while retail sales have collapsed, posting a record five straight negative months. All hope for a yearend holiday spending rally has been snuffed out. Master Card’s “Spending Pulse Index” is indicating

as much as an 8% decline in year-over-year holiday spending. Many experts believe that the 2008 holiday season was the worst in decades for retailers.

INFLATION

The shift in inflationary pressure during the quarter has been unexpected, unprecedented and welcomed. Just six months ago, the June ISM prices paid index surged to a shocking 30-year high of 91.5. Following a CPI report in which food prices soared to their highest level in 18 years, Dallas Fed President Fisher claimed that he “didn’t know a single person on the FOMC that wasn’t concerned about inflation” while Philadelphia Fed President Plosser said that “it was clear rates would have to rise”. The minutes to the August FOMC meeting clearly stated the Fed’s next intended move would be to tighten rates. They were wrong.

By December, the ISM prices paid index had dropped all the way to 18, the lowest level since 1949. Overall CPI fell by 1.7% in November, the biggest single month drop since recordkeeping began in 1947. On a year-over-year basis, CPI had declined from an inflationary 5.4% rate in July to a very deflationary rate of 1.1% in November. The key to the drop in price pressures was energy. Oil prices plunged from a record high of \$147 per barrel in July to below \$40, while gas prices fell from an average of \$4.17 per gallon to \$1.68 by the end of the year.

MARKET MOVEMENT

- The tremendous flight-to-quality that followed the Lehman bankruptcy continued virtually unabated in the fourth quarter. The Fed’s plan to buy agency debt also contributed to plunging yields in agency issues. On several occasions, 1-month and 3-month Treasury-bills traded at *negative yields*, meaning that investors accepted zero interest and actually received back less principal than they had invested. The six-month T-bill yield fell as low as 0.14% before closing the quarter at 0.26%. The two-year T-note yield, which opened the quarter at 1.71%, followed the third quarter’s 100bps drop with another 94bps, falling to 0.77%.
- Major stock markets were hit with declines not seen since the Great Depression. At the low point in mid-November, the DOW was off 43% for the year. The S&P 500 and NASDAQ reached declines of 49% and 50% respectively. Stocks did rebound somewhat in December, but by year-end the DOW had fallen a stunning 4,488 points, a 34% decline for 2008. The S&P 500 was down just over 38% for the year while the NASDAQ lost 40%.
- TexPool’s average rate during the quarter was 1.76%, down about 55bps from the prior quarter’s 2.31%. With the Fed essentially cutting the fed funds target to 0%, pool yields will continue to fall. As of mid-January, TexPool’s yield has fallen to just under 1%, and will continue to decline.

INTEREST RATES

		Fed Funds	3 mo T-bill	6 mo T-bill	2 yr T-note	5 yr T-note	10 yr T-note
Last	9/30/08	2.00%	0.53%	1.46%	1.71%	2.75%	3.63%
High			1.08%	1.61%	1.82%	3.01%	4.08%
Low			- 0.02%	0.14%	0.68%	1.26%	2.05%
End	12/31/08	0.25%	0.08%	0.26%	0.77%	1.55%	2.21%

PORTFOLIO ACTIVITY SINCE SEPTEMBER 30th:

- There were a large number of transactions during the quarter. There were three maturities in late October totaling \$8 million and two more during mid-November for \$6 million. In addition one security for \$2.2 million was called away prior to maturity in late November.
- Proceeds from the October maturities were used to purchase three non-callable agency securities with maturities in September, October, and November 2009 for \$3mm, \$4mm, and \$2mm respectively. The purchases had a weighted average yield of 3.01%. Funds from the bond called in late November were reinvested in an agency bullet maturing in February 2010 at a yield of 2.25%.

- In mid-November we took advantage of an unusually steep short agency curve by selling six agency bonds with short maturity or call dates, all inside of six-months. The \$10.5 million sale resulted in realized gains of \$37,720. The proceeds from these sales were used to purchase four non-callable agency securities with longer maturity dates. The purchases locked in a weighted average yield of 2.23% until the January 2010 average maturity date. This series of transactions has proven to be very beneficial as investment yields have fallen dramatically since November.

SUMMARY / OUTLOOK

There have been 11 U.S. recessions declared since the Great Depression. The typical length is about 10 months. The two most severe lasted 16 months. But this one is quite a bit different. Forecasts for a quick turnaround are few and far between. Most experts now predict that GDP fell by as much as 6.5% in the fourth quarter and that the economy will stay in recession for much, if not all of 2009. There is a major inventory overhang in durable goods which suggests a significant cut in industrial production in the coming quarter. The labor market has fallen off a cliff in recent months and job loss can be self-perpetuating. Unemployment is generally expected to rise to 8% or higher in 2009. Consumers are scared and they're saving their money. The savings rate in the U.S. has risen sharply for four months in a row, moving from 0.8% in August to 2.8% in November. Personal savings had been on a steady decline since 1982 when it was 10.9%. By contrast, in 2005 the rate was actually *negative*. By hoarding cash, instead of spending, the now thrifty consumer isn't cooperating in the recovery effort. President-elect Obama hopes to change this through the introduction of a massive stimulus package to be unveiled after the January inauguration. Details are still being hatched, but the likely plan will involve large-scale job creation through a New Deal-like series of infrastructure and technology projects.

The good news will eventually come, although things will likely appear worse before they get better. Falling commodities prices, in particular gasoline, will help ease the pain of recession. Most experts predict further price decreases in 2009. Few expect the housing market to bottom out until later in 2009, although 30-year mortgage rates near 4.50% and home prices 25% to 30% below their highs will be nice enticements to buyers and potential investors. There will be refinancing opportunities and many floating rate loans will reset in 2009 at significantly lower levels. Auto credit will be looser in 2009. GMAC, after accepting \$5 billion in TARP funds in December, promptly lowered the minimum qualifying FICO score from 700 to 621. (The median FICO score in the U.S. is 723.)

Interest rates, which are now at unimaginably low levels, are expected to remain low for a similar period. In fact, when the Fed lowered the overnight funds rate to near zero in December, they pledged to keep it there for an extended period of time. Normally, when the economy enters recession, the Fed lowers borrowing costs which discourages savings and encourages borrowing among both consumers and businesses seeking to expand. The problem this time is obvious; the *Fed has run out of ammunition*, at least on the traditional monetary policy side. The alternative is to concentrate on new and existing lending programs as well as direct purchases of mortgage-backed and other illiquid securities. Since Q4 began, this costly method of creating liquidity has more than doubled the Fed's balance sheet from \$900 billion to \$2 trillion ...and counting.

During the quarter, the 10-year Treasury-note yield fell by 142 basis points to the lowest yield in more than 50 years. The Fed cut the overnight target to a range of 0% to 0.25% in December as repo rates traded at 0.05%. Unfortunately, there is little reason to expect a return to higher rates in 2009. That would imply that the Fed was *tightening credit* and in order for that to occur, the Fed would have to sense inflation or that a significant economic recovery was underway. Neither of which is likely to happen anytime soon.

PROJECTED STRATEGY FOR THE FIRST QUARTER 2009:

Historically low yields do not make for an especially attractive investment environment. But with pool yields set to decline further we will want to carefully manage pool balances and keep the portfolio heavily invested. We will continue to focus on safety and have temporarily suspended all traditional commercial paper purchases. We will only invest in CP that is issued under the FDIC's guarantee program, which carries the full-faith-and-credit of the United States. Callable agency securities with final maturities inside of two years provide a significant pick up in yield versus bullets and are fairly attractive alternatives. We will also seek to take advantage of higher yields in certificates of deposit offered by local banks and through the CDAR's shared CD program.

Town of Addison
FIXED INCOME DISTRIBUTION
December 31, 2008

Summary Information

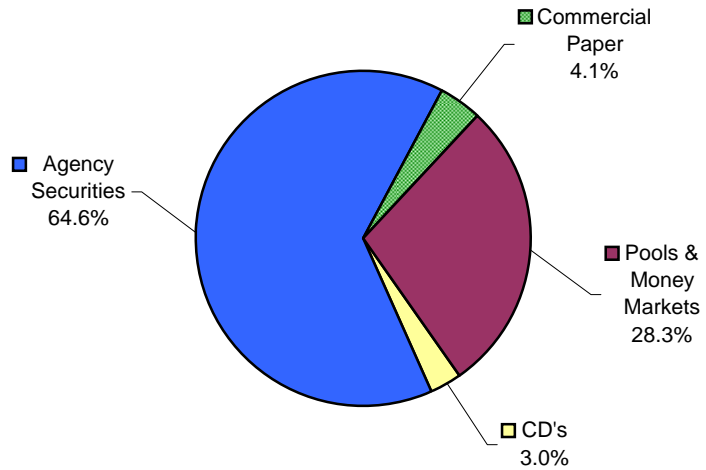
	<u>Totals</u>	<u>Weighted Averages</u>
Par Value	71,555,313.61	Average YTM 2.443
Market Value	72,645,732.11	Average Maturity (yrs) 0.5
Adjusted Cost	72,024,152.23	Average Coupon (%) 3.220
Net Gain/Loss	621,579.88	Average Duration 0.5
Annual Income	2,282,157.33	
Number of Issues	21	

Distribution by Maturity

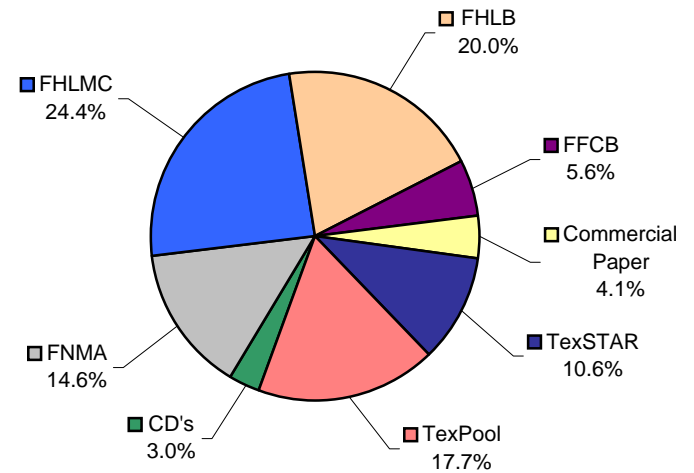
<u>Maturity</u>	<u>Number</u>	<u>Mkt Value</u>	<u>% Bond Holdings</u>	<u>Average Y T M</u>	<u>Average Coupon</u>	<u>Average Duration</u>
0 - 3 Months	4	24,549,213.37	33.8	1.686	1.415%	0.031
3 - 6 Months	5	12,166,406.25	16.7	2.944	3.969%	0.399
6 - 9 Months	6	14,820,537.50	20.4	2.963	3.980%	0.608
9 - 12 Months	5	13,659,287.75	18.8	2.506	3.761%	0.860
1 - 2 Years	10	7,450,287.24	10.3	3.234	5.439%	1.148

Town of Addison
Portfolio Composition
December 31, 2008

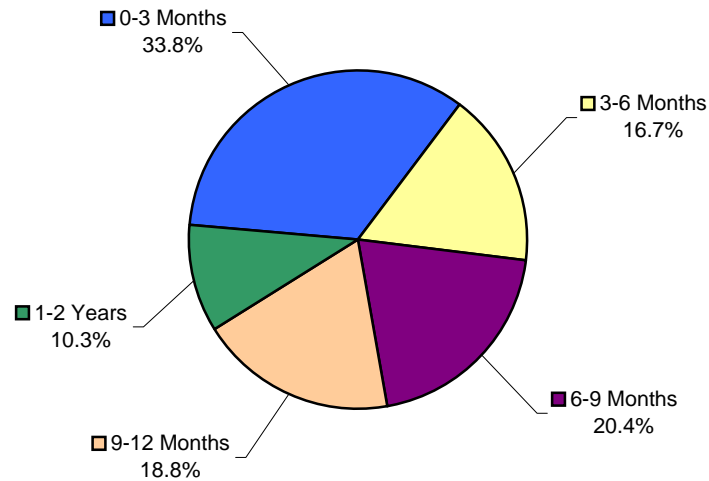
Portfolio Composition by Security Type



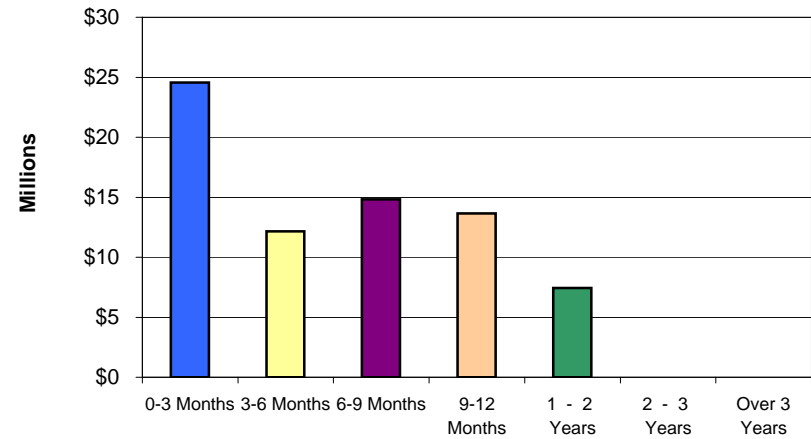
Portfolio Composition by Issuer



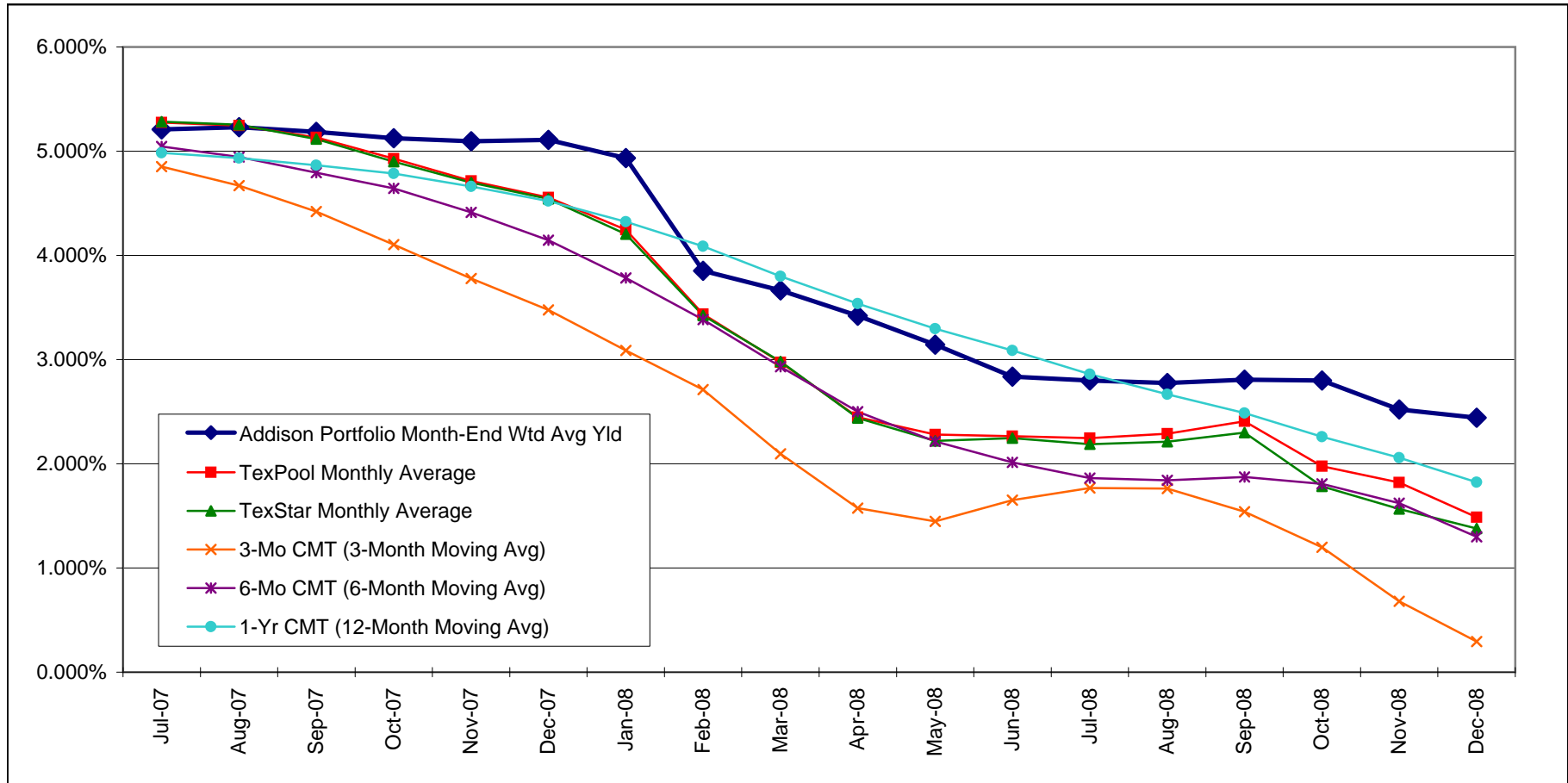
Portfolio Composition by Maturity (Percentage)



Portfolio Composition by Maturity (Amount)



Town of Addison
Benchmark Comparison
December 31, 2008



Notes:

- 1.) Benchmark data for TexPool is the monthly average yield.
- 2.) CMT stands for Constant Maturity Treasury. This data is published in Federal Reserve Statistical Release H.15 and represents an average of all actively traded Treasury securities having that time remaining until maturity. This is a standard industry benchmark for Treasury securities.
- 3.) The CMT benchmarks are moving averages. The 3-month CMT is the daily average for the previous 3 months, the 6-month CMT is the daily average for the previous 6 months, and the 1-year CMT is the daily average for the previous 12-months.

Town of Addison
DETAIL OF SECURITY HOLDINGS
As of December 31, 2008

Security Description	Security CUSIP	Coupon	Settlement Date	Maturity Date	Next Call Date	Par Value	Purchase Price	Purchase Cost	Book Value	Market Price	Market Value	Accrued Interest	Days to Maturity	Days to Next Call	Yield to Maturity	Yield to Next Call
Pooled Funds																
TexSTAR	texstar	1.379				7,700,705.34	100.000	7,700,705.34	7,700,705.34	100.000	7,700,705.34	0.00	1			1.379
TexPool	texpool	1.485				12,843,508.53	100.000	12,843,508.53	12,843,508.53	100.000	12,843,508.53	0.00	1			1.485
FFCB	31331XQM7	5.000	04-14-08	02-23-09		1,000,000.00	102.353	1,023,530.00	1,003,959.02	100.656	1,006,562.50	17,777.78	54			2.214
GE Capital Corp CP	36959HQG5	0.000	06-19-08	03-16-09		3,000,000.00	97.727	2,931,825.00	2,981,315.00	99.948	2,998,437.00	0.00	75			3.144
FHLB	3133XQZA3	2.480	07-22-08	05-07-09		1,500,000.00	99.600	1,494,000.00	1,497,384.08	100.750	1,511,250.00	24,180.00	127			2.982
FNMA	31359MVE0	4.250	07-08-08	05-15-09		1,500,000.00	101.224	1,518,360.00	1,507,910.74	101.406	1,521,093.75	8,145.83	135			2.784
FNMA	31359MVE0	4.250	08-13-08	05-15-09		3,000,000.00	101.072	3,032,160.00	3,015,670.69	101.406	3,042,187.50	16,291.67	135			2.801
FHLMC	3137EAAE9	5.250	06-20-08	05-21-09		3,000,000.00	102.053	3,061,587.00	3,025,737.85	101.844	3,055,312.50	17,500.00	141			2.967
FHLB	3133XRK90	3.000	06-19-08	06-18-09		3,000,000.00	99.990	2,999,700.00	2,999,861.54	101.219	3,036,562.50	3,250.00	169			3.010
FFCB	31331YZ37	3.125	07-01-08	07-01-09		3,000,000.00	100.113	3,003,390.00	3,001,681.07	101.375	3,041,250.00	46,875.00	182			3.009
FNMA Disc Note	313589JL8	0.000	08-06-08	07-22-09		2,000,000.00	97.219	1,944,388.89	1,967,904.45	99.780	1,995,600.00	0.00	203			2.983
FHLB	3133XGEQ3	5.250	05-13-08	08-05-09		1,500,000.00	103.259	1,548,885.00	1,523,483.15	102.812	1,542,187.50	31,937.50	217			2.534
FNMA Disc Note	313589KC6	0.000	08-15-08	08-07-09		2,000,000.00	97.169	1,943,375.83	1,965,422.78	99.700	1,994,000.00	0.00	219			2.979
FHLMC	3134A3M78	6.625	09-16-08	09-15-09		3,000,000.00	103.999	3,119,970.00	3,084,704.09	104.125	3,123,750.00	58,520.83	258			2.538
FHLMC	3134A3M78	6.625	10-30-08	09-15-09		3,000,000.00	102.812	3,084,360.00	3,067,751.62	104.125	3,123,750.00	58,520.83	258			3.332
FHLB	3133XMD40	4.500	10-07-08	10-09-09		4,000,000.00	101.806	4,072,240.00	4,055,310.09	103.000	4,120,000.00	41,000.00	282			2.668
FHLMC	3137EAAK5	4.750	10-21-08	11-03-09		2,000,000.00	101.538	2,030,760.00	2,024,897.16	103.219	2,064,375.00	15,305.56	307			3.224
FHLMC	3128X7SN5	2.750	11-12-08	11-13-09		2,000,000.00	100.644	2,012,880.00	2,011,120.35	101.505	2,030,094.00	7,333.33	317			2.098
FHLB	3133XRHP8	3.000	11-13-08	12-15-09		4,250,000.00	100.894	4,287,995.00	4,283,309.91	102.156	4,341,640.62	5,666.67	349			2.164
FHLMC	3134A4UW2	4.000	11-12-08	12-15-09		1,073,000.00	101.915	1,093,547.95	1,090,968.88	102.812	1,103,178.12	1,907.56	349			2.213
FNMA	31398AKX9	3.250	11-25-08	02-10-10		2,000,000.00	101.178	2,023,560.00	2,021,585.69	102.562	2,051,250.00	25,458.33	406			2.254
FHLMC	3134A33L8	7.000	11-12-08	03-15-10		3,000,000.00	106.009	3,180,270.00	3,161,860.46	107.031	3,210,937.50	61,833.33	439			2.418
View Pt Bk CD	VPB-CD 2010	5.200	04-05-07	04-05-10		2,000,000.00	100.000	2,000,000.00	2,000,000.00	100.000	2,000,000.00	288.89	460			5.234
View Pt Bk CD	VPB-CD 2010	5.200	06-30-07	04-05-10		24,504.12	100.000	24,504.12	24,504.12	100.000	24,504.12	3.54	460			5.234
View Pt Bk CD	VPB-CD 2010	5.200	09-30-07	04-05-10		26,534.88	100.000	26,534.88	26,534.88	100.000	26,534.88	3.83	460			5.234
View Pt Bk CD	VPB-CD 2010	5.200	12-31-07	04-05-10		26,882.66	100.000	26,882.66	26,882.66	100.000	26,882.66	3.88	460			5.234
View Pt Bk CD	VPB-CD 2010	5.200	03-31-08	04-05-10		26,866.18	100.000	26,866.18	26,866.18	100.000	26,866.18	3.88	460			5.234
View Pt Bk CD	VPB-CD 2010	5.200	06-30-08	04-05-10		27,212.72	100.000	27,212.72	27,212.72	100.000	27,212.72	3.93	460			5.234
View Pt Bk CD	VPB-CD 2010	5.200	09-30-08	04-05-10		27,867.46	100.000	27,867.46	27,867.46	100.000	27,867.46	4.03	460			5.234
View Pt Bk CD	VPB-CD 2010	5.200	12-31-08	04-05-10		28,231.72	100.000	28,231.72	28,231.72	100.000	28,231.72	4.08	460			5.234
		3.212				71,555,313.61	100.840	72,139,098.28	72,024,152.23	101.547	72,645,732.11	441,820.28	178			2.443
GRAND TOTAL		3.212				71,555,313.61	100.840	72,139,098.28	72,024,152.23	101.547	72,645,732.11	441,820.28	178			2.443

Town of Addison
Pooled Funds
INVESTMENT TRANSACTIONS
From 10-01-08 To 12-31-08

Settle Date	Security	CUSIP	Coupon	Mature Date	Call Date	Quantity	Unit Price	Amount
PURCHASES								
10-07-08	FHLB	3133XMD40	4.500	10-09-09		4,000,000	101.806	4,072,240.00
	Accrued Interest							89,000.00
10-21-08	FHLMC	3137EAAK5	4.750	11-03-09		2,000,000	101.538	2,030,760.00
	Accrued Interest							44,333.33
10-30-08	FHLMC	3134A3M78	6.625	09-15-09		3,000,000	102.812	3,084,360.00
	Accrued Interest							24,843.75
11-12-08	FHLMC	3134A33L8	7.000	03-15-10		3,000,000	106.009	3,180,270.00
	Accrued Interest							33,250.00
11-12-08	FHLMC	3134A4UW2	4.000	12-15-09		1,073,000	101.915	1,093,547.95
	Accrued Interest							17,525.67
11-12-08	FHLMC	3128X7SN5	2.750	11-13-09		2,000,000	100.644	2,012,880.00
	Accrued Interest							27,347.22
11-13-08	FHLB	3133XRHP8	3.000	12-15-09		4,250,000	100.894	4,287,995.00
	Accrued Interest							53,833.33
11-25-08	FNMA	31398AKX9	3.250	02-10-10		2,000,000	101.178	2,023,560.00
	Accrued Interest							18,958.33
12-31-08	View Pt Bk CD	VPB-CD 2010	5.200	04-05-10		28,232	100.000	28,231.72
								22,122,936.30
SALES								
11-12-08	FHLMC Disc Note	313396S53	0.000	12-08-08		2,000,000	99.986	1,999,711.11
11-12-08	FHLB	3133XPNE0	2.750	02-06-09	08-06-08	2,000,000	100.364	2,007,280.00
	Accrued Interest							14,666.67
11-12-08	FNMA	31359MTR4	3.375	12-15-08		2,185,000	100.263	2,190,742.18
	Accrued Interest							30,112.03
11-13-08	FHLB	3133XQVZ2	2.520	04-28-09		2,000,000	100.519	2,010,380.00
	Accrued Interest							2,100.00
11-13-08	FHLB	3133XKLY9	4.750	04-24-09		1,000,000	101.497	1,014,970.00
	Accrued Interest							2,506.94
11-13-08	FHLB	3133X4ZC8	3.000	04-15-09		1,290,000	100.679	1,298,759.10
	Accrued Interest							3,010.00
								10,574,238.03
CALLS								
11-24-08	FHLMC	3128X5PV4	5.125	11-24-10	11-24-08	2,204,000	100.000	2,204,000.00
	Accrued Interest							56,477.50
								2,260,477.50
MATURITIES								
10-21-08	Toyota Motor Credit	89233GKM7	0.000	10-21-08		3,000,000	100.000	3,000,000.00
10-29-08	FHLB	3133XQTY8	2.200	10-29-08		2,000,000	100.000	2,000,000.00

Town of Addison
Pooled Funds
INVESTMENT TRANSACTIONS
From 10-01-08 To 12-31-08

Settle Date	Security	CUSIP	Coupon	Mature Date	Call Date	Quantity	Unit Price	Amount
	Accrued Interest							22,000.00
10-30-08	American Express Credit CP	02581RKW2	0.000	10-30-08		3,000,000	100.000	3,000,000.00
11-19-08	GE Capital Services CP	36959RLK9	0.000	11-19-08		2,000,000	100.000	2,000,000.00
11-21-08	FHLB	3133XRCE8	2.220	11-21-08		4,000,000	100.000	4,000,000.00
	Accrued Interest							44,400.00
								14,066,400.00