



City of Odessa, Texas

Popular Annual Financial Report

For Fiscal Year Ended September 30, 2014

“Working In Partnership”



Message From The Mayor

2015

Dear Odessans,

On behalf of the Council and Staff of the City of Odessa, it is my pleasure to present our community's first Popular Annual Financial Report (PAFR) for the fiscal year ended September 30, 2014. We are pleased to report another successful year of operations and offer this summarized financial report to help foster more communication about the City of Odessa's (City's) financial activities and its achievements.

Our City Council and staff recognize accountability is a key component of the financial reporting process and have worked diligently to continue the tradition of exercising sound fiscal practices while being careful stewards of the City's resources. This report focuses on the City as a whole, as the primary government, but excludes the activities of our component unit. Accordingly, this report is intended to supplement our City's most recent Comprehensive Annual Financial Report (CAFR) and presents select financial data about our municipality in an easy-to-read format. The financial data within this report is extracted from the latest CAFR; however, those readers who desire high level details about the City's financial activities should visit the City's website at www.odessa-tx.gov and refer to the CAFR for the fiscal year ended September 30, 2014.

Fiscal year 2013-2014 brought great prosperity to the community. Both the regional and local economies were thriving. Sales tax collections were quite favorable. Employment gains were significant and continued to effect tremendous population growth. Many new commercial and residential projects were underway throughout the City. Overall, I am quite pleased with the accomplishments of our community and the good works which are forthcoming. With the continued spirit of working in partnership, great opportunities will continue to be present within our community even in the midst of challenges.

I'm proud to be a part of the Odessa community and, most importantly, I am confident the best of service will continue to be provided to the citizens of Odessa in 2015. We hope you enjoy reading this report and welcome your feedback as we reflect on 2014 and move forward in the new year.

Sincerely,



David R. Turner
Odessa Mayor
Email: dturnermayor@gmail.com
(432) 335-4104



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2014 City Council

(As of September 30, 2014)



Back row left to right:
Barbara Graff (District 3 and Mayor Pro Tem) , Dewey Bryant (District 2), Sandra Carrasco (District 5)
Front row left to right:
Dean Combs (District 4 and Mayor Pro Tem), David R. Turner (Mayor), Roger McNeil (District 1)

Our Mission Statement: Motivated by a proactive, independent and diverse heritage, the City of Odessa will embrace the future through innovative and progressive leadership. Working in partnership with citizens of the community as well as other governmental agencies, we will provide Odessans of today and tomorrow with outstanding services and facilities that will protect and enhance the quality of life.

- Adopted by the Mayor and City Council on August 10, 1999.

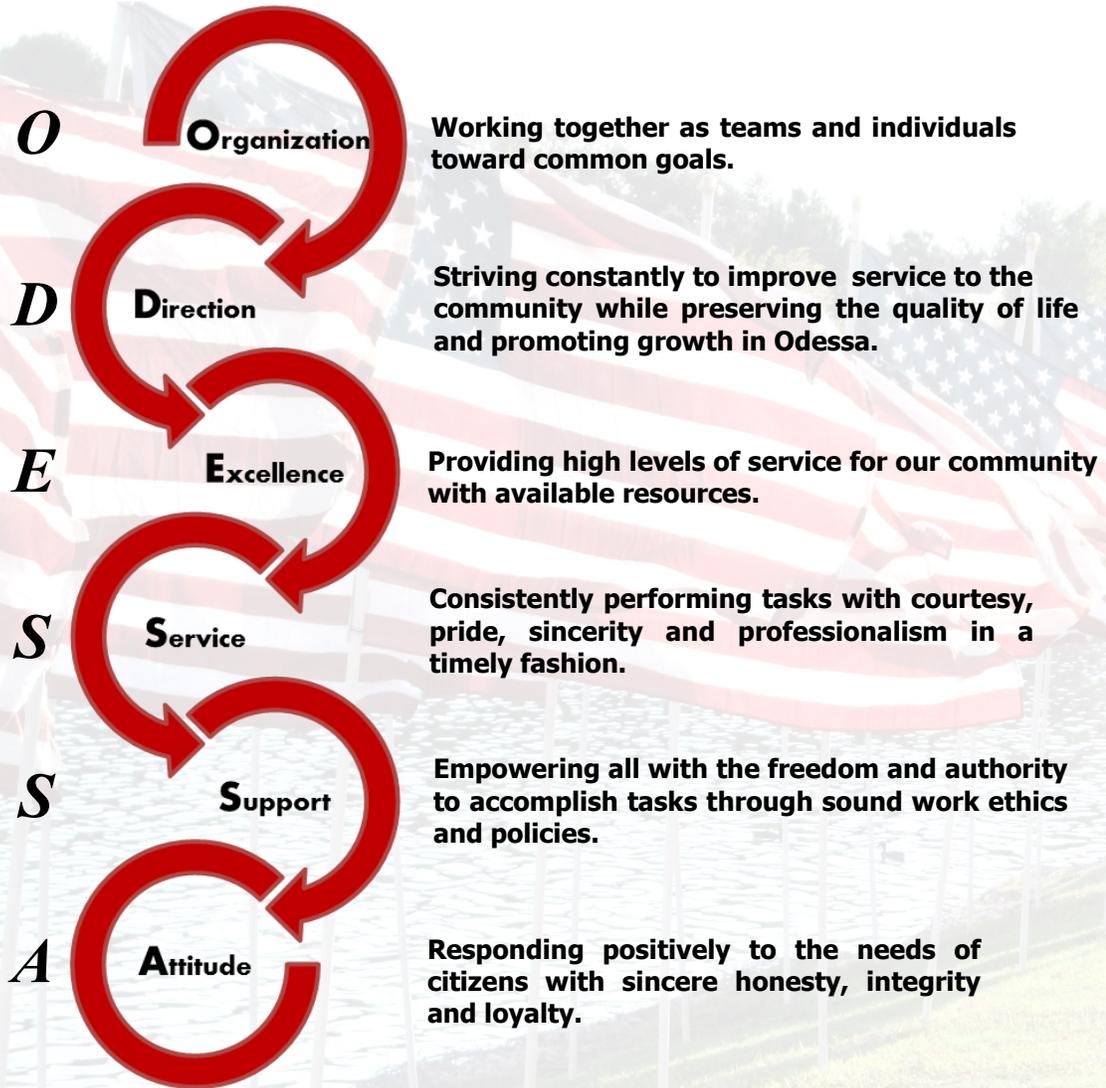
The Governing City Council

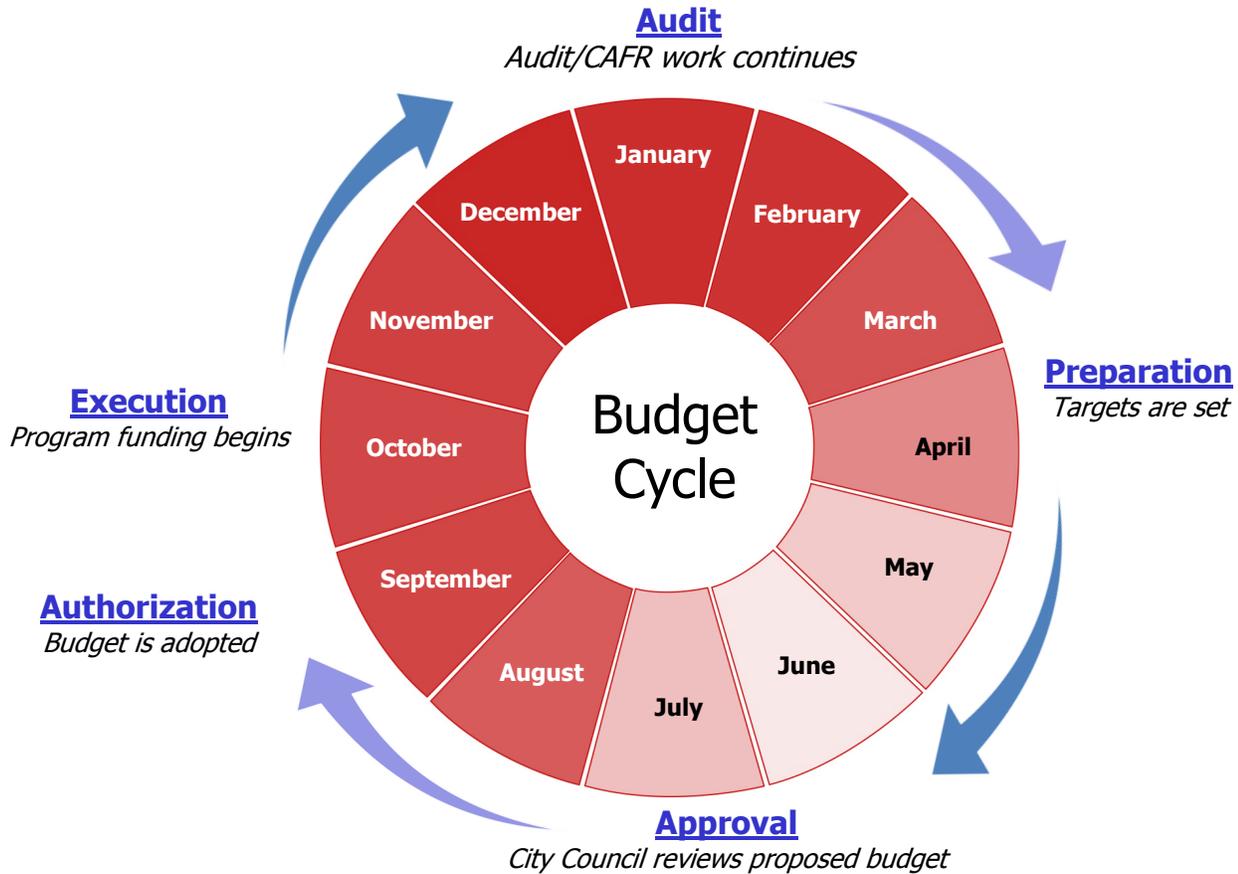
The governing City Council consists of a mayor and five other members who are elected on a non-partisan basis by the Odessa voters. The mayor is elected at-large while the other council members are elected by district to represent the various geographical areas of the city. Odessa City Council members serve 4-year terms. The City Council also appoints a city manager to implement policies and ordinances and oversee daily operations of the government.



City of Odessa's Value Statement

We believe the quality of life in the city of Odessa depends on a partnership between the citizens, business community, elected officials and City employees. We, as City employees, are committed to the following:





January

- Budget planning for new fiscal year begins
- Council Vision/Goals outlined

February

- Mid-year Citizen Surveys launched
- Budget reviews begin

March

- Revenue projections prepared
- CAFR completed and approved
- CAFR submitted to GFOA
- Official Statements updated

April

- Fund estimates prepared

May

- Budget requests submitted

June

- Department budget requests reviewed and prioritized

July

- Proposed budget presented to Council for review

City of Odessa's Budget Cycle

August

- Proposed budget filed
- Public hearings for budget held
- Public hearings for property tax rate held

September

- Council adopts budget
- Council adopts property tax rate
- Fiscal Year ends

October

- Fund closings/audit begin
- CAFR preparation begins
- Program funding begins

November

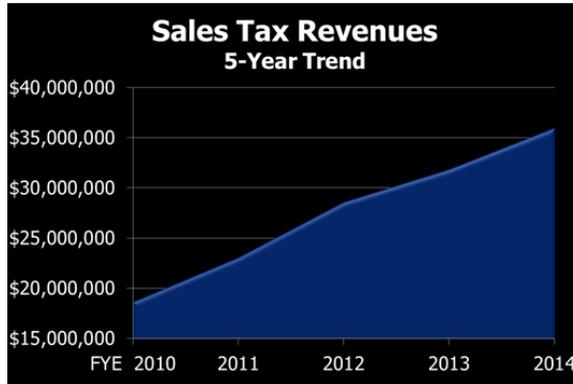
- External audit continues
- CAFR preparation continues
- Budget book is developed

December

- External audit continues

Successful service delivery in all phases of operations benefits the City as a whole and strengthens its framework.

Looking Back at 2014



Favorable Trends Are Noted

With the continued trends of rising assessed property values and considerably low unemployment rates, Odessa’s economy continued to be quite favorable this past fiscal year. Robust activities of the oil and gas industry sector continued to thrive and facilitate a strong base of economic support for the area. Accordingly, the benefits resulting from strong economic gains were noted throughout the community in many areas. This factor was best evidenced by the City’s sales tax revenue collections. For fiscal year end 2014, total sales tax revenues were about \$36 million and exceeded budget by \$7 million or 25%. Sales tax collections represented a significant portion of the City’s total revenues and also reflected an increase of about \$17.3 million, or nearly 93%, over the past five (5) fiscal years. The City realized this

extraordinary position as the population continued to increase; area payrolls continued to expand; and consumers continued to spend a larger portion of their incomes on goods and services within the community. Several major capital projects involving park renovations, street reconstruction, and water and sewer line replacements were also successfully completed.

Overall, the City progressed with its services and top priorities for the community as planned. For the City as a whole, governmental activities such as the Public Works and Public Safety functions were financed by taxes and other general revenue sources while business-type activities such as the Water & Sewer and Solid Waste functions were financed mostly by user fees and charges for the services provided.

City Facts by the Numbers

Streets (miles)	483
Streetlights	6,244
Patrol Units	48
Fire Stations	8
Collection Trucks	37
Sanitary Sewers (miles)	519

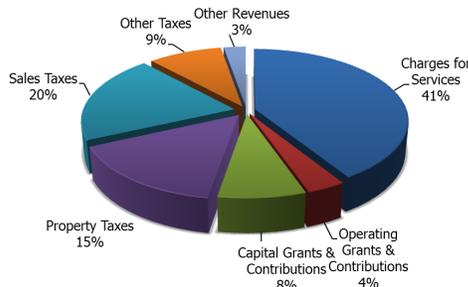
“We are in wonderful times– the economics are amazing.”

-Mayor David R. Turner, November 5, 2014

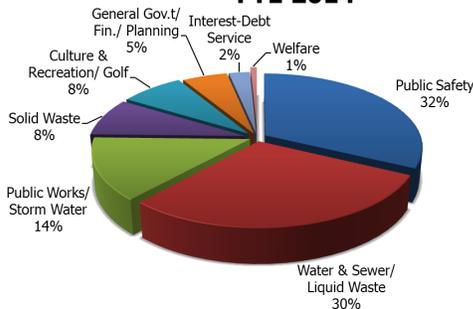
Total Government Revenues By Source

The City's total revenue sources consist of two categories: program revenues and general revenues. The percentage distribution of each individual component within those categories reveals which sources the City relies on heavily to run its operations. The City is highly dependent on three components: Charges for services at \$73 million (41%); sales tax at \$36 million (20%); and property taxes at \$28 million (15%).

**Total Government Revenues
FYE 2014**



**Total Government Expenses
FYE 2014**



Total Government Expenses By Function

The City incurs many costs in order to provide quality services to its citizens. The City's total government expenses are listed by functional category in order to identify the costs of specific services. Public Safety and Water & Sewer functions represent the majority of the City's total government expenses. The Public Safety function comprised about \$47 million (32%) of total government expenses, while the Water & Sewer function comprised approximately \$43 million (30%) of total government expenses.

Outstanding Debt

By year end, the City's total bonded debt decreased by \$8 million. Refunding debt of \$10 million was issued in 2014 to refund certain portions of the 2005 and 2006 Certificates of Obligation; this action step facilitated a significant reduction in future borrowing costs for the City.

WHERE THE MONEY CAME FROM (in thousands)

\$73,703	Charges for Services
\$35,967	Sales Tax
\$27,754	Property Taxes
\$16,260	Other Taxes
\$14,278	Capital Grants & Contributions
\$6,326	Operating Grants & Contributions
\$4,833	Other Revenues

WHERE THE MONEY WAS SPENT (in thousands)

\$47,043	Public Safety
\$43,253	Water & Sewer
\$19,151	Public Works
\$12,220	Solid Waste
\$9,137	Culture & Recreation
\$5,118	General Government
\$3,694	Interest on Long-Term Debt
\$1,979	Ratliff Golf Course
\$1,568	Planning & Inspection
\$1,198	Finance
\$1,102	Welfare
\$822	Storm Water
\$9	Liquid Waste

Outstanding Debt (in thousands)			
	2014	2013	Change
Certificates of Obligation Serviced	\$ 117,595	\$ 130,545	\$ (12,950)
Refunding General Obligations Serviced	26,270	21,575	4,695
Totals	\$ 143,865	\$ 152,120	\$ (8,255)

2014 Bond Ratings: Moody's - Aa2 and Standard & Poor's - AA



Odessa's Community Profile

People-friendly, Business-friendly . . .

Located along the western range of the Permian region, Odessa is widely known for its astonishing supply of oil and gas reserves. Many folks don't realize, however, that Odessans enjoy some of the most beautiful skies and a generally moderate climate all year long. The Odessa community has a current population of approximately 126,930 residents and is comprised of friendly, hardworking residents. Accordingly, there are many quality of life benefits available to the citizens of Odessa. The community is served by a university, a community college, two hospitals, and several retirement and assisted living facilities. In June 2014, Odessans welcomed the new Permian Basin Veterans Affairs (VA) Medical Clinic. The facility provides full health care services for area veterans. While there is a diverse blend of employment opportunities in the area, the amenities are plentiful too.

	2014	2013	2012
Population	126,930	111,270	107,158
Total Employment Population	85,970	84,084	79,387
Personal Income Per Capita	\$ 37,134	\$ 36,163	\$ 35,555
General Bonded Debt Per Capita	\$ 1,176	\$ 1,410	\$ 1,014
Unemployment Rate	3.1%	3.9%	4.5%
School Enrollment	28,805	28,566	27,621

Odessans can enjoy a vast array of recreational opportunities, performing arts, quality museums, and cultural events that are either sponsored by the City of Odessa or other business community partners. You can hike and bike along nice trails, gather at the local pools, and host weddings at great venues. With easy transportation access and everyday essentials available, Odessa is a great place to live, work, and play.

Major Employers

1. ECISD
2. Saulsbury Companies
3. Medical Center Hospital
4. Halliburton Services
5. Weatherford

Major Property Taxpayers

1. Family Dollar
2. Oncor Electric Delivery Co.
3. Odessa Regional Hospital
4. Archer Pressure Pumping
5. MCM Properties



Water and Sewer

	2014	2013
Customer Connections	21,065	19,227

Live ★ Work ★ Play

Odessa Pride ~ City-Wide



City Employees from the Departments of Finance and Purchasing



1,934

Approximately, 1,934 tons of recyclables were collected as a result of the City's new outreach programs including E-recycling.

36

For outdoor enjoyment, Odessa's park system currently features 36 city-owned parks totaling 555 acres of parkland.

Keep Odessa Beautiful: The Mission Makes Headway

This past fiscal year, our community realized the long-heralded benefits of its recycling program when a total of 1,934 tons of recyclable materials were collected. This collection amount nearly doubled from the prior fiscal year. More recyclable containers were strategically placed around the community and more program events, including electronic recyclable events, were also coordinated with States recycling programs. Essentially, improved public outreach efforts led to improved perceptions in community recycling.

You can also join the mission to help "Keep Odessa Beautiful" by recycling. Odessa's Recycling Center, The Time Machine, is located at 816 West 42nd Street and typically accepts items such as aluminum, scrap metal, paper, cardboard, and plastics. The City's Household Hazardous Waste Facility, which is located next to the Recycling Center, accepts items such as batteries, anti-freeze, oil, paint, and pesticides. The Keep Odessa Beautiful Division is a service activity of the Solid Waste Fund. For more information on how to get involved, contact the City's Keep Odessa Beautiful Division at (432) 335-4686.

City Parks: A System That Serves

Besides maintaining the City's 555 acres of parkland featuring 36 local and unique parks, the Parks & Recreation Department is also responsible for hosting fun family events year-round! Some of those special events include the Community Spring Fling, Movies in the Park, the Fall Festival, the Community Christmas Tree Lighting, and much more. The 2014 program had plenty of successful events. The continued success of the park's system is our City's commitment to provide an enjoyable environment and to instill a strong sense of pride in those places where our residents play and visit.

Accounting Terminology

◇ **Accrual Basis of Accounting**

An accounting method that recognizes the financial effect of transactions, events and inter-fund activities when they occur, regardless of the timing of related cash flows.

◇ **CAFR** (Comprehensive Annual Financial Report)

A government's official annual financial report that contains basic financial statements, as well as introductory material and additional statements and schedules with financial, economic, and demographic information including component units.

◇ **Capital Assets**

Assets used in operations that have initial lives greater than one year such as land, buildings, improvements, vehicles, equipment, and infrastructure.

◇ **Charges For Services**

Fees and other charges to the users or recipients of the goods and services a government provides.

◇ **Component Unit**

A legally separate organization for which the primary government is financially accountable.

◇ **FTE**

Full-time equivalent employee.

◇ **Fund**

A grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives

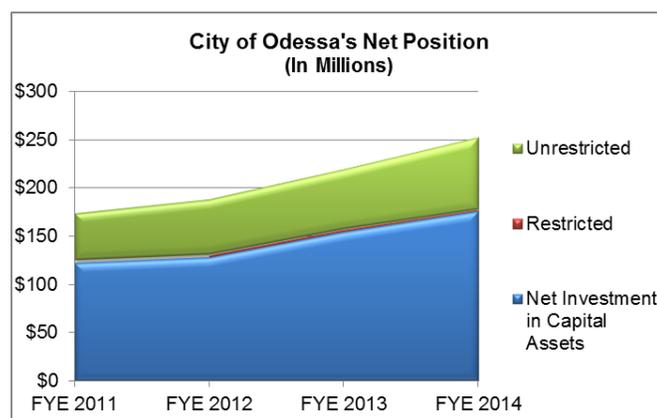
◇ **General Revenues**

All revenues that are not program revenues.

Financial Highlights of 2014

City of Odessa's Net Position (Accrual Basis of Accounting)			
	2014	2013	Change
Current Assets	\$ 198,611,540	\$ 194,458,957	\$ 4,152,583
Noncurrent and Capital Assets	255,517,888	229,374,894	26,142,994
Total Assets	454,129,428	423,833,851	30,295,577
Deferred Outflows of Resources	1,126,243	485,517	640,726
Current Liabilities	18,352,044	17,399,147	952,897
Noncurrent Liabilities	184,801,586	187,644,742	(2,843,156)
Total Liabilities	203,153,630	205,043,889	(1,890,259)
Net Investment in Capital Assets	175,944,746	155,346,259	20,598,487
Restricted	1,696,852	1,661,216	35,636
Unrestricted	74,460,443	62,268,004	12,192,439
Total Net Position	\$ 252,102,041	\$ 219,275,479	\$ 32,826,562

The City's total net position was \$252 million at fiscal year end. Positive balances are also reflected in each of the net position categories. The largest portion of the City's net position is the component which reflects net investment in capital assets. Those capital assets are not available for future spending as they are necessary for providing services to citizens.



City of Odessa's Changes In Net Position <i>(Accrual Basis of Accounting)</i>			
	2014	2013	Change
REVENUES:			
Program Revenues:			
Charges for services	\$ 73,703,763	\$ 70,276,142	\$ 3,427,621
Operating Grants	6,325,620	9,769,911	(3,444,291)
Capital Grants	14,278,278	19,759,356	(5,481,078)
General Revenues:			
Property Taxes	27,754,060	23,498,496	4,255,564
Sales and Other Taxes	35,966,827	31,807,317	4,159,510
Gross Receipts Taxes	10,246,409	9,833,158	413,251
Hotel-Motel Taxes	6,013,374	5,382,248	631,126
Industrial Contracts	4,258,646	3,285,615	973,031
Miscellaneous	90,992	28,340	62,652
Transfers Out	(470,515)	(200,000)	(270,515)
Investment Earnings	482,939	319,018	163,921
Transfers In	470,515	200,000	270,515
Total Revenues	179,120,908	173,959,601	5,161,307
EXPENSES:			
General Government	5,117,636	4,956,868	160,768
Finance	1,197,677	1,505,331	(307,654)
Public Works	19,151,147	20,508,014	(1,356,867)
Planning & Inspection	1,568,135	852,050	716,085
Public Safety	47,043,017	42,924,590	4,118,427
Welfare	1,102,354	1,344,043	(241,689)
Culture & Recreation	9,136,826	8,146,726	990,100
Interest on Long-Term Debt	3,694,451	2,000,685	1,693,766
Water & Sewer	43,252,875	46,220,245	(2,967,370)
Solid Waste	12,220,037	10,567,831	1,652,206
Ratliff Golf Course	1,979,473	1,717,376	262,097
Liquid Waste	9,233	10,997	(1,764)
Storm Water	821,485	714,340	107,145
Total Expenses	146,294,346	141,469,096	4,825,250
Change in net position	32,826,562	32,490,505	336,057
Net Position, Beginning, previously reported	219,275,479	188,047,637	31,227,842
Restatement	-	(1,262,663)	1,262,663
Net Position, Beginning, restated	219,275,479	186,784,974	32,490,505
Net Position, Ending	\$ 252,102,041	\$ 219,275,479	\$ 32,826,562

For the City as a whole, the net position often serves as a useful indicator of the City's financial health. Over time, the increases and decreases in net position may help indicate whether the City's financial position is improving or deteriorating. The City's total net position increased by about \$33 million from fiscal year end 2013 to fiscal year end 2014.

The comparative summary presented above also displays total revenues and expenses of the City's operations as a whole (both governmental and business-type activities combined) for the fiscal year end 2014 and 2013. This comparative summary also reveals how the City's net position changed since the last fiscal year. Accordingly, for the current fiscal year, Total Government Revenues were \$179 million and exceeded the prior fiscal year by approximately \$5 million. Total Government Expenses were \$146 million for current fiscal year end; this expense total reflected an increase of about \$5 million when compared to the previous year's amount of \$141 million.

Accounting Terminology

◇ **GFOA** (Government Finance Officers Association)

An association of public finance professionals which has played a major role in the development and promotion of GAAP for state and local government.

◇ **Net Investment in Capital Assets**

A component of net position which represents capital assets, net of accumulated depreciation, net of related debt plus related deferred outflows/inflows of resources attributable to those assets.

◇ **Net Position**

The differences between the assets/deferred outflows of resources and liabilities/deferred inflows.

◇ **Primary Government**

A term commonly used to describe the financial reporting entity, such as a local government.

◇ **Program Revenues**

Revenues resulting from an activity's fees and charges or revenues received as operating or capital grants to fund specific programs or purchases.

◇ **Restricted Net Position**

A components of net position which represents restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

◇ **Unrestricted Net Position**

A component of net position which represents the differences between total net position and net investment in capital assets and restricted net position.

Looking Ahead

Your City, Your Community



Your Community's Development—It's the Right Move

Without a doubt, the City of Odessa has continually been a leader in the area of community development with 49 months of economic expansion and counting. Some of the accomplishments noted within the community over the past fiscal year include: construction spending of over \$600 million; the filing of 479 single family construction permits; and the start of 221 new commercial projects with a total value of \$357 million.

The City currently has total outstanding debt of \$143.9 million. Of this amount, approximately \$76.6 million is governmental-type tax supported debt, while the Water and Sewer system revenues support the additional \$67.2 million of business-type debt. The City's general bonded debt per capita is \$1,176. This debt per capita amount is the 3rd lowest of the 25 population-comparable Texas cities.

When considering the livable side of our community's development, the City operates one golf course and also maintains a total of 36 parks including three swimming pools and a water sprayground. The City is actively spending millions of dollars to upgrade its existing parks and also has active plans for the creation of more community parks and trails for the residents.

With an overall temperature of 63.4 degrees and 85% of the year bringing sunny days, Odessa proudly boasts a civilian labor force of 85,970 and an unemployment rate of 3.1% at fiscal year end 2014. Odessa was previously designated as a #1 small city in America for Best Job Growth by Forbes Magazine; and most recently, Odessa was recognized as one of "the fastest growing small cities in the nation" (*Forbes Magazine – September 3, 2014*). With a 14% population increase in the community - You can clearly see that the **City of Odessa, Texas is the Right Move!**



Innovation At Work With GIS

The City's Geographic Information Systems (GIS) Division provides computer-based, geographical data by preparing specialty maps and other informational tools. The function was initially started as an underlying support base for both the City's Public Works Department and the 911-Emergency Services' software system. Today, GIS services are now available to more City Departments, local public entities, and citizens!

Interactive maps, with information ranging from general addresses to scheduled trash collections, may be accessed through various web applications. Advancing GIS technologies allow quick retrieval of data necessary to support many different requests. For example, the Police Department can easily retrieve geospatial data to review different beats and sectors within the city limits. GIS services can also provide up-to-date information regarding specific water line breaks or the progression of current projects such as water meter replacements.

With the continual development of critical mapping standards and information data bases, GIS services are essentially becoming a key aspect in many phases of City operations by aiding with environmentally-sensitive decisions each day. The GIS Division provides daily support to City departments and area entities including Ector County, Permian Basin Regional Planning Commission, ECISD and UTPB. Presently, the GIS Division is a function of the Public Works Department, a governmental activity, with 7 FTEs and an annual budget of \$753,377.

AVL - 3 Little Letters, One Big Difference

AVL (Automated Vehicle Locator) tracking devices are coming to the City of Odessa's fleet fast. This past fiscal year, approximately 92 AVL devices were installed on the fleet utilized by the Public Works Department. The AVL units are web-based, fleet tracking devices that are extremely helpful for addressing vehicle maintenance issues. The devices have quickly become a key part of the City's comprehensive fleet management system and will help save the City money.

The AVL devices can track fleet performance and movement 24-7. Those features allow management to be proactive and effect better governance over its fleet with the ability to quickly retrieve vehicle location, speed history, fuel efficiency data, and other maintenance metrics. Because the AVL devices provide quick access to location and engine diagnostic data, the benefits are truly significant. The devices provide management with a real-time decision-making tool. This means lower fleet costs and improved fleet performance overall. AVL devices will be placed on more City vehicles in the coming fiscal year. The AVL program is administered by the Equipment Services Department with 18 FTEs budgeted and resources of \$15.7 million for fiscal year 2013-2014.

Awards & Achievements



Award of Financial Reporting Achievement

A Certificate of Achievement for Excellence in Financial Reporting has been awarded to the City of Odessa by the GFOA for its CAFR for the fiscal year ended September 30, 2013.

This prestigious award represents the attainment of high standards in efforts made by governments to prepare a comprehensive annual financial report that demonstrates the spirit of transparency and full disclosure essential to clearly communicate a government's financial story. This year represents the 28th consecutive year the City has received the prestigious award.

ISO Award

In March 2014, the State Fire Marshal's Office of the Texas Department of Insurance awarded the Odessa community with a "Class 2" Public Protection Classification rating as a result of its exemplary achievements in the area of fire protection services.

The State's program evaluates communities' performance regarding fire suppression services in accordance with nationally recognized standards developed by the National Fire Protection Association and the American Water Works Association.

The award was presented by Deputy State Fire Marshal Jesse Williams and accepted by Odessa Fire Chief Roger Boyd.



Silver Mission: Lifeline EMS Recognition Award

The City's Odessa Fire/Rescue Department received the American Heart Association's Lifeline EMS Silver Award in May 2014. The award represents the Department's excellence as one of the top EMS agencies in the State for its commitment and success in utilizing special quality improvement measures for the treatment of pre-hospital chest pain patients who suffer a severe heart attack.

The Paramedics of the Odessa Fire Rescue Department do a great job in assuring the community receives the best possible medical treatment in the field while awaiting direct care from hospital personnel. Only 10 departments in the State of Texas have received the Silver level award for 2014.



More Awards!



- ◆ **GFOA Distinguished Budget Presentation Award (27th Year Award)**
- ◆ **Texas Comptroller Leadership Circle Platinum Member (4th Year Award)**
- ◆ **Tree City USA Award (19th Year Award)**
- ◆ **Northern Texas PGA “Merchandiser of the Year” Award (Public Category Award for Ratliff Ranch Golf Links)**



The City Manager’s Team

As we reflect on fiscal year 2014, we know our City has achieved in many areas because the City Council and staff have worked so hard to continue the tradition of maintaining sound fiscal policies, delivering quality services and accomplishing key community priorities. We are sincerely committed to continue working in partnership and we hope this Popular Report, which only displays a snapshot of some of the City’s financial activities, has been beneficial to you and helped you learn a little more about your City - your Community.

The City Manager’s Team



Michael Marrero,
Deputy City Manager
of Community Services

Richard Morton,
City Manager

Konrad Hildebrandt,
Assistant City Manager
of Administrative Services

2015 Mayor and City Council

David R. Turner, Mayor
Roger T. McNeil, District 1
Dewey Bryant, District 2
Barbara Graff, District 3
Michael Gardner, District 4
Filiberto Gonzales, District 5

City Management

Richard Morton, City Manager
Michael Marrero, Deputy City Manager
Konrad Hildebrandt, Asst. City Manager

City of Odessa
Popular Annual Financial Report
Year Ended September 30, 2014

This is an official publication of
the City Of Odessa.

For more information on the
City of Odessa, visit the City's
website at www.odessa-tx.gov

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411 W 8th Street, 5th Floor
Odessa, Texas 79761

This Popular Annual Financial Report (PAFR) is intended to serve as a supplemental financial report and reflects select financial data from the City's 2014 Comprehensive Annual Financial Report (CAFR). This PAFR is also unaudited and reflects financial presentations which exclude component unit information in order to focus on the primary government. Please refer to the City's audited CAFR for more detailed information regarding the City's financial position and all required disclosures per generally accepted accounting principles (GAAP).

The City's 2014 CAFR is available online at www.odessa-tx.gov



City of Odessa
"Working in Partnership"