

# A BRIGHTER OUTLOOK



## A Citizen's Guide to the Adopted Budget FISCAL YEAR 2006-07

As part of our continued effort to involve residents in the process of governing our community, we are pleased to present the City of Modesto's "Citizen's Guide to the Adopted Budget."

### Recent Trends Reversed

When faced with growing costs that outpaced moderate revenue increases, the Council applied sound fiscal policies to the budget for Fiscal Year (FY) 2005-2006 by reducing expenditures in all departments. These included reductions in the number of police officer positions, the spring/summer park recreation programs, and tree planting and maintenance. The combined budget cuts to the General Fund totaled \$3.56 million, decreasing the FY 2005-06 operating budget to \$293.5 million.

However, because of a strong growth in property tax and departmental savings, the City closed the structural deficit in General Fund spending while also providing for high priority needs. After recent years of mounting budget cuts, the City was able to expand services in key areas, adding 25 public safety positions since June 2005, restoring funding for tree programs and funding additional street maintenance.

### The Big Picture – All Funds

The FY 2006-07 operating budget totals \$313,257,874 in expenditures from all funding sources against projected revenues of \$325,591,722 (these figures include transfers between funds).

### The General Fund

The General Fund is the primary operating fund of the City. In order to be prepared for unforeseen financial emergencies, Council policy requires that

an 8 percent General Fund reserve be maintained. Growth in property tax revenues and departmental savings from FY 2005-06 caused the City reserve to exceed the 8 percent reserve minimum. During the budget process the policy decision was made to expend reserve funds above the 8 percent level on one-time expenditures.

As a result, \$6.0 million above the 8 percent reserve will be used for street and road maintenance projects: curb, gutter, and sidewalk repairs; park infrastructure; rockwell rejuvenation; storm drain leaf collection efforts; improvements to the police training site; and certain on-going public safety expenses. This strategy allows the City to effectively commit resources without incurring ongoing expenditures that will burden the General Fund in future years. Including the one-time reserve expenditures, the General Fund expenditures for FY 2006-07 total \$125.8 million with revenues of \$119.8 million. The revenue for this fund includes property tax, sales tax and certain general-purpose revenues allocated by the State. Police and fire services account for almost three-fourths of General Fund expenditures. Programs like parks, recreation, urban forestry, sidewalk maintenance, economic development and general government make up the balance. The FY 2006-07 budget commits \$12 million more to these city services than in FY 2005-06.

### State Fiscal Impacts

Between 1991 and 2005, the State of California diverted about \$39 million of local revenue from the City of Modesto to deal with the State's budget woes.

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The Governor's proposed budget includes \$98.1 million for repayment of deferred mandate claims, and the State Controller anticipates making full payment on the FY 2004-05 claims and about 22 percent of each FY 2005-06 claim. The City currently has about \$2.7 million in outstanding claims against the State.

In two of the last three years, the State has diverted revenues from the sales tax on gasoline (Proposition 42). In FY 2005-06, however, the City received nearly \$868,000 in Proposition 42 funding and the Governor recommends full funding for FY 2006-07.

## **Budget Changes and Other Issues**

The operating budget for FY 2006-07 includes several structural changes. Some of these changes include moving the Pruned Refuse Collection Program and the Community Forestry Program to the General Fund from the Sewer Fund and the Special Gas Tax Fund, respectively. Also, the City will monitor the first full-year funding of contractual park maintenance services provided by Grover Landscaping.

To subsidize recurring deficits to the Storm Drain Fund, the City will transfer \$319,000 from the General Fund while looking to pursue other ways this fund can become more sustainable.

Legislation enacted in 1990 authorized counties to charge local agencies a fee for booking individuals into the county jail. In 1999, the State amended this action to reimburse local agencies; yet in FY 2005-06 these reimbursements were deleted from the State budget and counties were directed to only collect one-half of their current fee. Stanislaus County's booking fee is currently \$88.26 per arrest. In line with State budget action, the City pays one-half of the cost, or \$44.13. If the status quo

remains, the City's budgeted \$400,000 for booking fee payments is likely sufficient.

## **Conclusion**

The operating budget for FY 2006-07 continues to support the Mayor and Council's policy of maintaining a long-term sustainable budget. This budget balances ongoing expenses with ongoing revenues and reverses a trend of budget cuts that occurred during previous years. There are no budget or service level reductions in General Fund programs; however, reductions can be seen in the Storm Drain Fund to balance that fund. Though the total revenues have increased, the budget is responsible and supplements financial reserves for the future.

This budget addresses many of the services and programs that make a community a home: beautiful parks, well-maintained recreational facilities and cultural activities. It continues to provide and expand funding for police and fire services to help protect the safety of the public.

We wish to thank you, residents of Modesto, for your involvement and feedback during the development of this budget. We also extend an open invitation to all citizens to continue to participate in the government process by attending City Council meetings so that your voice can be heard concerning the issues that face your community.

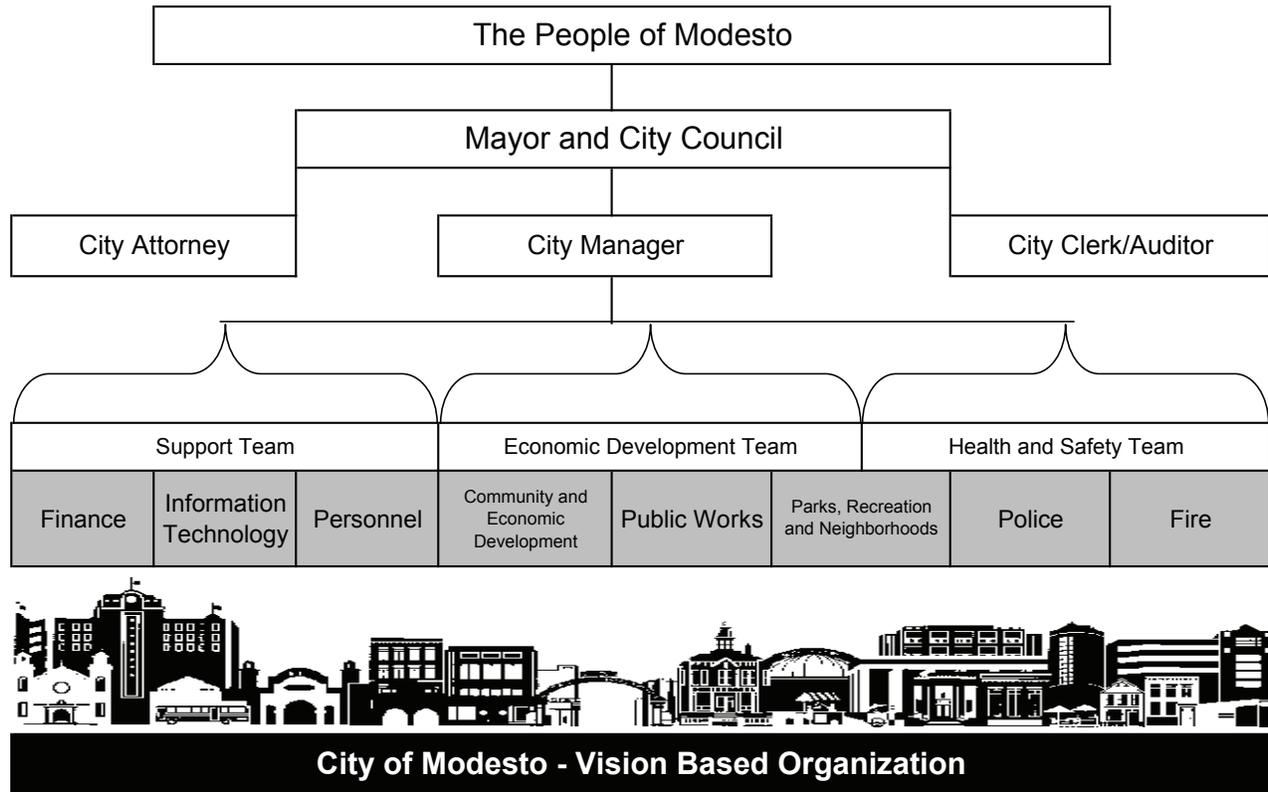
## **Accessing the Budget**

In September, the FY 2006-07 budget will be accessible online at [www.modestogov.com/fin](http://www.modestogov.com/fin) or reviewed at the Stanislaus County Library, Modesto branch, located at 1500 "I" Street. For more information about the City budget, please contact the City's Finance Department at: (209) 577-5369.



**Our Vision of Modesto:**

*A healthy, safe, attractive, economically vibrant, socially and culturally diverse city with a strong sense of identity and pride - a community engaged in the practice of citizenship with governance based on the principle of stewardship.*



**City News...**

- The Virginia Corridor Rotary Centennial Junction is a 4.2-mile Class I trail system along the old Union Pacific Tidewater Southern railroad corridor. This project's total funding is \$3.76 million from various sources, including the City, the five Modesto Rotary Clubs and federal grants.
- During FY 2006-07 Sylvan Avenue from McHenry Avenue to Coffee Road will be reconstructed - \$3.8 million will be spent on this effort.
- The Tuolumne River Regional Park Gateway is a 90-acre parcel that will provide recreational opportunities, an amphimeadow and public access to the river. The first phase of construction is estimated at \$7.5 million with full project costs at nearly \$22 million.
- Freedom Park and Sanders Park are two 7-acre

neighborhood parks under construction in northeast Modesto. The funding for these projects is more than \$4.6 million.

- The City has added 12 new fire fighter positions to the Fire Department. This translates into a \$1.25 million expenditure.
- Five new police officer positions have been added to the Police Department at a cost of \$441,000 for FY 2006-07.
- The City started construction on the \$5.4 million Neighborhood Center at Marshall Park which includes a fire station and a joint office facility for Police and Parks, Recreation, and Neighborhoods Departments. It is the first of its kind in Modesto and emphasizes the desire of the City Council and staff to provide neighborhood-based services.

# BUDGET AT A GLANCE

## City of Modesto 2006-07 Operating Budget

Fund (s)	Revenues	Expenditures	Difference
General Fund	\$ 119,811,989	\$ 125,822,071	\$ (\$6,010,082)*
Gas Tax Fund	\$ 9,079,845	\$ 8,887,213	\$ 192,632
Utilities	\$ 83,621,908	\$ 60,660,777	\$ 22,961,131
Internal Services	\$ 77,875,633	\$ 76,375,832	\$ 1,499,801
Debt Services	\$ 4,230,666	\$ 3,678,228	\$ 552,438
Other	\$ 30,971,681	\$ 37,833,753	\$ (6,862,072)
<b>Total (with transfers)</b>	<b>\$ 325,591,722</b>	<b>\$ 313,257,874</b>	<b>\$ 12,333,848</b>

\*\$6 million from reserves was approved to help fund one-time capital expenditures for street and road maintenance projects: curb, gutter and sidewalk repairs; park infrastructure; rockwell rejuvenation; storm drain leaf collection efforts; improvements to the police training site and certain on-going expenses for public safety.

