



City of Modesto

FY 2021-2022

POPULAR ANNUAL FINANCIAL REPORT (PAFR)
FISCAL YEAR ENDED JUNE 30, 2022

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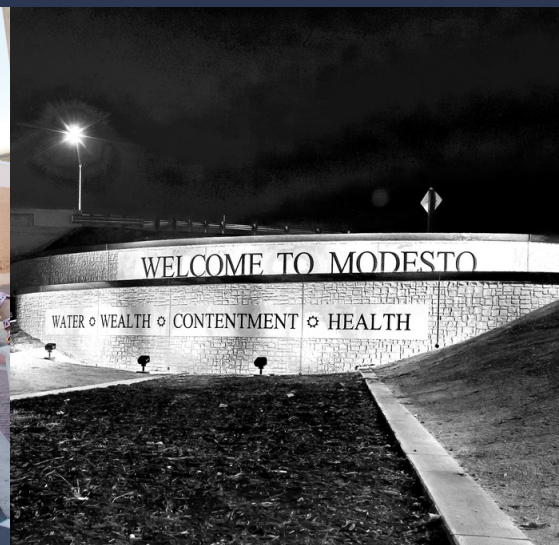


CITY OF MODESTO CALIFORNIA

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, produces more track and field records than any other city, and has its own poet laureate and 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 220,000 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-seven 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.





City Manager's Message

It is with clarity of vision and focused resolve that I submit to the residents of Modesto the Popular Annual Financial Report (PAFR) for the Fiscal Year 2021-2022. I truly believe that the City of Modesto is at an inflection point. Our unsatisfactory financial position has left us no choice but to consider some very difficult and unpopular decisions. Yes, we have been good public stewards and have tried to live within our means, but that has become detrimental to the services we provide to the residents of Modesto.

Our budget estimated a deficit of \$8.1 million for 2022-23 with future budget deficits growing in the coming years. Since the Great Recession, the City has professionally and methodically shrunk its organization to balance the budget while at the same time the City's population and demand for services have grown. Today, public safety represents 81% of the City's General Fund expenditures. Even at these levels, the City has 50% fewer police officers than are needed to patrol our streets.

In order to provide these very minimal public safety resources, the City has been forced to decimate other City departments to the point of near total inoperability. Residents can see the impact of these program cuts every day. Trees go untrimmed, sidewalks go unrepaired, illegally dumped trash goes uncollected, and our once proud parks fall into disrepair. This reality is unacceptable to me, and it is not the level of service that Modesto residents expect or deserve. We simply don't have the resources to do all that is being asked of the City.

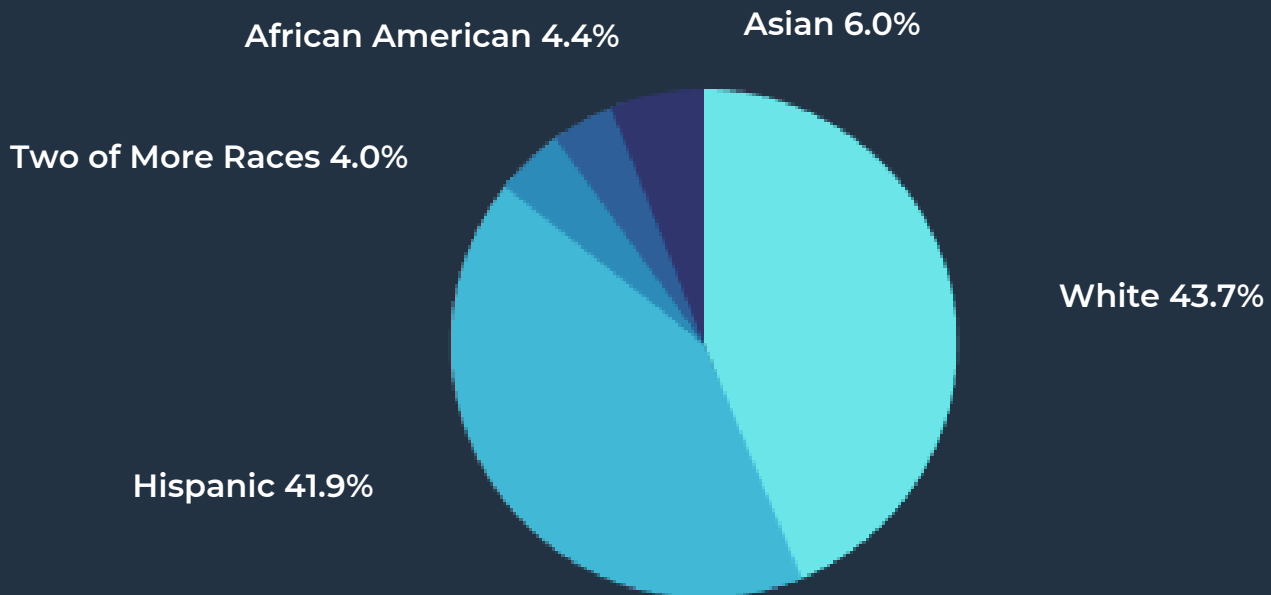
In this year's budget, we managed to stave off the worst decisions for one more year thanks to the use of one-time funds provided by the American Rescue Plan Act and the elimination of staff positions including 8 full-time police positions. These one-time funds will not be available next year, so if the financial reality of the City does not change, cuts to departments and services will be severe. Cuts could include eliminating City programs or entire City departments.

I have highlighted the inconvenient truths of our finances and services to convey the reality that we have been living for years. Your public servants have cut programs and staffing levels to live within our means. However, there are consequences to these actions, and it is my duty as a public servant to be transparent about these facts.

Even with these challenges, I approach every day with the hope and optimism that we can accomplish the City's mission to deliver exceptional public services and build partnerships that promote economic prosperity and engaged neighborhoods. I embark on this mission always with the vision of Modesto as an inviting community with thriving neighborhoods. Despite our economic challenges, I believe this budget seeks to accomplish our mission with the vision of our proud city in mind.

Demographic Snapshot

Race



Population



217,880

Median Age



35.8 years

Unemployment Rate



5.2%

Median Income



\$62,067

Average Rent



\$1,478

Average Home Value



\$453,000

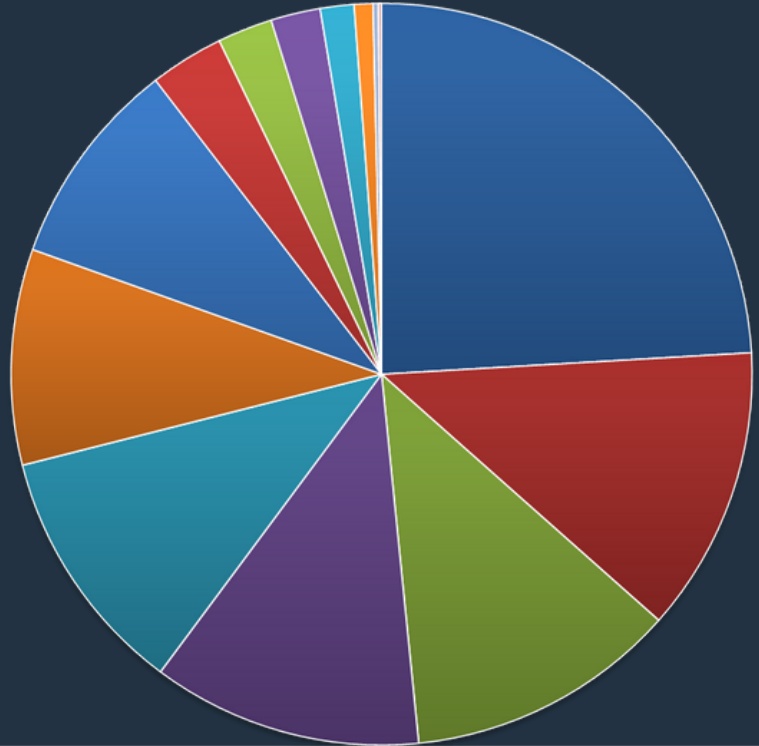
Full information can be found in the 2021-2022 Annual Comprehensive Financial Report (ACFR) & Modestogov.com-Demographics

General Fund Revenues

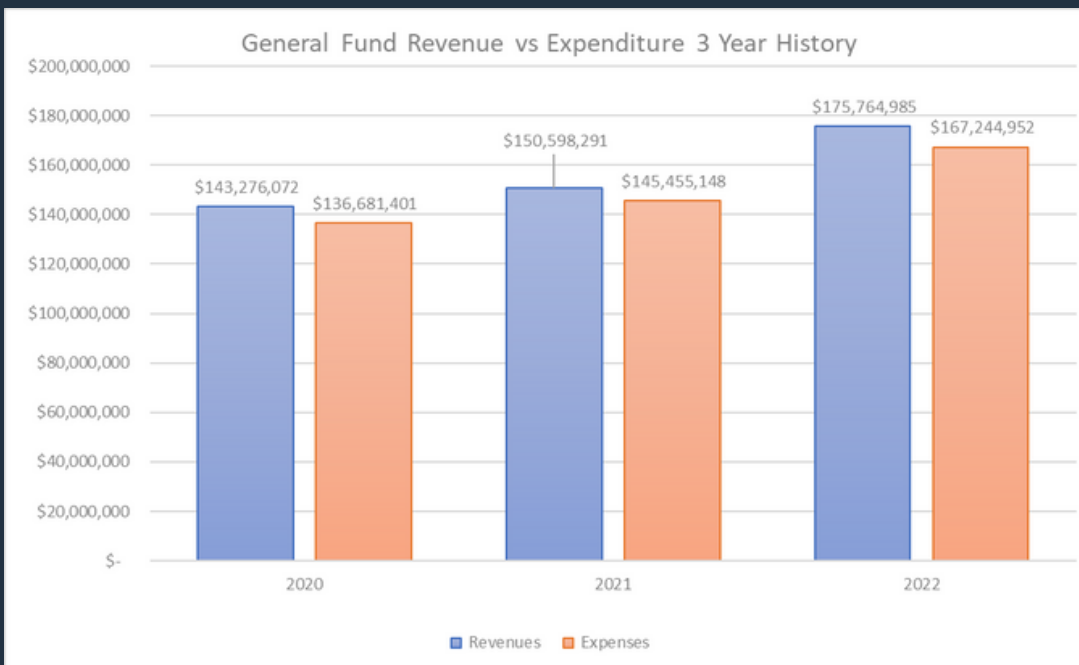
Where the Money Comes From

FY 2021-22 Actual General Fund Revenues Received

- Sales and Use Tax (\$40.39 Million)
- Utility Users Tax (\$20.92 Million)
- Property Tax - Vehicle License Fee Swap (\$19.88 Million)
- Property Tax (\$19.76 Million)
- Charges for Services (\$18.25 Million)
- Intergovernmental - Other (\$15.78 Million)
- Business License/Mill Tax (\$15.26 Million)
- Franchise Fees (\$5.41 Million)
- Cannabis Tax (\$4.02 Million)
- Transient Occupancy Tax (\$3.62 Million)
- Other Revenues (\$2.47 Million)
- Intergovernmental - State (\$1.37 Million)
- Licenses and Permits (\$0.39 Million)
- Intergovernmental - County (\$0.23 Million)



General Fund Revenue vs. Expenditure 3 Year History

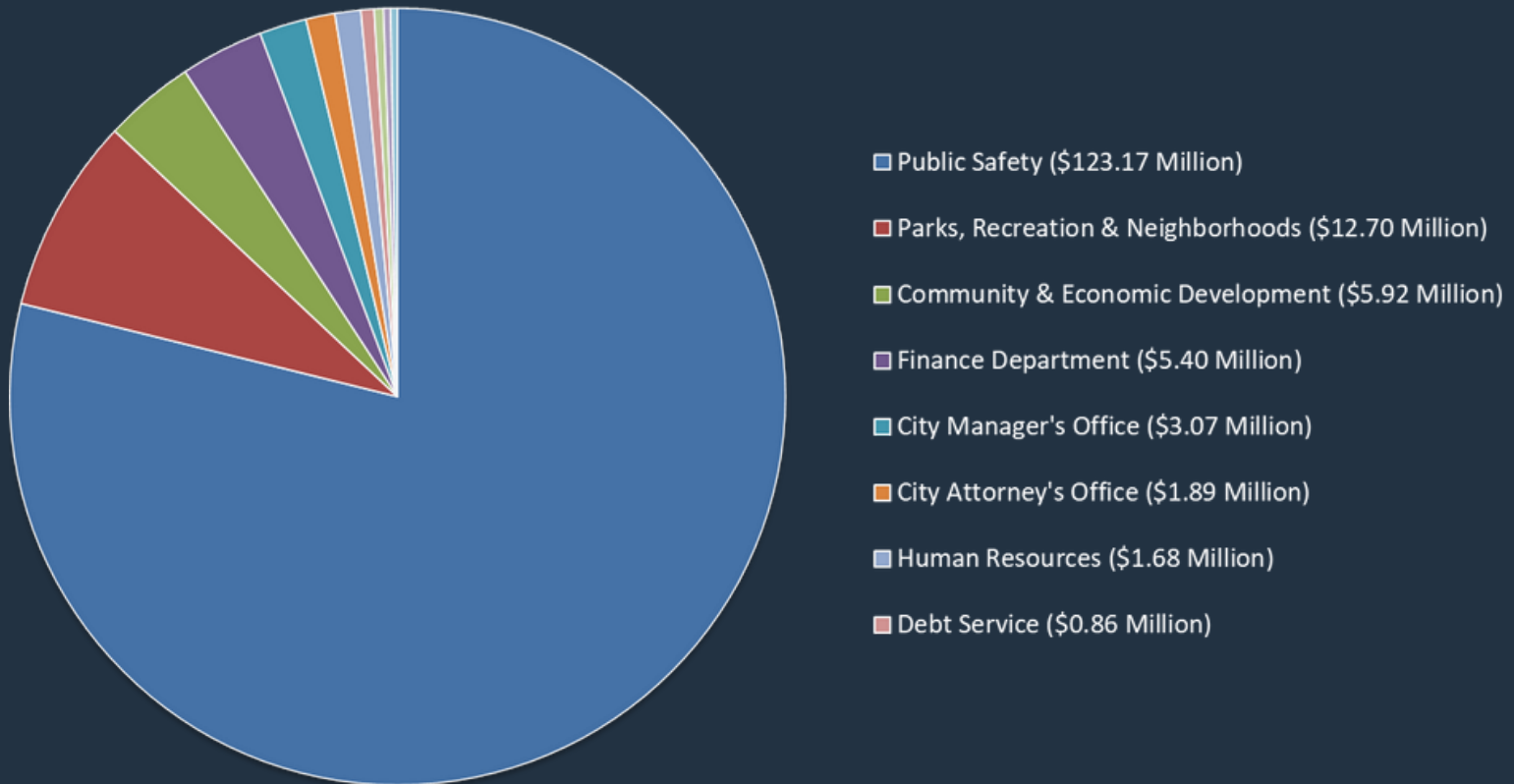


Revenue: Income received from taxes and other sources to pay for government expenditures.

The figures represented in these charts agree, in totality, to figures shown for revenues in the City of Modesto’s ACFR (Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds) for the General Fund in FY 2021-22.

General Fund Expenditures Where the Money Goes

FY 2021-22 Actual General Fund Expenditures by Department



In FY 2021-22 the General Fund had total expenditures from all Departments of \$156.19 million. Revenues came in at \$167.75 million. These amounts do not include transfers in and out.

Expenses - The purchase of goods and payment for services that enable a government to achieve its goals.

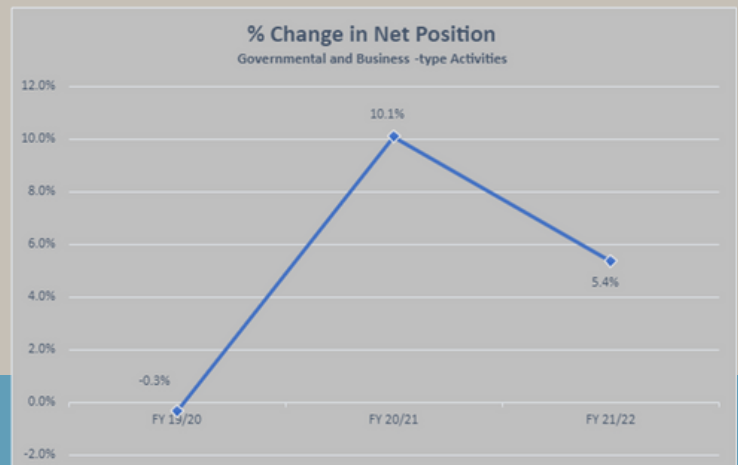


Statement of Net Position

City of Modesto's Net Position As of June 30, 2022 (in thousands)

	Governmental Activities		Business type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current & Other Assets	\$383,655	\$349,007	\$332,054	\$320,715	\$715,708	\$669,721
Capital Assets	\$493,364	\$441,036	\$861,980	\$933,364	\$1,355,344	\$1,374,401
Total Assets	\$877,019	\$790,043	\$1,194,033	\$1,254,079	\$2,071,052	\$2,044,122
Deferred Outflows of Resources	\$49,484	\$54,764	\$27,477	\$45,736	\$76,961	\$100,500
Current and other Liabilities	\$292,993	\$378,238	\$88,257	\$151,618	\$381,250	\$529,856
Long-term Liabilities	\$90,281	\$90,832	\$286,851	\$303,735	\$377,131	\$394,567
Total Liabilities	\$383,274	\$469,070	\$375,107	\$455,353	\$758,381	\$924,423
Deferred Inflows of Resources	\$79,722	\$2,147	\$27,098	\$586	\$106,820	\$2,734
Net Investment in Capital Assets	\$457,620	\$407,347	\$687,640	\$648,609	\$1,145,260	\$1,055,956
Restricted net position	\$195,794	\$183,357	\$15,919	\$17,004	\$211,712	\$200,362
Unrestricted net position	-\$189,907	-\$217,115	\$115,746	\$178,263	-\$74,161	-\$38,852
Total Net Position	\$463,506	\$373,590	\$819,305	\$843,876	\$1,282,812	\$1,217,466

Net Position: Generally, the difference between the City's assets and liabilities.



Change in Net Position (in thousands)	Business-type Activities 20222021	
Revenues:		
Charges for Services	\$174,581	\$174,719
Operating Grants & Contributions	\$1,644	\$29,311
Capital Grants & Contributions	\$2,453	\$8,673
Other	-\$6,610	\$1,760
Total Revenues	\$172,069	\$214,463
Expenses:		
Water	\$73,422	\$68,793
Sewer	\$44,264	\$46,500
Bus	\$0	\$28,889
Parking	\$1,927	\$1,701
Storm Drain	\$5,965	\$5,586
Compost	\$11,497	\$12,023
Airport	\$1,686	\$1,865
Golf	\$3,230	\$2,866
Community Center	\$1,571	\$1,962
Abatement and Public Nuisance	\$124	\$82
Total Expenses	\$143,686	\$170,266
Increase in Net Position Before Transfers	\$28,383	\$44,197
Transfers	-\$21,078	-\$825
Special Item	-\$19,462	-
Change in Net Position	-\$12,157	\$43,372
Net Position - Beginning of the Year	\$843,876	\$802,061
Adjustments	-\$12,414	-\$1,557
Net Position - End of the Year	\$819,305	\$843,876

Net position, over time, may serve as a useful indicator of a government's financial position. The key consideration in analyzing net position is the direction and speed at which it is either increasing or decreasing, not the amount itself. In FY 2021-22, the City's overall net position increased by 5.4% from the prior year. This is attributed to higher assets held by the City than liabilities.

WHAT THE CITY RECEIVES FROM \$1 IN GENERATED SALES TAX



13 cents of every tax dollar will come to the City of Modesto.

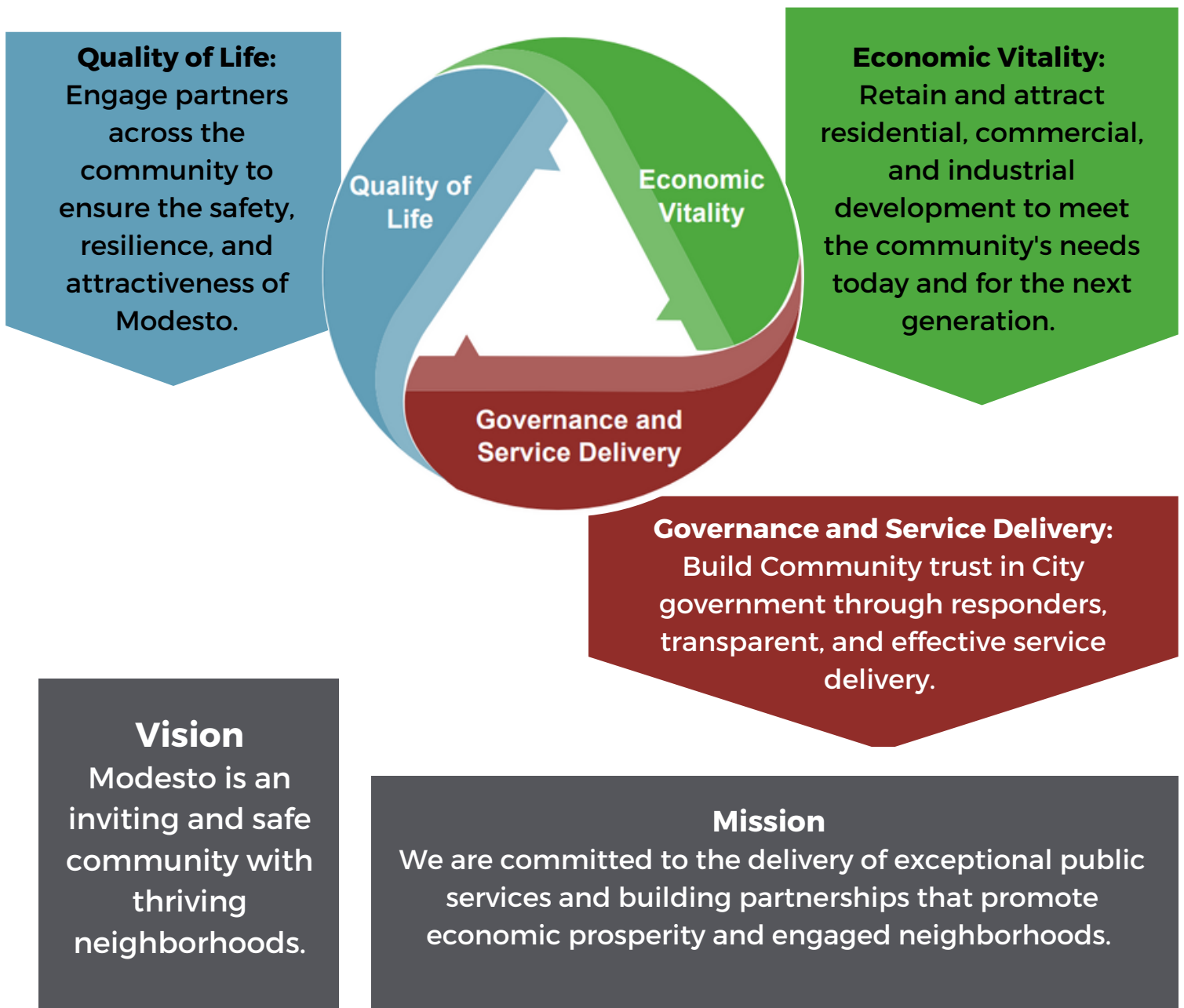
Financial Highlights

from the City's Annual Comprehensive Financial Report

- The assets of the City exceeded liabilities at the close of the 2022 fiscal year by \$1,282,811,649 (total net position). Of this amount, \$211,712,445 is restricted for a specific purpose (restricted net position), \$1,145,260,423 is invested in capital assets, net of related debt and (\$74,161,219) is unrestricted (unrestricted net position).
- The largest portion of the City's net position, \$1,145,260,423 (89.3 percent), reflects its investment in capital assets (e.g. land, water rights, buildings, improvements, furnishings and equipment, 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 net 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 \$82,661,652 during the current fiscal year and was largely due to the increases to governmental revenues in the amount of \$22,119,920 an increase in charges for service revenues in the amount of \$6,086,857, an increase in losses in transfer of operations of the bus fund in the amount of \$19,461,712, a decrease in community development expenses in the amount of \$10,167,141, and a decrease in public safety expenses in the amount of \$8,110,392.

Strategic Commitments

During 2020, the City adopted the 2020-2025 Strategic Plan to incorporate input from newly elected Councilmembers and to reaffirm our strategic priorities. Our 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.



Quality of Life

Engage partners across the community to ensure the safety, resilience, and attractiveness of Modesto.



Park Rangers

Implemented a pilot Park Ranger program to address quality of life issues at city parks, trails, and outdoor recreational areas.



Jim Stokes
Deputy Director, Berberian Shelter

CAMP2HOME
HOUSING PARTNER SPOTLIGHT

Camp2Home

Camp2Home program has assisted 32 individuals in obtaining employment and has housed a total of 21 individuals.



Awesome Spot

Through the City's Park Partners Program, multiple projects were completed: a memorial bench was installed at East La Loma Park, fundraising was continued for The Awesome Spot Playground, and a new toddler playground was installed at Ensen Park.



Project Homekey

Partnered with Stanislaus Equity Partners for the State of California's Homekey 2.0 grant in the amount of \$1,654,175 for the acquisition of a 7-unit apartment building to operate as permanent supportive affordable housing.

Quality of Life



The Homeowner Repair Program assisted 10 homeowners with Americans with Disabilities Act (ADA) improvements, energy efficiency upgrades, lead compliance and safety clearance totaling \$270,000. Provided to the left are images of a Homeowner Repair Program project.

Funding a new park near Ralston Tower, currently under development by the Parks, Recreation, and Neighborhood Department. Features include senior playground, open area for Tai Chi, seating area, drinking fountain, and low-impact, durable exercise features. This park is a public facility open to all.



Increased the Community Health and Assistance Team (CHAT) from 4 to 6 Outreach Specialists. Funding for 5 additional years has been secured.

Economic Vitality

Retain and attract residential, commercial, and industrial development to meet the community's needs today and for the next generation.



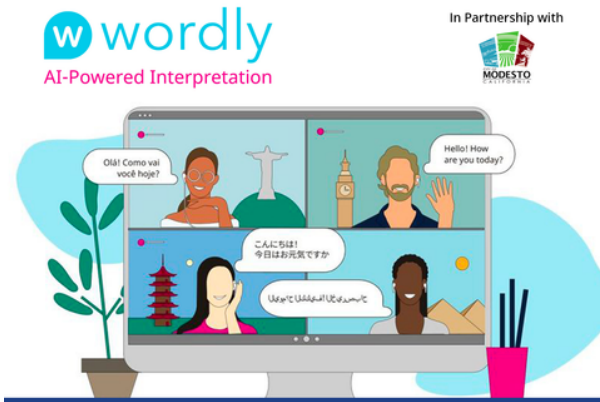
Accomplishments

- The Community and Economic Development Department initiated the first comprehensive update of the City's General Plan since 1995, working with the City's consultant, we have conducted extensive public outreach in support of the visioning phase of the update.
- The Planning Division approved a new 436-unit apartment complex near the Kaiser Hospital on Healthcare Way, and a 90-unit senior housing complex on Mable Avenue.
- The Transportation Engineering and Design division completed construction of the Scenic Drive Phase I Pavement Rehabilitation as part of the Claus Road to Lakewood Avenue project.



Governance and Service

Build community trust in City government through responders, transparent, and effective service delivery.



As part of our virtual City Council meetings, we began testing a real-time translation solution named “Wordly” that allows the online viewer to see real-time remarks being spoken in a language of their choice.

Human Resources developed a comprehensive Diversity, Equity, and Inclusion program to focus on the workforce and the services delivered to the community.



City of Modesto received 12,900 requests for public services on the GoModesto app.

By the Numbers

3,069

Broken limbs resolved



Tons of bulky items collected

2,789

229

Firearms removed off streets



460,000

pounds of trash removed



2,150

Waste tires recycled



8,162 Trees pruned



592

Mattresses recycled



Reduction in

31%

injury traffic accidents

36%

Reduction in overall collisions



Full information can be found in the 2021-2022 Annual Comprehensive Financial Report.

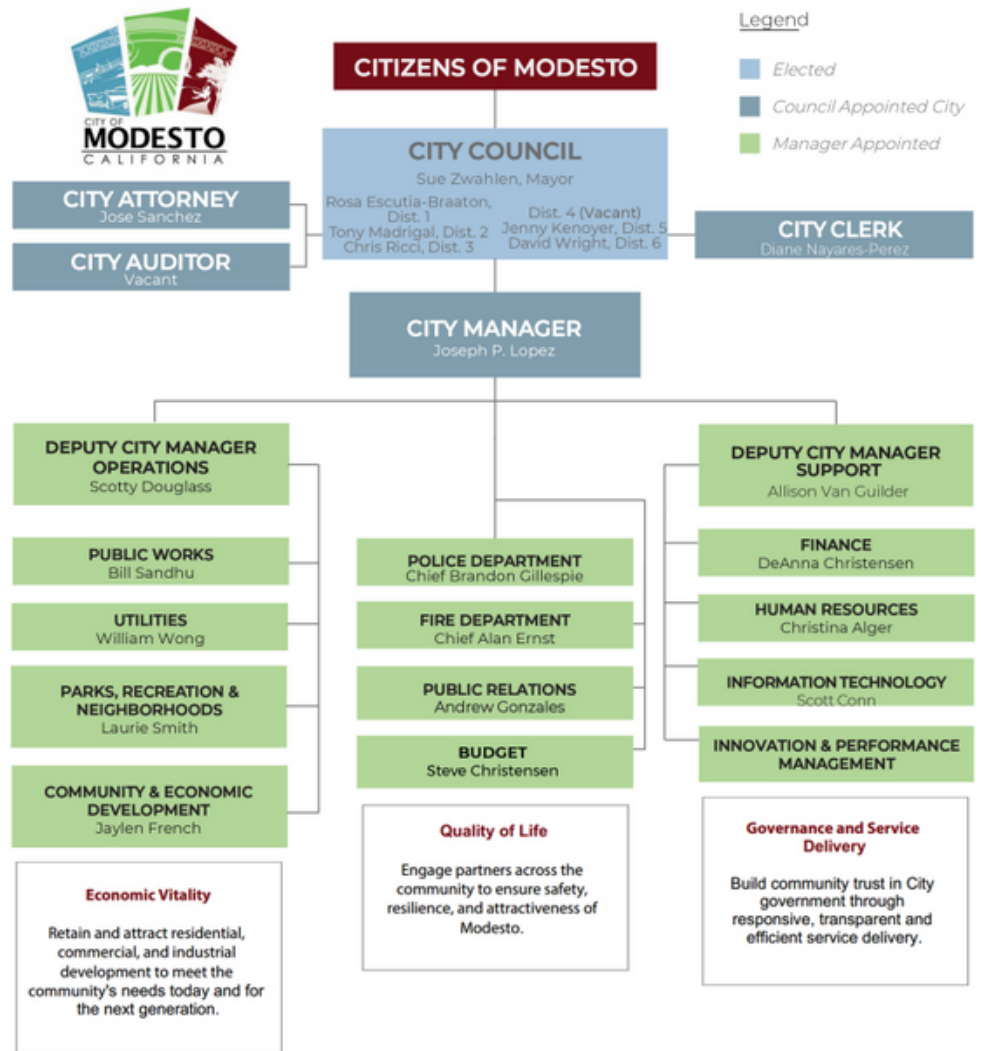
City Leadership

Modesto has a Council-Manager form of government. Voters elect the City Council to serve as the policy-making board of the City. The Council, in turn, appoints a City Manager to administer these policies.

The Modesto City Council has seven members, including the Mayor, elected at-large on a nonpartisan basis for four-year terms. The City Council serves as a legislative body, enacting ordinances, orders, and resolutions necessary for governing Modesto as outlined in the City Charter and deemed important by the public.



CITY OF MODESTO ORGANIZATIONAL CHART



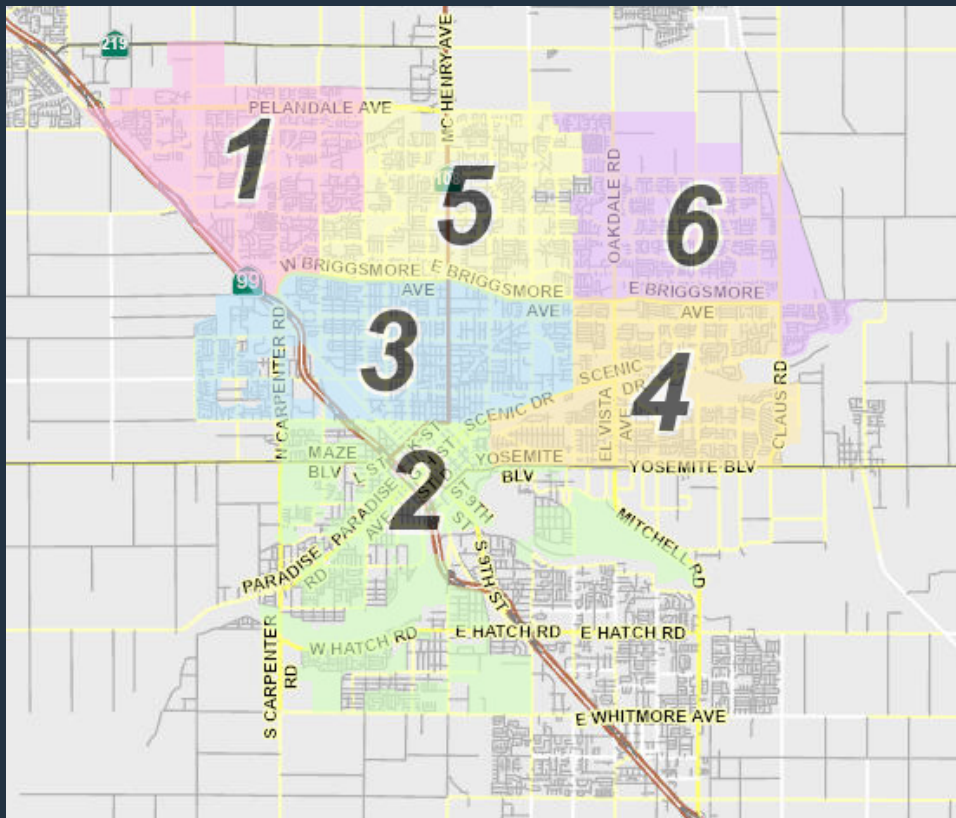
Modesto City Council

As of November 1, 2022

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.

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 Auditor, City Attorney, and City Clerk.

District Map



Vacant-District 4



Sue Zwahlen-Mayor



Rosa Escutia-Braaton-District 1



Tony Madrigal-District 2



Chris Ricci-District 3



Jenny Kenoyer-District 5



David Wright-District 6

Civic Engagement Opportunities

Community input is essential to providing and maintaining quality services in the City of Modesto. To solicit this input, Citizen Advisory Groups called boards, committees, and commissions are formed to assist the Modesto City Council in making policy decisions that impact the community. Those interested in applying for a position on one of the Citizen Advisory Groups can apply online at:

<https://modestogov.com/337/Boards-Commissions-Committees>

Airport Advisory Committee

BLIGHT ABATEMENT ADVISORY COMMITTEE

BOARD OF BUILDING APPEALS

Cannabis Committee

Board of Zoning Adjustment

Charter Review Committee

Culture Commission

Citizens Housing & Community Development Committee

Citizens' Transportation Sales Tax Commission

Destination Modesto Task Force

Forward Together Work Group

EQUITY COMMISSION

Entertainment Commission

DOWNTOWN IMPROVEMENT DISTRICT ADVISORY BOARD

Disabled Access Appeals Board

Youth Commission

Golf Courses Advisory Committee

Tuolumne River Regional Park JPA

TUOLUMNE RIVER REGIONAL PARK CITIZENS ADVISORY

Planning Commission

Modesto Convention & Visitors Bureau Board of Directors

Landmark Preservation Commission

Human Relations Commission

Housing Rehabilitation Loan Committee



J Street, Modesto- Circa 1920

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, 2022. It is suitable for readers who prefer to review operational and financial information in summary form and does not substitute for the City's Annual Comprehensive Financial Report (ACFR). This publication is derived from information provided in the ACFR, 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.