



Tuolumne River Regional Park at Gateway - Dry Creek

City of Modesto

Popular Annual Financial Report

FY 2017-2018 | Fiscal Year Ended June 30, 2018



CITY OF
MODESTO
CALIFORNIA



Government Finance Officers Association

**Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting**

Presented to

**City of Modesto
California**

For its Annual
Financial Reporting
for the Fiscal Year Ended

June 30, 2017

Executive Director/CEO

The Government Finance Officers Association of the United States and Canada has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to Modesto, California for its Popular Annual Financial Report for the fiscal year ended June 30, 2017.

The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards for creativity, presentation, understandability and reader appeal. We believe our current report, for the fiscal year ended June 30, 2018 also conforms to the Government Finance Officers Association Popular Annual Financial Reporting standards.

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CITY OF
MODESTO
CALIFORNIA

Located in Central California, the City of Modesto boasts glorious weather, a low cost of living and a rich sporting and cultural heritage. The city hosts annual events celebrating the movie American Graffiti, has produced more track and field records than any other city, has its own poet laureate and the largest privately owned winery in the world.

Modesto is an ideal business location for start-ups and expanding firms. Amidst its growth, Modesto has not forgotten what makes it special – its people. At a population of approximately 214,000 residents we aren't a small city but we maintain a small town feel while offering big city amenities.

Residents value camaraderie, community, and a healthy lifestyle. Fresh eating and farm-to-table living is an everyday norm in the heart of one of the richest agricultural areas in our nation. Outdoor recreation options abound, with seventy-six parks, three rivers, four walking trails, and multiple cycling paths. Modesto's central location offers close proximity to the ocean, mountains, and some of our nation's largest cities, national parks and renowned landmarks.

Mayor's Message



Mayor
Ted Brandvold



It is a privilege and an honor to represent the citizens of the City of Modesto for the past three years.

The Popular Annual Financial Report is presented to give the citizens and taxpayers a view of the city's financial condition and our strategic commitments.

My first and foremost priority has been the long-term strengthening of the financial condition of our city.

In 2016, the City Council and I appointed the 100-Day Budget Review Committee who identified savings and recommended 37 specific action items to put the city in a stronger financial condition. City staff members and community volunteers continue to work at implementing these recommendations.

The work of the 100-Day Committee is an outstanding start to improving city finances but work still needs to be done. As I have mentioned previously in PAFR reports, the committee's final report warned: "unless Modesto sheds a 'business as usual' approach and acts soon on multiple fronts, it is possible that the city general fund will struggle to supply even the most vital services to its citizens within five to ten years."

The difficulties the 100-Day Committee warned us about, are upon us. Projections show significant increases in CalPERS contributions for this upcoming fiscal year, and the increases will escalate in years to come. It will require strategic planning and difficult decisions if our city is to endure and keep the promises it has made to its taxpayers, residents, employees, retirees, and many others.

The city has made considerable effort at shedding its "business as usual" approach and we need to continue these efforts if we are to succeed. The private sector – both for-profit and not-for-profit – will have to do more because the city cannot.

We must continue to review and improve city operations. The city has identified and dealt with overspending difficulties over the past year, and we have identified and implemented safeguards to keep our spending in check.

There are many great things happening in Modesto. ACE passenger rail service is coming to our city connecting us to San Jose and the Silicon Valley, which we are using to entice startup tech businesses to our city; the new Valley Children's Hospital facility is scheduled to open this spring, providing healthcare services for children in our city and the region; we have economic resurgence, with many businesses making downtown and throughout Modesto their home; and our Vintage Faire shopping mall is one of the highest producing in the nation, with a number of improvements in the planning stage.

Modesto has the advantages of being affordable compared to other areas of California. We are in a location central to everything: access to world class agriculture right outside our front doors, many recreational activities within our city and all around us, and great cultural centers throughout our communities.

I believe Modesto is the best kept secret of the Central Valley, and the word will be out soon. I love Modesto and most especially its people.

As always, if you have any comments or suggestions on what you read in this report, please email me at mayor@modestogov.com or call me at 209-571-5230.

City Manager's Message

I am pleased to submit the 2017 Popular Annual Financial Report. This report is presented with confidence that our city is making great economic improvements, and with caution due to the fiscal challenges we have this next year and in the years to come.

Our local economy is improving, and we continue to see an increase in revenue from property, business license and sales taxes, which account for 60.2% of General Fund revenues. During Fiscal Year 2017/2018, the city was able to increase its General Fund emergency reserves by \$2.5 million to \$18.3 million while containing costs. This action also brings the city to within approximately \$600 thousand of the Government Finance Officers Association recommended level.

In being fiscally responsible, we also need to think beyond the numbers. This city understands that performance and measuring performance matters a great deal. We use data-based evidence in our decision-making, evaluate our progress, and make adjustments to the level of service we provide, as necessary. The city's objective is to turn that data into a performance-based budgeting process.

We consistently hear from residents that public safety is a top priority. Further, it is my commitment to actively manage vacancies as they occur to ensure that we provide quality services for our residents. We are taking an aggressive pro-business approach to expand existing businesses and attract new ones. Doing so will help our revenues grow, and allow the city to meet the ever-increasing needs of our community.

Our initial projections show significant increases in CalPERS contributions for this upcoming fiscal year, and the increases will continue in subsequent years. At the same time, we remain optimistic that new revenue, from the cannabis excise and internet sales tax, will positively affect the city's budget. Certainly revenue streams continue to be vulnerable to change, and we'll be watching these closely.

I am honored to serve our great city under the leadership of an engaged Council, and alongside caring and compassionate people who want to make Modesto THE place to be. Working together, I am confident that we can find the tools to make Modesto a vibrant economic center. We have a journey ahead of us in combatting the city's fiscal challenges, but if we remain diligent this coming year, I'm confident we will have an effective and sustainable local government.



City Manager
Joseph P. Lopez



Fiscal Sustainability: Planning for Challenges

The General Fund Financial Forecast is a valuable tool to the City's future fiscal sustainability. This forecast helps chart our course to fiscal sustainability by providing leadership the tools to:

- Develop a detailed understanding of available funding.
- Assess the likelihood that services can be sustained.
- Assess the level at which capital investment(s) can be made.
- Identify future commitments and resource demands and their impact on the General Fund.
- Identify key variables that cause changes in the level of revenue and expenditures through various forecast methodologies.

General Fund Five Year Forecast

	<u>Actual</u> <u>2014</u>	<u>Actual</u> <u>2015</u>	<u>Actual</u> <u>2016</u>	<u>Actual</u> <u>2017</u>	<u>Actual</u> <u>2018</u>	<u>Adopted</u> <u>2019</u>	<u>Projected</u> <u>2020</u>	<u>Projected</u> <u>2021</u>	<u>Projected</u> <u>2022</u>	<u>Projected</u> <u>2023</u>	<u>Projected</u> <u>2024</u>
Revenues											
Property Tax - Property & VLF Swap	\$24.46 M	\$27.00 M	\$28.70 M	\$30.30 M	\$32.09 M	\$33.44 M	\$34.95 M	\$36.18 M	\$37.44 M	\$38.75 M	\$39.91 M
Sales and Use Tax	\$27.65 M	\$28.44 M	\$29.88 M	\$30.20 M	\$31.30 M	\$31.24 M	\$31.80 M	\$32.37 M	\$32.96 M	\$33.55 M	\$34.15 M
Utility Users Tax	\$20.15 M	\$19.59 M	\$19.56 M	\$20.11 M	\$20.61 M	\$21.12 M	\$21.33 M	\$21.54 M	\$21.76 M	\$21.98 M	\$22.20 M
Business License/Mill Tax	\$10.57 M	\$11.42 M	\$11.94 M	\$12.26 M	\$13.05 M	\$12.00 M	\$12.12 M	\$12.30 M	\$12.55 M	\$12.80 M	\$13.05 M
Transient Occupancy Tax	\$1.88 M	\$2.10 M	\$2.52 M	\$2.67 M	\$2.83 M	\$2.70 M	\$2.84 M	\$2.98 M	\$3.13 M	\$3.28 M	\$3.45 M
Other Taxes/Fees	\$4.22 M	\$4.89 M	\$5.30 M	\$5.15 M	\$5.13 M	\$5.04 M	\$5.10 M	\$5.16 M	\$5.23 M	\$5.29 M	\$5.36 M
Construction Revenues	\$1.65 M	\$1.62 M	\$1.84 M	\$2.13 M	\$2.32 M	\$2.40 M	\$2.60 M	\$2.78 M	\$2.97 M	\$3.18 M	\$3.36 M
Departmental Revenues	\$20.40 M	\$20.50 M	\$18.60 M	\$21.88 M	\$19.05 M	\$17.91 M	\$18.09 M	\$18.27 M	\$18.45 M	\$18.63 M	\$18.82 M
Cannabis Revenues	\$0.00 M	\$0.00 M	\$0.00 M	\$0.00 M	\$0.00 M	\$1.50 M	\$3.00 M	\$3.05 M	\$3.11 M	\$3.16 M	\$3.22 M
Transfers In	\$2.03 M	\$0.94 M	\$0.55 M	\$0.84 M	\$0.70 M	\$2.25 M	\$0.40 M	\$0.40 M	\$0.40 M	\$0.40 M	\$0.41 M
Total Revenues	\$113.01 M	\$116.49 M	\$118.89 M	\$125.54 M	\$127.08 M	\$129.60 M	\$132.22 M	\$135.04 M	\$137.99 M	\$141.04 M	\$143.93 M
Expenses											
Salaries	\$32.27 M	\$42.07 M	\$44.06 M	\$45.56 M	\$47.14 M	\$54.33 M	\$54.69 M	\$55.06 M	\$55.43 M	\$55.80 M	\$56.18 M
Overtime	\$2.57 M	\$4.64 M	\$5.62 M	\$5.91 M	\$6.88 M	\$4.98 M	\$5.03 M	\$5.08 M	\$5.13 M	\$5.18 M	\$5.24 M
Health/Dental/Vision	\$3.82 M	\$3.90 M	\$4.28 M	\$4.32 M	\$4.38 M	\$5.78 M	\$6.01 M	\$6.25 M	\$6.50 M	\$6.76 M	\$7.03 M
Pension	\$7.33 M	\$13.21 M	\$14.52 M	\$15.42 M	\$16.53 M	\$20.10 M	\$22.33 M	\$24.14 M	\$25.48 M	\$26.51 M	\$26.95 M
Retiree Medical	\$0.55 M	\$2.89 M	\$1.23 M	\$1.70 M	\$2.23 M	\$1.13 M	\$1.15 M	\$1.17 M	\$1.20 M	\$1.22 M	\$1.25 M
Other Pay & Benefits	\$4.48 M	\$9.75 M	\$9.41 M	\$9.71 M	\$12.05 M	\$12.20 M	\$12.66 M	\$13.14 M	\$13.64 M	\$14.15 M	\$14.70 M
Budget Only (Salary & Benefit Adjustments)	\$0.00 M	\$0.00 M	\$0.00 M	\$0.00 M	\$0.00 M	-\$0.57 M	\$0.00 M	\$0.00 M	\$0.00 M	\$0.00 M	\$0.00 M
Variance Rate Savings	\$0.00 M	\$0.00 M	\$0.00 M	\$0.00 M	\$0.00 M	-\$6.54 M	-\$6.20 M	-\$6.38 M	-\$6.53 M	-\$6.67 M	-\$6.77 M
Subtotal Personnel	\$51.03 M	\$76.45 M	\$79.11 M	\$82.61 M	\$89.21 M	\$91.40 M	\$95.67 M	\$98.47 M	\$100.85 M	\$102.97 M	\$104.57 M
ISF Charges	\$7.21 M	\$7.21 M	\$7.28 M	\$6.79 M	\$7.11 M	\$8.15 M	\$8.43 M	\$8.72 M	\$9.03 M	\$9.35 M	\$9.69 M
Contract Services	\$31.42 M	\$9.38 M	\$9.55 M	\$9.52 M	\$8.97 M	\$8.71 M	\$8.89 M	\$9.06 M	\$9.24 M	\$9.43 M	\$9.61 M
Other Discretionary Expenses	\$11.05 M	\$12.27 M	\$13.14 M	\$11.48 M	\$12.23 M	\$13.58 M	\$15.21 M	\$15.56 M	\$15.92 M	\$16.28 M	\$16.65 M
Debt/Capital Expenses	\$0.09 M	\$1.61 M	\$1.34 M	\$6.52 M	\$1.22 M	\$1.13 M	\$1.17 M	\$1.21 M	\$1.25 M	\$1.29 M	\$1.34 M
Transfers Out	\$10.35 M	\$7.42 M	\$6.22 M	\$6.02 M	\$8.64 M	\$6.54 M	\$6.60 M	\$6.67 M	\$6.74 M	\$6.80 M	\$6.87 M
Proposed Reductions	\$0.00 M	\$0.00 M	\$0.00 M	\$0.00 M	\$0.00 M	\$0.00 M	\$0.00 M	\$0.00 M	\$0.00 M	\$0.00 M	\$0.00 M
Total Expenses	\$111.15 M	\$114.35 M	\$116.65 M	\$122.95 M	\$127.39 M	\$129.51 M	\$135.97 M	\$139.69 M	\$143.02 M	\$146.12 M	\$148.73 M
Net Annual Surplus (Shortfall)	\$1.86 M	\$2.14 M	\$2.25 M	\$2.58 M	-\$0.31 M	\$0.08 M	-\$3.75 M	-\$4.65 M	-\$5.03 M	-\$5.08 M	-\$4.80 M
Total Beginning Fund Balance	\$16.77 M	\$19.91 M	\$24.82 M	\$27.07 M	\$29.65 M	\$26.75 M	\$26.83 M	\$23.08 M	\$18.42 M	\$13.40 M	\$8.32 M
CAFR Adjustment	\$1.28 M	\$2.76 M	\$0.00 M	\$0.00 M	-\$2.60 M	\$0.00 M	\$0.00 M	\$0.00 M	\$0.00 M	\$0.00 M	\$0.00 M
Ending Fund Balance (Net Surplus+BegFndBlnc+CAFR Adj)	\$19.91 M	\$24.82 M	\$27.07 M	\$29.65 M	\$26.75 M	\$26.83 M	\$23.08 M	\$18.42 M	\$13.40 M	\$8.32 M	\$3.51 M
Ending Fund Balance Breakdown											
Nonspendable	\$0.10 M	\$2.77 M	\$2.65 M	\$2.52 M	\$2.88 M	\$2.88 M	\$2.88 M	\$2.88 M	\$2.88 M	\$2.88 M	\$2.88 M
Restricted	\$3.72 M	\$1.34 M	\$2.09 M	\$1.97 M	\$2.67 M	\$2.67 M	\$2.67 M	\$2.67 M	\$2.67 M	\$2.67 M	\$2.67 M
Committed	\$3.00 M	\$3.00 M	\$3.00 M	\$15.80 M	\$18.40 M	\$18.40 M	\$14.56 M	\$9.91 M	\$4.88 M	-\$0.20 M	-\$5.00 M
Assigned	\$1.02 M	\$3.12 M	\$6.50 M	\$4.85 M	\$1.10 M	\$2.96 M	\$2.96 M	\$2.96 M	\$2.96 M	\$2.96 M	\$2.96 M
Unassigned	\$12.07 M	\$14.59 M	\$12.82 M	\$4.51 M	\$1.70 M	-\$0.09 M	\$0.00 M	\$0.00 M	\$0.00 M	\$0.00 M	\$0.00 M
Comm + Unassigned as % of Total Expense	13.6%	15.4%	13.6%	16.5%	15.8%	14.1%	10.7%	7.1%	3.4%	-0.1%	-3.4%

Key points to the General Fund Forecast
Major Revenue Assumptions: Average Property Tax Growth of 3.6%, Average Sales Tax Growth Rate of 1.8%, and Average Business License/Mill Tax Growth Rate of 1.7% in years 2020 through 2024.

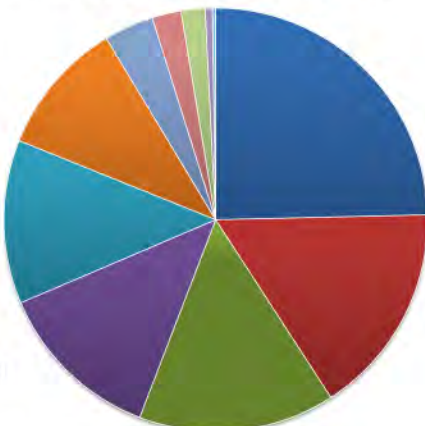
Expenses reflect current staffing levels and do not address unmet needs, future expansion of public safety services, or deferred maintenance on capital assets.

Revenues continue to show marginal increases over the projected years but they are not enough to cover the costs of improved services, increased pension costs, or capital improvements needed in future years.

General Fund Revenues & Expenditures

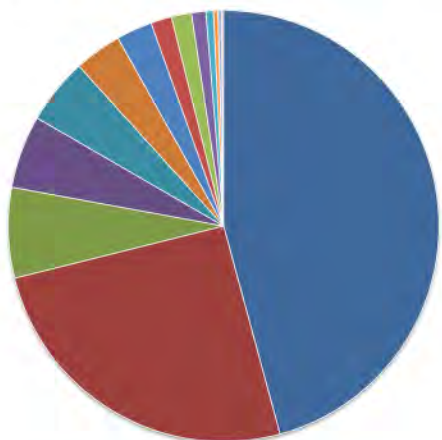
FY 2017-18 Actual General Fund Revenues Received

- Sales Tax (\$31.3 Million)
- Utility Users Tax (\$20.6 Million)
- Departmental Revenues (\$19.1 Million)
- Property Tax (\$16.2 Million)
- Vehicle License Fees Swap (\$15.9 Million)
- Business License/Mill Tax (\$13.1 Million)
- Franchise Fees (\$4.8 Million)
- Transient Occupancy Tax (\$2.8 Million)
- Construction Revenues (\$2.3 Million)
- Transfers In to General Fund (\$0.7 Million)
- Motor Vehicle Fees (\$0.3 Million)



FY 2017-18 Actual General Fund Expenditures by Department

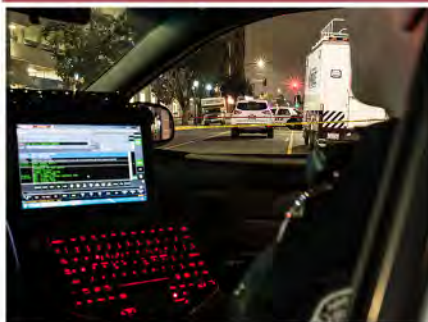
In FY 2017-18 the General Fund had total expenditures from all Departments (inclusive of Transfers Out) of \$127.4 million. Revenues (inclusive of Transfers In) were at \$127.1 million. Due to a rather large prior period adjustment in the General Fund (-\$2.6 million) there was an overall decrease to the General Fund balance by fiscal year-end of \$2.9 million. This prior period adjustment was due to a reclassification of a liability from the General Fund to an enterprise fund as a loan.



- Police Department (\$58.3 Million)
- Fire Department (\$32.3 Million)
- Transfers Out (\$8.6 Million)
- Community & Economic Development (\$6.9 Million)
- Public Works (\$6.3 Million)
- Finance (\$4.5 Million)
- Parks, Recreation and Neighborhoods (\$3.4 Million)
- City Attorney's Office (\$1.99 Million)
- City Manager's Office (\$1.92 Million)
- Human Resources (\$1.37 Million)
- City Clerk's Office (\$0.7 Million)
- City Council (\$0.4 Million)
- Non-Departmental (\$0.35 Million)
- Office of the City Auditor (\$0.18 Million)

What do your tax dollars fund?

Nearly 71.1% of the City's General Fund is used to pay for operating expenditures related to Public Safety (Police and Fire services). These two areas in the General Fund had expenditures of \$90.6 million in FY 2017-18. Taking into account the main resident-driven taxes such as Sales Tax, Property Tax (inclusive of the Vehicle License Fee Swap), and Utility Users Tax, the actual revenue received in FY 2017-18 (\$84 million) would not be enough to fund Public Safety services alone.



The figures represented in these charts agree, in totality, to figures shown for revenues in the City of Modesto's CAFR (Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds) for the General Fund in FY 2017-18.

Statements of Net Position & Financial Highlights

City of Modesto's Net Position As of June 30, 2018

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current & Other Assets	\$ 243,103,994	\$ 234,821,516	\$ 261,380,685	\$ 244,685,705	\$ 504,484,679	\$ 479,507,221
Capital Assets	\$ 418,014,444	\$ 419,668,957	\$ 904,169,388	\$ 870,561,610	\$ 1,322,183,832	\$ 1,290,230,567
Deferred Outflows of Resources	\$ 70,743,496	\$ 56,076,070	\$ 40,085,699	\$ 44,831,198	\$ 110,829,195	\$ 100,907,268
Total Assets & Deferred Outflow of Resources	\$ 731,861,934	\$ 710,566,543	\$ 1,205,635,772	\$ 1,160,078,513	\$ 1,937,497,706	\$ 1,870,645,056
Current Liabilities	\$ 303,343,367	\$ 292,651,623	\$ 132,037,995	\$ 132,908,806	\$ 435,381,362	\$ 425,560,429
Noncurrent Liabilities	\$ 92,513,335	\$ 98,300,219	\$ 348,564,989	\$ 334,536,847	\$ 441,078,324	\$ 432,837,066
Deferred Inflows of Resources	\$ 10,481,112	\$ 10,503,691	\$ 2,003,153	\$ 2,347,701	\$ 12,484,265	\$ 12,851,392
Total Liabilities & Deferred Inflows of Resources	\$ 406,337,814	\$ 401,455,533	\$ 482,606,137	\$ 469,793,354	\$ 888,943,951	\$ 871,248,887
Net Investment in Capital Assets	\$ 377,529,238	\$ 376,743,556	\$ 571,811,118	\$ 555,163,217	\$ 949,340,356	\$ 931,906,773
Restricted	\$ 130,192,278	\$ 123,851,082	\$ 21,071,542	\$ 21,525,961	\$ 151,263,820	\$ 145,377,043
Unrestricted	\$ (182,197,396)	\$ (191,483,628)	\$ 130,146,975	\$ 113,595,981	\$ (52,050,421)	\$ (77,887,647)
Total Net Position	\$ 325,524,120	\$ 309,111,010	\$ 723,029,635	\$ 690,285,159	\$ 1,048,553,755	\$ 999,396,169

Financial Highlights from the City's Comprehensive Annual Financial Report

- The assets of the City exceeded liabilities at the close of the 2018 fiscal year by \$1,048,553,755 (total net position). Of this amount, \$151,263,820 is restricted for a specific purpose (restricted net position), \$949,340,356 is invested in capital assets, net of related debt and (\$52,050,421) is unrestricted (unrestricted net position).
- The largest portion of the City's net position, \$949,340,356 (90.5 percent), reflects its investment in capital assets (e.g. land, water rights, buildings, improvements, furnishings and equipment, buses and fare boxes, pipelines, and infrastructure), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of debt and related deferred outflows and inflows, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- The City's total net position increased by \$49,157,586 during the current fiscal year and was largely due to the additions associated with the City's infrastructure and capital improvements.

Enterprise Funds Change in Net Position

Business-type Activities 2018 2017

Revenues:		
Charges for Services	\$ 150,864,635	\$ 141,588,536
Operating Grants & Contributions	\$ 17,858,762	\$ 15,975,703
Capital Grants & Contributions	\$ 7,196,698	\$ 19,617,513
Other	\$ 2,728,262	\$ 2,388,860
Total Revenues	\$ 178,648,357	\$ 179,570,612
Expenses:		
Water	\$ 56,526,729	\$ 63,008,231
Sewer	\$ 41,444,220	\$ 36,248,877
Bus	\$ 20,538,934	\$ 21,979,360
Parking	\$ 1,553,258	\$ 1,628,226
Storm Drain	\$ 5,202,444	\$ 6,119,472
Compost	\$ 9,652,175	\$ 9,648,481
Airport	\$ 1,578,654	\$ 1,744,557
Golf	\$ 2,616,077	\$ 2,871,167
Community Center	\$ 1,780,010	\$ 1,934,179
Abatement and Public Nuisance	\$ 351,557	\$ 51,624
Total Expenses	\$ 141,244,058	\$ 145,234,174
Increase in Net Position Before Transfers	\$ 37,404,299	\$ 34,336,438
Transfers	\$ 354,287	\$ 1,750,401
Change in Net Position	\$ 37,758,586	\$ 36,086,839
Net Position - Beginning of the Year	\$ 690,285,159	\$ 654,198,320
Adjustments	\$ (5,014,110)	\$ -
Net Position - End of the Year	\$ 723,029,635	\$ 690,285,159



Studies show that 95% of Americans have been reached by vehicle wrapping advertisements. Customized vehicle wraps can reach pedestrians, drivers and passengers, and one car wrap can be seen approximately 30,000 to 80,000 times throughout the day. With such great exposure the City of Modesto has recently decided to have 3 trucks wrapped with the "Call Us First" messaging. If you are experiencing sewer or storm drain problems we are here to help. Call us 24 hours a day 7 days a week at 209-577-6200.

2015-2018 Strategic Commitments



The 2015-2018 Strategic Plan is the foundation for how the City allocates its resources, how it prioritizes its initiatives to best serve the citizens of Modesto, and how it responds to future challenges. Our 2015-2018 Strategic Plan priorities bring the City's vision and values to life in our community, and define our overall direction as a City. It also confirms our commitment to our citizens.

While the priorities are individually important, they are also interconnected and cannot be addressed in isolation. In addition, they are the basis of our scorecard that measures success and upon which our performance metrics are built.



Great, Safe Neighborhoods

Reduce crime and build a safe, inviting community to live, work and play in, through an emphasis on neighborhood fortification.



Effective, Responsive & Transparent Government

Focus on continuous improvement, team building, and enhanced technology to improve efficiency and service delivery.



Vibrant Infrastructure & Sustainable Environment

Enhance City roads, water supply, transportation needs and seek opportunities to improve the environment through partnership.



Healthy Economy & Great Quality of Life

Strengthen the economy by promoting new business, growing revenue, creating and preserving jobs through business development.

Our Commitment to the Citizens of Modesto



Fiscal Responsibility & Accountability

We will continue to ask ourselves if what we are doing is in the best interest of the City and our citizens. We will be fiscally responsible with expenditures.



Customer Service *for every customer, everyday*

We will remind ourselves that serving the public is our # 1 objective. We will seek solutions before saying something is "against our rules or policy" making sure we have done everything possible for our citizens to have a pleasant experience with the City.



Organizational Excellence

We will strive to be innovative and efficient in all our work processes.

Great, Safe Neighborhoods

Modesto Police Services

The Modesto Police Department is fortunate to receive an incredible amount of support from the community we serve. As we progress as a department, we will continue to strengthen our ties with the community and look for ways to improve our service and efficiency.

- Chief Galen Carroll



Neighborhood Watch

2.79% Increase in number of Watch Groups
12.5% Increase in number of Watch Meetings

Community Engagement

77.55% Increase in Activities



Coffee with a Cop

12 events hosted throughout the city



Business Watch

36.36% Increase in Watch Groups
14.29% Increase in Watch Meetings

Crime Free Multi-Housing

106 Properties Recertified
Reinstated bi-monthly Property Management Training



National Night Out

Congratulations Modesto on joining 38 million neighbors and 16,000 communities from across the nation for this year's National Night Out. Modesto has made it to #1 in the State for cities of our size and #5 in the nation with 188 registered NNO parties held across our neighborhoods. Get ready Modesto let's work our way up to #1 in the nation this year!



Great, Safe Neighborhoods



Modesto Fire Services

The Modesto Fire Department has proudly served the citizens of our community for more than 140 years. We take our role in saving lives very seriously and, as a result, continually change and update our practices to further enhance our life saving capabilities.

Our firefighters often see members of the community on what is likely the worst day of their life, as such, we take our "We Care" motto just as seriously as our training, and work to ensure the firefighters who serve this community have a servants heart. Saving lives, protecting property and going above and beyond to ensure the public is safe is, and always will be our primary mission.

- Chief Alan Ernst



The Fire Prevention Division was awarded a grant for the purchase of a Sparky the dog fire costume. The mascot has been very well received and a great addition to the fire safety education team.

Modesto Fire Department was honored to receive the gracious donation of an original 1919 Seagrave pumper that once served the citizens of Modesto in its day, we cannot thank Mr. & Mrs. Bill Spidell enough.



Placed a new California Office of Emergency (OES) grant funded HazMat rig into service, this apparatus is able to serve throughout the County and State during HazMat incidents.

Highlights

- 5 firefighters graduated from the academy in August, several Engineers and a Battalion Chief joined celebrated their promotions
- Five (5) new engines and two ladder trucks were placed into service



Effective, Responsive & Transparent Government

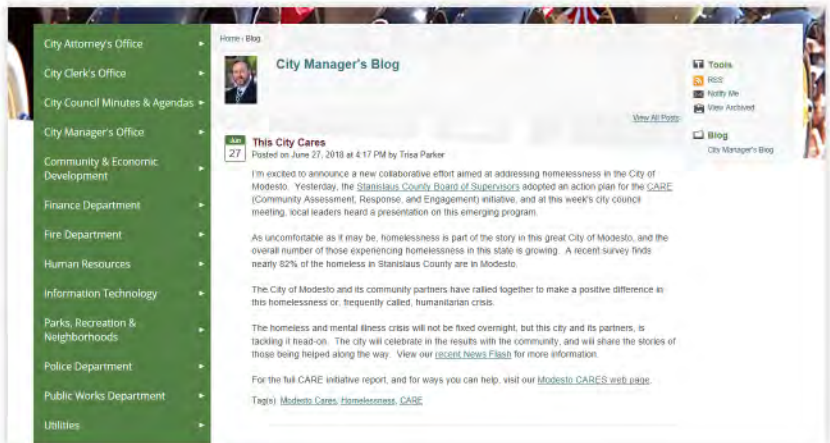
Modesto CARES

One of Modesto's top priorities is our newly created cross-sector, cross-agency, multi-disciplinary team. This team will focus on helping to restore those individuals in our community causing the most significant distress in our community and for themselves.

This priority population, those not connected or engaged in services, often struggle with High-Risk Health and Safety Behaviors, Vagrancy-Related Criminal Behavior, Severe and Persistent Mental Illness and Substance Use Disorders.

Highlights

- Implementation of a new facilities management and online booking system in Parks, Recreation, & Neighborhoods, which will make it easier for residents to sign-up for city programs.
- City of Modesto was ranked #7 in the nation and #1 in California through the 2017 Digital Cities Awards Program. This nation-wide awards program examines how well municipalities incorporate technology into its operations to better serve its citizens.
- Council approved the purchase of a Citywide upgrade of the Network Communications system which will provide improved network speeds, enhance security, and support the anticipated growth in network dependencies with the introduction of newer technologies such as smart devices, digital audio/video, and increased mobility of City resources.
- Utilizing the online portal launched late in fiscal year 2017, the Citation Processing Division assisted customers with approximately one-third of all citation appeals now being handled online, providing an alternative method to mailing in paperwork and also reducing wait times in the office.
- Finance Customer Services Division began providing Cash Handling Training and Best Practices through on-site visits with City departments, ensuring compliance with the City's Cash Handling Administrative Directive.



City Manager's Blog

Implemented a new City Blog online where the City Manager shares regular updates on announcements and promotions.

Social Media

The City of Modesto continues to see growth in the number of engagements throughout all of our social media platforms such as Facebook, Instagram and Twitter. We continue to strive to build a strong social connection with our residents. Social media acts as a powerful tool broadcasting various messages and encouraging participation.



Vibrant Infrastructure & Sustainable Environment



Highlights

- Construction was completed on much needed renovation projects at Sanders, Freedom, Garrison and J.M. Pike Neighborhood Parks
- Applied for and received almost \$5 million in grant funds for four important park improvement projects (Virginia Corridor Phase 7, Neece Drive Boat Ramp, TRRP River Overlook and TRRP River Pavilion & Outdoor Theatre)
- Partnered with other local water agencies to form a regional Groundwater Sustainability Agency to collaboratively manage groundwater resources
- Received a \$4 million Proposition 84 grant for the Roosevelt Park storm drain cross connection project. Construction will be underway in Fall 2018
- Completed reconstruction of the Pelandale Avenue overcrossing on SR-99 with new alignments and construction of a southbound auxiliary lane to enhance safety, relieve congestion and improve traffic operations
- Received a Grant for over \$4,000,000 from California Air Resources Board for 5 Proterra battery-electric zero-emission public transit buses and the installation of eight depot chargers
- The City received a grant award in the amount of \$3.4 million from Department of Transportation to be utilized for the Right of Way acquisition for the State Route 132 project

North Valley Regional Recycled Water Program

The city has begun to deliver recycled water to the drought-impacted Del Puerto Water District, in a regional effort to deliver tertiary-treated effluent from the cities of Modesto, Turlock, and Ceres. Modesto's portion of the project consists of a new pump station from the city's Jennings Facility, a pipeline crossing under the San Joaquin River, and approximately 7 miles of pipeline to the Delta Mendota Canal. This project delivers approximately 14.9 million gallons of recycled water per day. Construction on this project began November 2016 and was completed February 2018.



Parks Partners Program

Worked with various neighborhood groups in the city to provide park improvements throughout Modesto through the city's Park Partners Program. Projects include Graceada Park Pool and Splashpad Renovation, Graceada Park Tot Playground Replacement, Beard Brook Park Dog Park and Garrison Park Sign Replacement.



The Graceada Park Pool & Splash Grounds Renovations was a community inspired park improvement project.

Healthy Economy & Great Quality of Life



Modesto Centre Plaza Celebrating 30 years

This year the city celebrated the 30th anniversary of the Modesto Centre Plaza. In March, 1988, the Modesto Centre Plaza opened its doors for the first time. "Bob Hope in Person" was the first show and over 1,400 people attended. Since that time, over 9 million people have attended over 20,000 events. Many memorable event highlights include the Giants Traveling World Series Trophy, the Lipizzaner Stallions, local and national political figures, annual home, garden, and trade shows, and many musical performances, including No Doubt and Flying Blind.

Located in the heart of downtown, the Centre Plaza is a community center as well as a convention center. As a community center, it provides a place to meet and hold events for local community organizations and businesses, where social, cultural and intellectual growth and exchange have a forum. As a convention center, it is a centrally located facility, reasonably priced, adjoining a beautiful hotel, in an active and vibrant downtown.

Events held at the Modesto Centre Plaza bring people from all over the world to experience all that Modesto and Stanislaus County have to offer. These visitors stay in our hotels, eat in our restaurants and shop in our stores. They walk down the streets of our downtown and experience a taste of Modesto in everything from the unique architecture to the friendly locals to the outstanding restaurants. The economic impact is surely significant and remains promising in the decades to come.



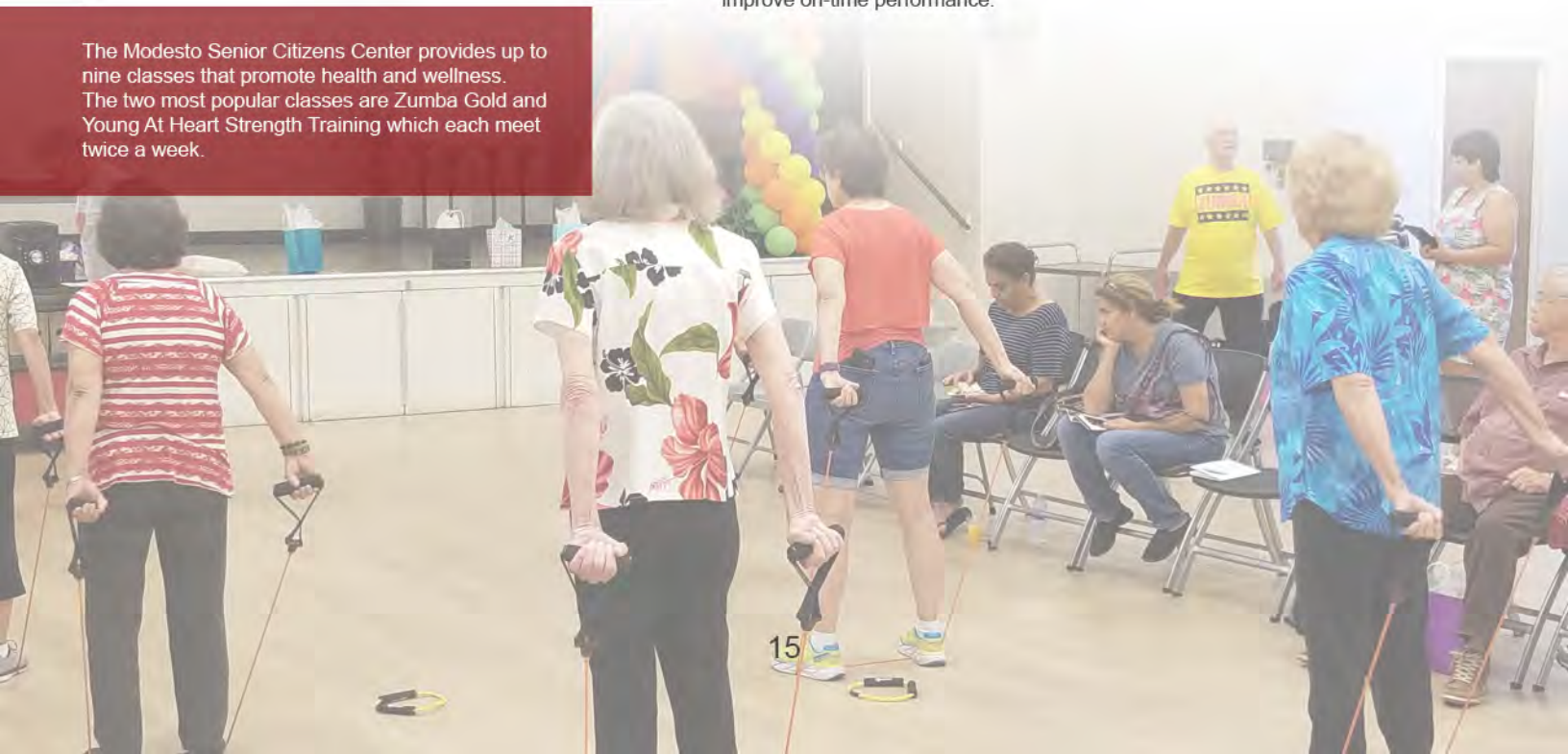
Tuolumne River Regional Park at Gateway - Phase II

Construction of trails, outdoor classroom, observation deck, backwater channel, pedestrian bridge and habitat restoration work. Modesto RecFest is one of the many events we hope to continue to host at this site. This event features many outdoor activities such as kayaking, bike riding, kite flying, trail running, disc golf, nature walks and more.

Highlights

- The UC Merced Venture Lab opened in June 2018 at the Centre Plaza to assist with entrepreneurship in the City.
- Over 151,000 participants were served through Modesto's recreation and neighborhood programming.
- More than 26,000 participants were served through the Modesto Senior Citizen Center's health and wellness programming as well as over 5,000 others who enjoyed free services such as meals, tax-preparation and special events.
- Eleven low-income census tracts were designated Opportunity Zones in Modesto. Investments made by individuals in these zones may defer or eliminate federal taxes on capital gains.
- After School Program staff partner with Modesto City Schools to motivate, encourage, and empower over 840 youth daily to recognize and achieve their full individual potential and become productive community members.
- REACH Summer Camp involving over 130 young people from the ages of 6-13yrs. Focusing on recreation, education, arts, culture & health helping to spark a life-long appreciation of positive leisure activities and provide opportunities for leadership.
- Provided 2,000 youth swim lessons and offered over 5,000 swimmers a safe place to stay cool during our public recreational swim.
- Implemented a real-time bus tracking system for Modesto Area Express.
- Restructured Modesto Area Express routes to make them easier to understand and improve on-time performance.

The Modesto Senior Citizens Center provides up to nine classes that promote health and wellness. The two most popular classes are Zumba Gold and Young At Heart Strength Training which each meet twice a week.





Civic Engagement Opportunities Boards, Commissions & Committees

Citizen feedback is essential to providing and maintaining quality services to the Modesto community. Our citizens are our top priority. To meet their expectations, citizen advisory groups, called boards, committees and commissions, are formed to assist the Modesto City Council in making policy decisions that impact the community.

Citizen Advisory Groups research, study and discuss specific issues with both short and long-term implications, forwarding their recommendations to the Council.

The City of Modesto is committed to its mission of maintaining and enhancing the quality of community life by developing an economically vital, culturally rich, safe and attractive community. Only by working hand-in-hand with the community will we be successful in our mission.

Those interested in applying for a position on one of the citizen advisory groups can apply online when applications are being accepted for vacancies. Applications are reviewed annually and are considered whenever a vacancy on one of the advisory groups occurs.

- Airport Advisory Committee
- Board of Building Appeals
- Board of Zoning Adjustments
- Citizens Housing and Community Development
- Citizens Transportation Sales Tax Commission
- Culture Commission
- Destination Modesto Task Force
- Disabled Access Appeals Board
- Entertainment Commission
- Equal Opportunity/Disability Commission
- Golf Course Advisory Committee
- Housing Rehabilitation Loan Committee
- Human Relations Commission
- Landmark Preservation Committee
- Planning Commission
- Tuolumne River Regional Park Citizens Advisory Committee

Appointments Committee

Chair: Councilmember Mani Grewal, Email: mgrewal@modestogov.com

Vice Chair: Mayor Ted Brandvold, Email: mayor@modestogov.com

Member: Councilmember Jenny Kenoyer, Email: jkenoyer@modestogov.com

Apply

Online: www.modestogov.com/337/Boards-Commissions

Phone: 209-571-5169

In Office: 1010 Tenth Street, 6th Floor, Ste. 6200, Modesto, CA

Historic Landmark #10 Modesto News-Herald Building
726 10th Street - EST. 1894

Modesto City Council

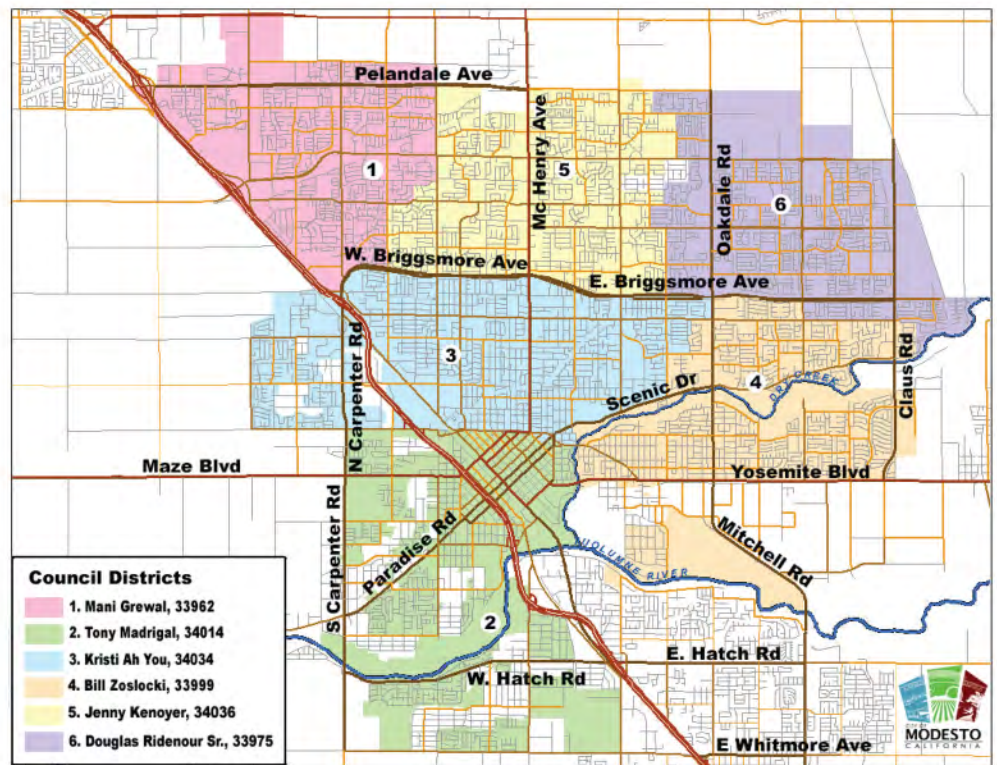
Ted Brandvold Mayor, Mani Grewal District 1, Tony Madrigal District 2, Kristi Ah You District 3 (left to right)



Bill Zoslocki District 4, Jenny Kenoyer District 5, Douglas Ridenour District 6 (left to right)

The Modesto City Council is the City's legislative body. It sets policies, approves budgets, determines tax rates, and passes ordinances and resolutions to govern the City. Council also appoints citizen volunteers to advisory boards, committees, and commissions; and appoints and supervises the City Manager, City Attorney, and City Clerk.

The Modesto City Council is made up of seven elected officials. The Mayor is elected at-large by City residents while the six Councilmembers are elected by district. Members of the City Council hold office for four year terms and are limited to two terms.





Special thanks to the MoRo Modesto Rotary Club, Modesto Sunrise Rotary & Downtown Modesto Partnership for volunteering to plant approximately 50 trees in downtown Modesto. The City of Modesto prepared the tree wells and donated the trees and the wonderful volunteers put in the labor of love for these trees to be planted. We love these types of partnerships and encourage others to reach out to us as we work together to transform our community.
CityofGreatNeighbors • TeamWork • PlantATree • Oxygen

This Popular Annual Financial Report (PAFR) has been prepared to inform citizens about the City of Modesto and its operations, services, and programs, as well as its financial condition for the fiscal year ended June 30, 2018. It is suitable for readers who prefer to review operational and financial information in summary form and does not substitute for the City's Comprehensive Annual Financial Report (CAFR). This publication is derived from information provided in the CAFR, which is based on generally accepted accounting principles (GAAP). This report is presented in GAAP format and is not inclusive of all funds. The City's financial statements have been audited by Hudson Henderson & Company, Inc., an independent firm of certified public accountants. The auditors' report concluded that the financial statements fairly reflect the financial condition of the City in all material respects.

The PAFR and a full copy of the CAFR are published on the City's website at www.modestogov.com For more information, please contact DeAnna Christensen - Director of Finance at dachristensen@modestogov.com
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