





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, 2015

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, 2015.

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, 2016 also conforms to the Government Finance Officers Association Popular Annual Financial Reporting standards.

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About Modesto: A City of Great Neighbors



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 hasn't forgotten what makes it special – its people. At a population of approximately 210,000 residents we aren't a small city but we maintain a small own 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.

Date of Incorporation	August 6, 1884
Adoption of City Charter	January 14, 1963
Form of Government	Council-Manager
Population (Modesto Incorporated Area)	211,257
Elevation	91 Feet
Incorporated Area*	23,951 acres/37 sq. miles
Area within Modesto Sphere of Influence*	35,859 acres/56 sq. miles
Area within Modesto General Plan	42,695 acres/66.7 sq. miles
*Excludes Unpopulated Utility Sites	
Median Household Income	\$51,901
Median Family Income	\$55,674
Median Age	35.2
Housing Units	73,951
Median Housing Unit Value (2015 ACS)	\$234,900
Median Monthly Rent (2015 ACS)	\$805
Employment Data	
Management, Business, Science & Arts Occupation	31.8%
Service Occupations	17.3%
Sales & Office Occupations	27.8%
Natural Resources, Construction, & Maintenance Occupations	9.1%
Production, Transportation, & Material Moving	14.0%

Mayor's Message: What We've Accomplished



"I firmly believe by working together Modesto's brightest days are ahead of us, if we make the hard decisions now to prepare the road to a fantastic future"



Sam & Dave's Market Ribbon Cutting Ceremony

The City of Modesto presents this Popular Annual Financial Report to give you a snapshot of the City's financial condition and our strategic commitments.

When I was elected mayor on February 2, 2016, my first short-term priority was to hire more police officers without raising taxes. My first long-term priority was to strengthen the financial condition of the City.

To work on these objectives, the City Council and I appointed the 100-Day Budget Review Committee. First, the 100-Day Committee identified savings that allowed the City Council on June 21, 2016 to authorize the hiring of 22 more police officers without raising taxes.

Second, the 100-Day Committee recommended 37 specific action items to put the City in a stronger financial condition. City staff members and community volunteers currently are implementing the first of these recommendations.

The work of the 100-Day Committee is an outstanding start to improving City finances, but more has to be done. As the committee's final report warned: "(u) nless 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 City will, in fact, have to shed its "business as usual" approach if we are to succeed. For example, there will always be more good ideas and worthy programs presented to us than the City can fund in a sustainable manner. The private sector – both for-profit and not-for-profit – will have to do more because the City cannot.

In addition, we have to expand the efforts that were underway when I took office – and add some new initiatives - to review and improve City operations. The objective must be to transform City government into an organization that is customer-focused: clearly focused on providing world-class service to the residents and taxpayers that allow us to serve them.

Once these improvements are made, I believe we will be able to provide the pre-conditions for the private sector to help transform us into a more prosperous community. This is critical if the City is to keep the promises it has made to its taxpayers, residents, employees, retirees, and many others.

Though they are serious, we cannot allow these challenges to obscure the many wonderful attributes of our city. I love Modesto – most especially its people. I firmly believe by working together Modesto's brightest days are ahead of us - if we make the hard decisions now to prepare the road to a fantastic future.

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.

- Mayor Ted Brandvold



National Night Out

City Manager's Message: A City in Transition



JIM HOLGERSSON
Modesto City Manager

STAN RISEN
Chief Ex. Officer
Stanislaus County

Photo Courtesy of Studio Warner

“You will notice the integration of everything we do falls in alignment with our Strategic Commitments.”

Fiscal Sustainability has become an important topic for local government. Rising pension costs, aging infrastructure, and stagnant revenue streams are concerns many local governments in the Central Valley face. Despite these challenges, Modesto has diligently worked to strengthen its fiscal sustainability. Our efforts can be seen with higher General Fund balances, which have increased to approximately \$27 million at the end of the fiscal year. This year, the City received an upgrade in our General Fund bond rating by Fitch Ratings to “AA” from “AA-“. One of our credit partners recognized the improvement of our fiscal strength and correspondingly lifted a requirement that the City maintain at least \$7 million of Unreserved General Fund Balance. This will allow the City to set aside that amount into our Emergency Reserves of the General Fund. In addition, the City is contemplating increasing that reserve even further so that it approximates recommended industry standards. All of this points to the City’s continuous improvement of its financial position to weather the next ‘fiscal storm’.

As you read through the following pages, you will notice the integration of everything we do falls in alignment with our Strategic Commitments. Improved fiscal sustainability, development of the mobile application GoModesto!, updated information technology platforms and community engagement through the Mayor’s 100-Day Committee were outputs of an *Effective, Responsive, and Transparent Government*.

Increasing public safety through more police officers, the Focus on Prevention initiative to address homelessness and other partnerships with local neighborhoods, businesses and the non-profit sector strengthen our commitment to *Great, Safe Neighborhoods*. This report describes several *Vibrant Infrastructure* projects, such as the Pelandale Interchange and the Tertiary Treatment Facility. Finally, we believe Modesto is “Open for Business” as we move toward a *Healthy Economy & Great Quality of Life* offering revised fee structures, an update to our General Plan and new economic development strategies. Modesto is a City of Great Neighbors!

Although the challenges we face are many, we are confident in the leadership of our Mayor and Council. Our employees, citizens, and local business, along with the non-profit sector, have the talent and commitment to collaboratively face these challenges. We do believe, as the Mayor has said, that “by working together Modesto’s brightest days are ahead of us.”

- Jim Holgersson, City Manager



Summer Camp at Marshall Park



Police Department Clergy Council

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 Forecast as presented to the City's Effective Government Committee September 26, 2016

FORECAST SUMMARY (\$ in Millions)	Actual 2015	Actual 2016	Budget 2017	Projected 2018	Projected 2019	Projected 2020	Projected 2021	Projected 2022	Projected 2023
Property Tax	\$27.00	\$28.70	\$29.07	\$30.29	\$31.52	\$32.62	\$33.63	\$34.72	\$35.84
Sales Tax	28.44	29.89	30.05	30.37	31.19	32.04	32.95	33.89	35.20
Utility Users Tax	19.59	19.71	20.65	20.72	20.92	21.13	21.34	21.56	21.77
Other Taxes	18.16	19.38	19.46	19.50	19.56	19.62	19.68	19.75	19.83
Permits & Fees	14.14	13.79	12.91	13.65	14.09	14.49	14.89	15.26	15.64
Other Revenue/Transfers In	9.17	7.10	4.78	4.83	4.88	4.93	4.99	5.05	5.11
Total Revenues	116.49	118.57	116.92	119.36	122.15	124.83	127.48	130.23	133.39
Salaries	42.07	44.06	49.13	50.91	52.85	54.40	55.44	56.50	57.58
Overtime	4.64	5.62	3.67	3.82	3.98	4.14	4.31	4.49	4.68
Health/Dental/Vision	3.90	4.28	4.95	5.15	5.36	5.57	5.80	6.03	6.27
Pension	13.21	14.52	15.88	17.04	17.25	17.94	18.66	19.41	20.18
Retiree Medical	2.89	1.23	1.53	1.39	1.24	1.09	0.93	0.73	0.55
Other Pay & Benefits	9.75	9.41	10.17	10.56	10.94	11.31	11.69	12.07	12.48
Budget Adjustments	-	-	1.14	(0.50)	(0.50)	(0.50)	(0.50)	(0.50)	(0.50)
Vacancy Rate Savings	-	-	(3.66)	(3.73)	(3.80)	(3.88)	(3.96)	(4.04)	(4.12)
Subtotal Personnel	76.45	79.11	82.80	84.64	87.31	90.08	92.37	94.70	97.13
Contract Services	9.38	9.43	10.49	10.70	10.91	11.13	11.35	11.58	11.81
ISF Charges	6.68	6.65	6.39	6.52	6.65	6.79	6.92	7.06	7.20
Other Expense	12.80	13.53	13.75	14.02	14.30	14.59	14.88	15.18	15.48
Debt/Capital/Transfers Out	9.03	7.76	6.90	6.85	6.87	6.73	6.76	6.78	6.81
Total Expense	114.35	116.49	120.34	122.74	126.05	129.32	132.28	135.30	138.43
Net Annual Surplus (Shortfall)	2.14	2.08	(3.42)	(3.38)	(3.89)	(4.48)	(4.80)	(5.07)	(5.04)
Total Beginning Fund Balance	22.68	24.82	26.90	23.48	20.10	16.21	11.73	6.93	1.85
Total Ending Fund Balance	24.82	26.90	23.48	20.10	16.21	11.73	6.93	1.85	(3.18)
Nonspendable/Restricted	7.23	7.23	7.23	7.23	7.23	7.23	7.23	7.23	7.23
Emergency/LOC Reserve	10.00	10.00	10.00	10.00	8.98	4.49	0.00	0.00	0.00
Unassigned Balance	7.59	9.67	6.25	2.87	0.00	0.00	(0.31)	(5.38)	(10.42)
Res+Bal % of Total Expense	15.4%	16.9%	13.5%	10.5%	7.1%	3.5%	(0.2%)	(4.0%)	(7.5%)

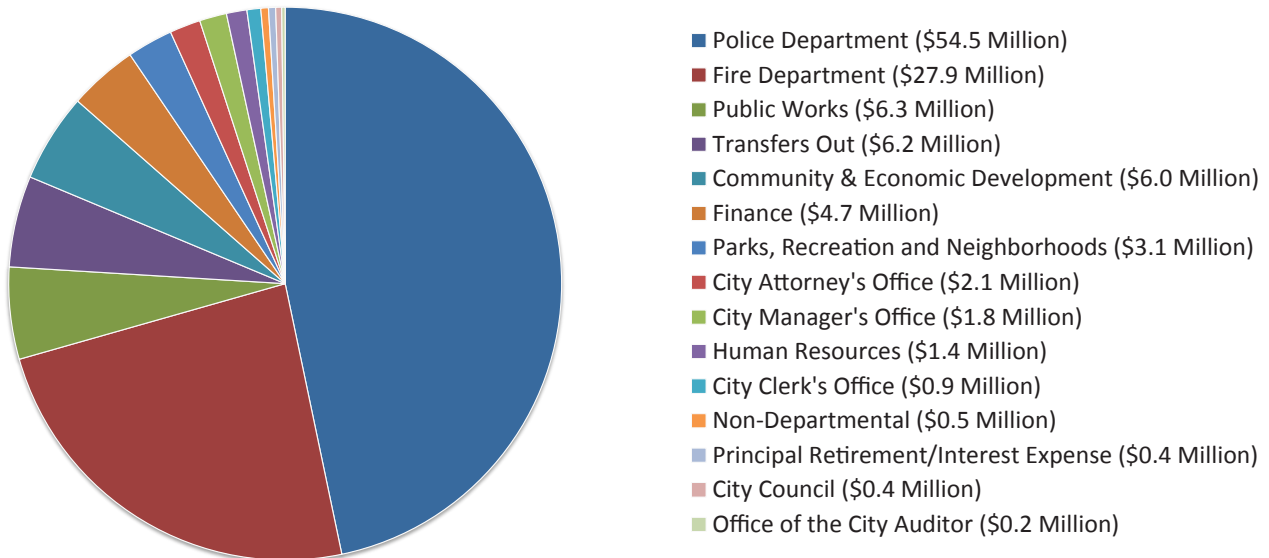
Key Points to the General Fund Forecast
Major Revenue Assumptions: Average Property Tax Growth of 3.55%, Average Sales Tax Growth Rate of 2.67% in years 2018 through 2023.

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

Revenues show a marginal increase over the forecast but they are not enough to improve services as the net annual surplus line shows a continual budget challenge as we move ahead.

General Fund Revenues & Expenditures

FY 2015-16 Actual General Fund Expenditures by Department

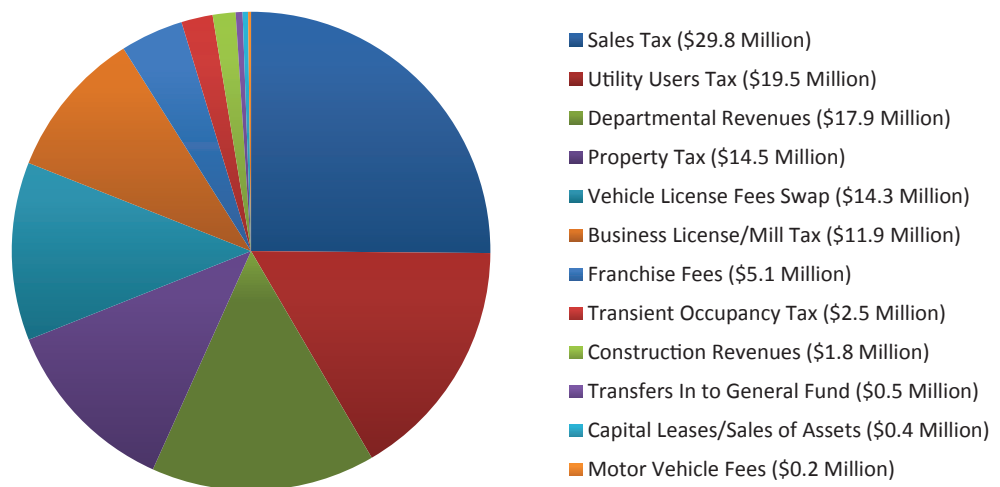


In FY 2015-16 the General Fund had total expenditures from all Departments (inclusive of Principal and Interest expenses) of \$116.6 million. Revenues (inclusive of Capital Leases and Sales of Assets) were at \$118.9 million. This resulted in a positive change in fund balance for the General Fund of \$2.2 million in FY 2015-16. This change resulted from a combination of department expenditures savings and higher than anticipated revenues received for Property Tax, Transient Occupancy Tax and Business License/Mill Tax.

The figures represented in this chart agree, in totality, to figures shown for Expenditures in the City of Modesto's CAFR (Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds) for the General Fund in FY 2015-16.

FY 2015-16 Actual General Fund Revenues Received

The figures represented in this chart 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 2015-16.



What do your tax dollars fund?

Nearly 71% 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 \$82.3 million in FY 2015-16. 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 2015-16 (\$78.3 million) would not be enough to fund Public Safety services alone.

Statements of Net Position & Financial Highlights

City of Modesto's Net Position As of June 30, 2016

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current & Other Assets	\$ 242,284,397	\$ 248,979,362	\$ 243,332,330	\$ 257,455,772	\$ 485,616,727	\$ 506,435,134
Capital Assets	\$ 421,005,457	\$ 418,803,027	\$ 854,078,506	\$ 841,130,531	\$ 1,275,083,963	\$ 1,259,933,558
Deferred Outflows of Resources	\$ 29,527,963	\$ 23,792,551	\$ 49,190,388	\$ 40,254,775	\$ 78,718,351	\$ 64,047,326
Total Assets & Deferred Outflow of Resources	\$ 692,817,817	\$ 691,574,940	\$ 1,146,601,224	\$ 1,138,841,078	\$ 1,839,419,041	\$ 1,830,416,018
Current Liabilities	\$ 260,520,365	\$ 241,951,212	\$ 144,402,121	\$ 134,841,204	\$ 404,922,486	\$ 376,792,416
Noncurrent Liabilities	\$ 90,656,679	\$ 91,288,243	\$ 343,719,665	\$ 346,641,048	\$ 434,376,344	\$ 437,929,291
Deferred Inflows of Resources	\$ 17,408,971	\$ 38,654,888	\$ 4,281,118	\$ 9,501,499	\$ 21,690,089	\$ 48,156,387
Total Liabilities	\$ 368,586,015	\$ 371,894,343	\$ 492,402,904	\$ 490,983,751	\$ 839,298,830	\$ 814,721,707
Net Investment in Capital Assets	\$ 381,887,289	\$ 378,145,625	\$ 539,821,175	\$ 527,784,338	\$ 921,708,464	\$ 905,929,963
Restricted	\$ 115,619,807	\$ 121,105,182	\$ 22,052,595	\$ 20,622,619	\$ 137,672,402	\$ 141,727,801
Unrestricted	\$ (173,275,294)	\$ (179,570,210)	\$ 92,324,550	\$ 99,450,370	\$ (80,950,744)	\$ (80,119,840)
Total Net Position	\$ 324,231,802	\$ 319,680,597	\$ 654,198,320	\$ 647,857,327	\$ 978,430,122	\$ 967,537,924

Financial Highlights from the City's Comprehensive Annual Financial Report

- The assets of the City exceeded liabilities at the close of the 2016 fiscal year by \$978,430,122 (total net position). Of this amount, \$137,672,402 is restricted for a specific purpose (restricted net position), \$921,708,464 is invested in capital assets, net of related debt and (\$80,950,744) is unrestricted (unrestricted net position).
- The largest portion of the City's net position, \$921,708,464 (94.2 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 net position increased by \$10,892,198 during the current fiscal year which was largely due to the additions associated with the City's infrastructure and reduction of long-term liabilities.
- Long-term liabilities decreased as a result of principal payments approximating \$7.3 million and the refunding of the Wastewater Revenue Bonds Series 2005 A and the partial refund of the 2006A bonds.

City of Modesto's Comprehensive Annual Financial Report found at www.modestogov.com

Enterprise Funds Change in Net Position	Business-type Activities	
	2016	2015
Revenues:		
Charges for Services	\$ 124,982,742	\$ 127,236,623
Operating Grants & Contributions	\$ 14,153,568	\$ 14,223,954
Capital Grants & Contributions	\$ 4,753,223	\$ 13,820,127
Other	\$ 3,822,676	\$ 2,020,306
Total Revenues	\$ 147,712,209	\$ 157,301,010
Expenses:		
Water	\$ 59,127,625	\$ 54,718,239
Sewer	\$ 33,093,921	\$ 30,281,361
Bus	\$ 19,709,745	\$ 18,614,175
Parking	\$ 1,625,943	\$ 1,513,185
Storm Drain	\$ 5,312,896	\$ 3,913,204
Compost	\$ 11,998,345	\$ 7,841,048
Airport	\$ 1,787,081	\$ 2,025,146
Golf	\$ 3,130,536	\$ 2,998,505
Community Center	\$ 1,981,307	\$ 1,852,585
Abatement and Public Nuisance	\$ 84,152	\$ 93,067
Total Expenses	\$ 137,851,551	\$ 123,850,515
Excess (Deficiency) Before Transfers	\$ 9,860,658	\$ 33,450,495
Transfers	\$ 567,177	\$ 775,377
Change in Net Position	\$ 10,427,835	\$ 34,225,872
Net Position - Beginning of the Year	\$ 647,857,327	\$ 613,631,455
Prior Year Adjustments	\$ (4,086,842)	\$ -
Net Position - End of the Year	\$ 654,198,320	\$ 647,857,327

Enterprise fund operations reflect impacts of California's drought as well as the expansion of compost activities to meet State diversion requirements. Large Water and Sewer projects also became operational in 2015-16.



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.



Cultural Diversity Day at Tenth Street Plaza



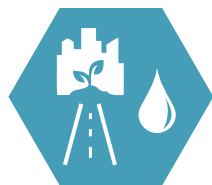
Great Safe Neighborhoods

This commitment is about exploring new approaches to public safety, working in partnership with the community to reduce crime, and maintaining a safe and inviting community in which to live, work, and play. Through increased collaboration with neighborhoods and schools, we are working to improve the quality of life and build safer neighborhoods through public/private partnerships, supporting community efforts aimed at self-reliance and problem solving.



Effective, Responsive & Transparent Government

With a strategic focus on developing new and creative methods to leverage technology, market organizational strengths, and seek new opportunities for increased efficiency, we are working toward continuous improvement in becoming a more effective, responsive and transparent city. Innovative ideas, new technology and performance measurement capabilities are being implemented to help broaden the City's ability to better serve residents.



Vibrant Infrastructure & Sustainable Environment

We are committed to strengthen and maintain a safe infrastructure of city roads, water supply, storm sewers, transit, and airport needs for residents, businesses, and visitors. Although the City's Public Works and Utilities departments hold the primary responsibility of this commitment, as a city we must work together to achieve measurable improvements as we navigate challenges such as increasing water conservation mandated by the state.



Healthy Economy & Great Quality of Life

The focus of this commitment is to increase the City's economic development efforts by creating and preserving jobs, strengthening our economic base, and enhancing the City's revenue. The Community and Economic Development Department is a key player in this effort. The objective of this department is to ensure that new development achieves a balance between the economic, social, environmental and quality of life goals for the City of Modesto.



In February 2016, Mayor Ted Brandvold stepped into office and took on the challenge of reviewing the City's budget line by line with the help of ten volunteer finance experts and two city council members. The goal of the 100-Day Budget Review Committee was to reduce City expenses, preserve essential services, and protect community treasures. Committee members were also charged with finding ways to improve the City's long-term financial health and stability. Recommendations were made following that effort. City staff provided support to the Committee throughout the review process with attention to cost saving strategies and greater efficiency. City Council has adopted the Committee recommendations and implementation has begun.



Great, Safe Neighborhoods



Modesto Police Services

"As your police department, we are proud to say, in partnership with our community, We Are Modesto. The MPD is made of men and women largely from the Central Valley who have deep roots in Modesto. As a community, our strength is in our relationships and the ways in which we support each other. We are honored to be part of the Modesto family."

- Police Chief Galen Carroll



Activity (Jan-Oct)	2015	2016
Calls for Service	146,809	154,981
Arrests	10,522	10,486
Courtesy Notice	2,092	4,116
Traffic Citations	10,453	12,355
Police Reports taken	105,078	109,923



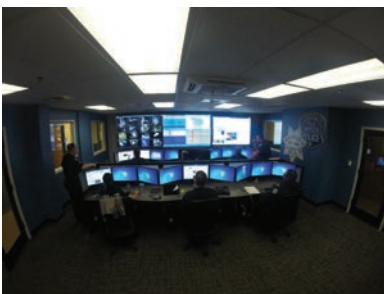
National Night Out

Modesto ranked #1 in California and 5th nation-wide for cities of it's size for National Night out participation.

National Night Out is an annual community-building campaign that promotes police-community partnerships and neighborhood camaraderie to make our neighborhoods safer, better places to live.

2016 Participation

184 Registered Parties
452 Neighborhoods Participating



In 2016 the Modesto Police Department completed construction of a Real Time Crime Center. It consists of a video wall that has limitless configuration options for CCTV video feeds, unit/asset location, calls for service locations, number of calls holding, downlink capability from UAV program/air support and access to view police database information in one central location. The Center provides real time intelligence to officers responding to calls for service, allows personnel to begin searching for suspects and/or suspect vehicles as crimes are occurring and relaying that information to officers and detectives.

This year, MPD established an Unmanned Aerial Vehicle program. The program is a force multiplier for the department and is intended to increase officer safety during perimeter searches for suspects, assisting in finding missing persons, allowing officers to check large areas that may not be accessible by foot for suspects or hazardous conditions. The program was approved by the Federal Aviation Administration and was approved by the Modesto City Council in August 2016.

Police Department Highlights

- Hired 33 new police officers.
- Increased Neighborhood Watch Groups by 5%.
- Hosted 4 Town Hall Meetings, one for each area command, as well as multiple Coffee with Cops events throughout the City.
- Traffic Unit participated in nearly 40 community events.
- Explorer Post made up of 22 members donated over 5,271 hours of volunteer service.
- Volunteer program, made up of young men and women starting at the age of 16 donated 12,000 hours of service to the community.
- City Council authorized hiring an additional 22 sworn officers.

Great Safe Neighborhoods



Modesto Fire Services

"The men and women of the Modesto Fire Department are prepared to help you on what is often your worst day. Whether it is a fire, a medical emergency a vehicle accident or a myriad of other emergencies your Modesto Fire Department is trained, equipped and prepared to manage the situation. I am immensely proud of the dedication and service our firefighters provide every day"

- Fire Chief Sean Slamon



Modesto Fire is proud to have a strong partnership with Modesto City Schools and American Medical Response to teach hands-only CPR to local junior high school students. We successfully trained every junior high school student in the city before graduation this past school year that's more than 2,000 teenagers! The program will be expanding through a collaborative effort with Stanislaus Office of Education to include all middle schools and junior high schools in our county, giving thousands of young people in our community the chance to have the critical skills needed to save a life.



The Fire Department received a grant that will reestablish Engine 11 in 2017. This will enable response times to improve by bringing back much-needed fire suppression capabilities to the north end of Modesto. The grant provides for nine new firefighters for a two-year period. Engine 11, located at Station 11 at the corner of Carver Road and Pelandale Avenue, had previously been eliminated due to budget reductions during the recession.

Activity (Jan-Oct)	2015	2016
Fires	1,277	1,217
EMS	13,226	13,379
Vehicle Accident Rescue	917	931
HazMat	323	352
Other	5,169	5,432



Fire Department Highlights

- Received a \$50,000 grant to implement a field situational awareness technology platform to enable MFD and shared resource partners to aid in comprehensive resource allocation/tracking on multi-jurisdictional incidents.
- Hired 8 new firefighter paramedics to further help MFD in provide the most effective and efficient advanced life support to the community.
- The Public Education Program was expanded to two-weeks and reached 5,000 elementary students with important and fun fire and life safety information.
- Placed two new Engines and one new Brush apparatus into service.
- Expended \$415,000 in one-time enhancement funds to aid in the deferred maintenance of our 11 fire stations.

Great Safe Neighborhoods

Focus on Prevention

Focus on Prevention is building a movement to strengthen Stanislaus County families, and the neighborhoods and communities, schools and businesses, and other institutions that help them thrive. This movement emerged from a passion among leaders to support our county's families, and a deep concern about how many of our children are growing up without the active support and engagement of their fathers and other loving adults.

We have started this effort by building a movement to prevent homelessness. We started here because people who are homeless, or are struggling to avoid becoming homeless, have often become separated from strong families and communities—with typically tragic consequences. Over the last year, the City of Modesto has been working with multi-sector partners on various projects such as a Homelessness Access Center, improving overall coordinated access to homelessness services and shelter. While we have started by focusing on people who are homeless, ultimately we are building a movement that supports and strengthens every family in our county.

The Stewardship Council has developed the overarching results for the Focus on Prevention Initiative. Unlike a business, where everyone understands that success is measured by profit and shareholder value, one of the first tasks of this movement is to clarify what success means, and how we will measure it.

This movement is driven to achieve and sustain four results our families and communities:

Our families are healthy—physically, mentally, emotionally, and spiritually. Our families are supported by strong and safe neighborhoods and communities. Our children and young people are getting a first-rate education—from cradle to career. Our families are participating in and supported by a healthy economy.

Over the 2016 Holiday season and early 2017, Stewardship Council members will lead dialogues within their respective sectors to solicit feedback on the above result areas, and start to build shared commitment to effect these results through sustained and aligned actions across multiple sectors and communities. Then, a multi-sector Action Council will be convened to develop strategies, and align current efforts, breaking down silos, and working towards these shared results.

And in Spring 2017, we're asking you to join us for the Strengthening Families Summit as we launch this effort together to strengthen our families and communities. (www.preventionfocus.net)

Parks, Recreation & Neighborhoods Highlights

- Provided safe and educational after-school programming to an average of 1,100 students per day.
- 1,097 youth took swim lessons and another 4,085 swimmers took advantage of our public recreational swim program.
- Construction started on the Tuolumne River Regional Park Gateway Parcel Phase 2 project which will complete the habitat restoration along the Tuolumne River at the Gateway Parcel and will add to the current trail system.
- Reopened Splash Grounds during the hottest summer months. 1,097 youth took swim lessons this year and another 4,085 swimmers took advantage of our public recreational swim program.

Parks, Recreation and Neighborhood Services



This year we leveraged partnerships to maintain a high level of commitment to our citizens. Partnering with the Police Department we held a CSI camp for fifth through eighth grade "crime scene investigators." Students discover what law enforcement professionals do and how choices they make now affect their participation in future endeavors such as enrolling in the City Explorer Program. We also partnered with local educator, Chris Guptill, and fire fighter, Darin Jesberg, on Operation 9-2-99, a major clean up volunteer effort to rehabilitate the Tuolumne River Regional Park. The group has removed thousands of tons of trash and debris from the River, reduced nefarious use of Tuolumne River Regional Park and promoted use of recently renewed trails along the river.

The Junior Giants Program engaged over 600 local youth in the free recreational baseball league that focuses on character building, enhancing study/reading skills and safe outdoor play. With community support we restored several play areas in need of repair, including Wesson Ranch and Lakewood Park. The Parks Planning Division has and managed key components of our park system encompassing 1,110 acres of green space, 52 neighborhood parks, six community parks and two regional parks.

Other partnerships with North Modesto Kiwanians, Modesto Certified Market, Shadow Chase Running Club, the Modesto Gospel Mission, Modesto View and the Downtown Modesto Partnership have made the holiday season a reason to celebrate in downtown Modesto.

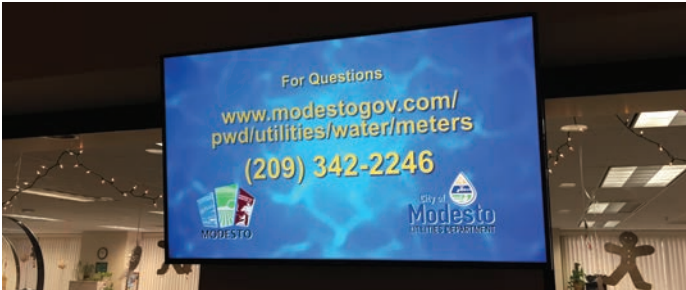
Community & Economic Development Services



Helping connect the East and West Campus of Modesto Junior College, the City of Modesto constructed a Cal Trans approved Class IV separated bikeway. During routine maintenance City workers were able to transform the 2.2 mile stretch of the old Golden State Highway 99.

The MJC Campus Connection was also featured on the cover of the California Bicycle Coalition Guide and nominated for a Strong Towns Top Infrastructure award.

Effective, Responsive, Transparent Government



Innovative Outreach

The City of Modesto is committed to *Effective, Responsive and Transparent Government* and is working to provide services that reflect our understanding of the cultural reliance on technology. We are maximizing efficiency and leveraging technology to improve service and communication to residents. This year we added multiple digital display screens throughout the building to conveniently reach customers with important information.

A Data & Performance Driven Organization

In 2016, Modesto made it a priority to become a data-driven organization. Throughout the year, staff developed and collected various performance measures related to the strategic plan as well as measures demonstrating operating effectiveness.

Since the City's new website went live this year we have displayed performance measures that tell the story of how we are responding to the public and managing outcomes. The City is advancing our ability to deliver results for residents by strengthening its approach to performance analytics, by validating existing key performance indicators, incorporating performance metrics into priority area meetings, and potentially creating opportunities for employees to improve analytical skills.

Modesto is striving for even greater transparency through Open Data, making decisions based on performance measurement and presenting the information in a way that is consumable by the public. During the upcoming year, the City will be collaborating with external partners to assist with our Open Data initiative and further refine our performance metrics that will allow our community to better engage with the City and staff. By being more open and transparent, dialogue with citizens is increased and transparency is enhanced. These efforts affect the lives of our citizens, and indicate how we are performing those actions in the most cost effective and efficient manner.

Building upon these initiatives, we are enhancing our ability to effectively use relevant data in our overall management as well as in our communications with the public.

We are implementing a new powerful tool, OpenGov, for gathering, reporting and analyzing meaningful data. As a result, we will have immediate access to accurate financial and performance data that will facilitate tracking expenses and revenues against the budget, quick answers to internal questions, and data-driven operations across the entire organization. By working with 1,200 governments, OpenGov has assembled the largest repository of government financial and performance data in the world. From seamless benchmarking to predicting expenditures for the rest of the year, this tool will give us the insights we need to optimize outcomes for citizens.

It will also allow citizens to track the City's annual budget milestones at every step while we publish budget reports with visualizations that drive better understanding and engagement throughout the process. We will not only have the detailed data needed to effectively manage operations, we will have a vehicle to better communicate with residents all that the City is doing to connect financial transparency, operational performance measures and the strategic commitments that drive us.



City Wins Digital Cities 2016 Award

Modesto, California won 7th place in size category!

In the past year Modesto has deployed several projects that engage citizens and boost the city's commitment to *Effective, Responsive and Transparent Government*. Those include the website renovation project www.modestogov.com, completed in June 2016. The result of this effort is an easy-to-navigate and visually appealing site.

The GoModesto! official city app connects residents to government and allows a more responsive, agile government response to citizen needs through immediate access to city leaders and council representatives, the ability to submit service request, view job opportunities, neighborhood engagement and recreation activities and more.

The city is also prioritizing social media like never before. Facebook, Twitter and LinkedIn audiences have grown by more than 30% in the last year, and the city has registered new accounts with Periscope, Instagram and YouTube.

Effective, Responsive, Transparent Government



GoModesto! City Services Mobile App

The GoModesto! app allows us to meet citizens where they are, be a more relevant organization, and more innovative in our approach to supporting our residents' needs. App features include translation into twenty two different languages to serve the diversity within our community. We've selected a format that is easy to navigate and intuitive. It offers residents the ability to connect instantly and directly to city services.

GoModesto! makes it easy to report a street light that is out, street flooding, illegal dumping, vandalism, broken playground equipment, tagging, potholes and more straight from your smart phone. The service request feature allows users to submit a photograph of their concern with GIS tracking capabilities to tell city staff where the issue is located for efficient resolution, and helps us better understand customer needs. The app even notifies users once the job is done!

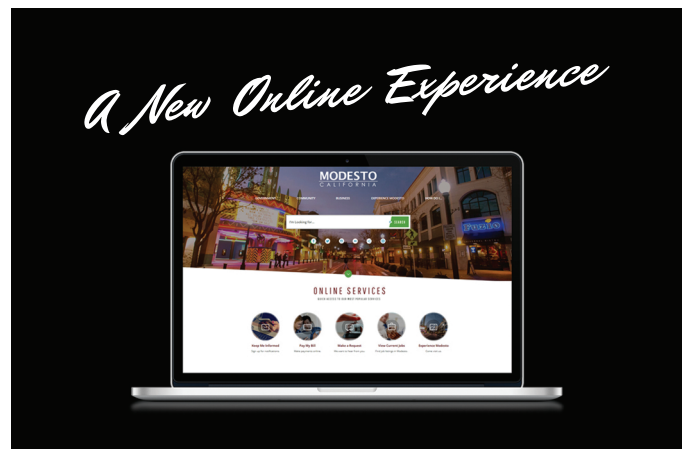
Customer convenience was top of mind in development. Users will find easy access to much of what they look for now on our website, including a link to City of Modesto employment opportunities, social media, important upcoming events and push notifications in an emergency for those who chose to register. Even bus transit routes and schedules are found on the home screen. Civic engagement was another important goal. The GoModesto! app also allows us to engage our residents in problem solving by welcoming bright ideas for innovation that can be submitted through the app.

We are working in new ways to leverage technology, maximize efficiency and improve services in a variety of ways.

One of the best features is the connection to City Leadership at your fingertips Modesto City Council Members' photos, bios and contact information are built in to the app. Residents with a pressing issue can email or call their council member from the app.

GoModesto! is an exciting new communication tool by Public Stuff that allows City residents to easily connect with government services. It is intuitive, and convenient for those of us always on the go. Search for "GoModesto!" The app is downloadable for free and available now in the App Store® or on Google Play.

In addition to the mobile app, the city has also renovated our website, Modestogov.com. With a team of over thirty content editors, and 1,200 pages on the site, this was no simple project. The full scope of renovation took roughly six months. The finished product features a simple, user friendly design, with convenient navigation tools.





Vibrant Infrastructure & Sustainable Environment



State Route 99/Pelandale Avenue Interchange

On October 26, 2016 the City of Modesto celebrated the completion of the State Route 99 Pelandale Avenue Interchange Reconstruction Project with a Ribbon Cutting Ceremony. This two and a half year, \$57.6 million project began in May of 2014 and included the reconstruction of the Pelandale Avenue overcrossing, the State Route 99 on and off ramps, and the new City of Modesto Welcome Sign.

Being the largest transportation Capital Improvement Project ever in the City's history, the State Route 99 Pelandale Avenue Interchange Reconstruction Project was critical for the region. As Modesto's northern gateway, the Pelandale Avenue Interchange provides substantial local, regional, and interregional benefits beyond traffic relief. The Project's enhanced landscaping and structural aesthetics increase the visibility of the City's major shopping centers and industrial parks, thus promoting existing and planned future economic development.

This project was a collaboration between the City of Modesto, Caltrans District 10, Stanislaus Council of Governments, Stanislaus County, and the California Transportation Commission.



With the recent passing of Measure L within Stanislaus County, the City of Modesto is projected to receive \$171,868,971 over the lifespan of the ½ cent Sales Tax. Measure L supplies the funds needed to alleviate traffic congestion, improve traffic flow and safety, and even earmarks funds for bike/pedestrian projects. 72% of voters in our county voted for Measure L, putting Local Roads First. For more information on Measure L, visit www.Stanislaus-LocalRoadsFirst.com

Water Conservation Rebate Programs

Save Water. Save Money



Smart Controller • Sprinkler Nozzle Replacement • Drip Irrigation
Rain Barrel • Turf Replacement • Toilet & Clothes Washer Rebates

In an effort to conserve our most precious natural resource, the City of Modesto has a robust offering of rebates, saving residents water and money. For information on the rebate program and applications, go to www.modestogov.com/savewater or call 209.342.2246

Department Highlights

Transit

- Five new bus stop shelters were installed
- A new commuter bus was purchased which replaced an existing 1999 commuter bus
- Celebrated Dump the Pump Day, Bike to Work Day, and Family Cycling Festival

Solid Waste

- Sold 42,517 tons of wood chips at our compost facility
- Processed 69,089 tons of yard, paper and food waste
- Collected 1,673.65 tons of bulky items, 1.55 tons of materials at two household hazardous waste collection events, cleaned up 1,891 piles of illegally dumped debris, and collected 4,497 tires through amnesty and clean-up grants

Traffic Engineering & Operations

- Installed Rectangular Rapid Flashing Crosswalk Beacons at Modesto High School, Crows Landing Rd, and Downey Avenue
- Converted four high voltage street light circuits (HVC) to low voltage for a total of 95 street lights that have been converted from high voltage to low voltage LED

Utilities

- The City has recently completed the Phase 2 BNR/Tertiary Treatment Facilities, which was built to produce recycled water to meet more stringent discharge requirements.
- The City is now partnering with a local irrigation district interested in purchasing recycled water from the City, as part of the North Valley Regional Recycled Water Program. Construction is expected to be complete by December 2017.
- Construction of the 6 million gallon North Tank is nearly completed. This will be the largest tank in the City's water system.



Healthy Economy & Great Quality of Life



"Wow! We had a great visit in Modesto last month. I couldn't have asked for a more perfect time of year to visit and check out what the city is serving up. Modesto has a really nice, hardworking community with real deal family-owned restaurants and we're excited to share it with the rest of the country." - Guy Fieri

Food Network star and celebrity chef Guy Fieri visited three Modesto locations for an episode of "Diners, Drive-Ins and Dives" including the Food Fix Truck, Bauer's 66 ½ Skillet & Grill, and Commonwealth Gastropub (pictured).

Highlights

- American Planning Association award for the City's Downtown Form Based Code
- The Turlock/Modesto Branch of the American Association of University Women recognized the Docent Council for the McHenry Mansion for their outstanding work in preserving Modesto's heritage and presenting it to the community
- Downtown Revitalization - Formation of the Downtown Modesto Partnership
- Over 37,000 visitors attended Modesto On Ice skating rink
- Over 150,000 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
- Staff coordinated 1,567 volunteers to complete 11,200 hours of community service at a value of \$307,645.05 to the City of Modesto
- Partnered with the McHenry Mansion Foundation on a Parks Project to install synthetic grass at the Modesto Mansion. The turf is better suited to sustain high traffic and saves water

Modesto: Fun Factor

Modesto ranked #7! WalletHub ranked California cities' "Fun Factor" in 2016 based on the number and variety of fun and cost effective activities. Number crunchers from WalletHub compared the 150 largest cities across 51 key metrics, ranging from 'number of fitness clubs per capita' to 'movie costs' to 'average open hours of breweries' in an effort to help Americans find the cities with the greatest number and variety of cheap, fun entertainment.



Tower Park Completed

A ribbon cutting ceremony was held June 8, 2016 for the grand opening of a 50 unit affordable housing project restricted to seniors 55 years and over, earning 30% - 60% of the area median income.



Amgen Tour of California

The Amgen Tour of California is returning to Modesto! AEG Tour officials have offered the City of Modesto a start stage in the 2017 Amgen Tour of California. The City was host to the race in the past, once with a stage start and three times hosting stage finish between 2008 and 2011. Apart from the community enthusiasm, benefits to residents and race enthusiasts the economic impact of hosting is substantial. The tour draws hundreds of visitors, fills hotels, restaurants, and increases business for service industries of all sorts.

The Tour of California is one of the world's premier bicycle races. The next Amgen Tour of California will be held in May, 2017.



Civic Engagement Opportunities

Boards, Commissions and 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 are formed to assist the City Council in making critical policy decisions that impact the community. These 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
- Culture Commission
- Disabled Access Appeals Board
- Entertainment Commission
- Equal Opportunity/Disability Commission
- Human Relations Commission
- Golf Course Advisory Committee
- Housing Rehabilitation Loan Committee
- Landmark Preservation Committee
- Planning Commission
- Tuolumne River Regional Park Citizens Advisory Committee

Appointments Committee

Councilmember Tony Madrigal - Chair
tmadrigal@modestogov.com

Councilmember Jenny Kenoyer - Vice Chair
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

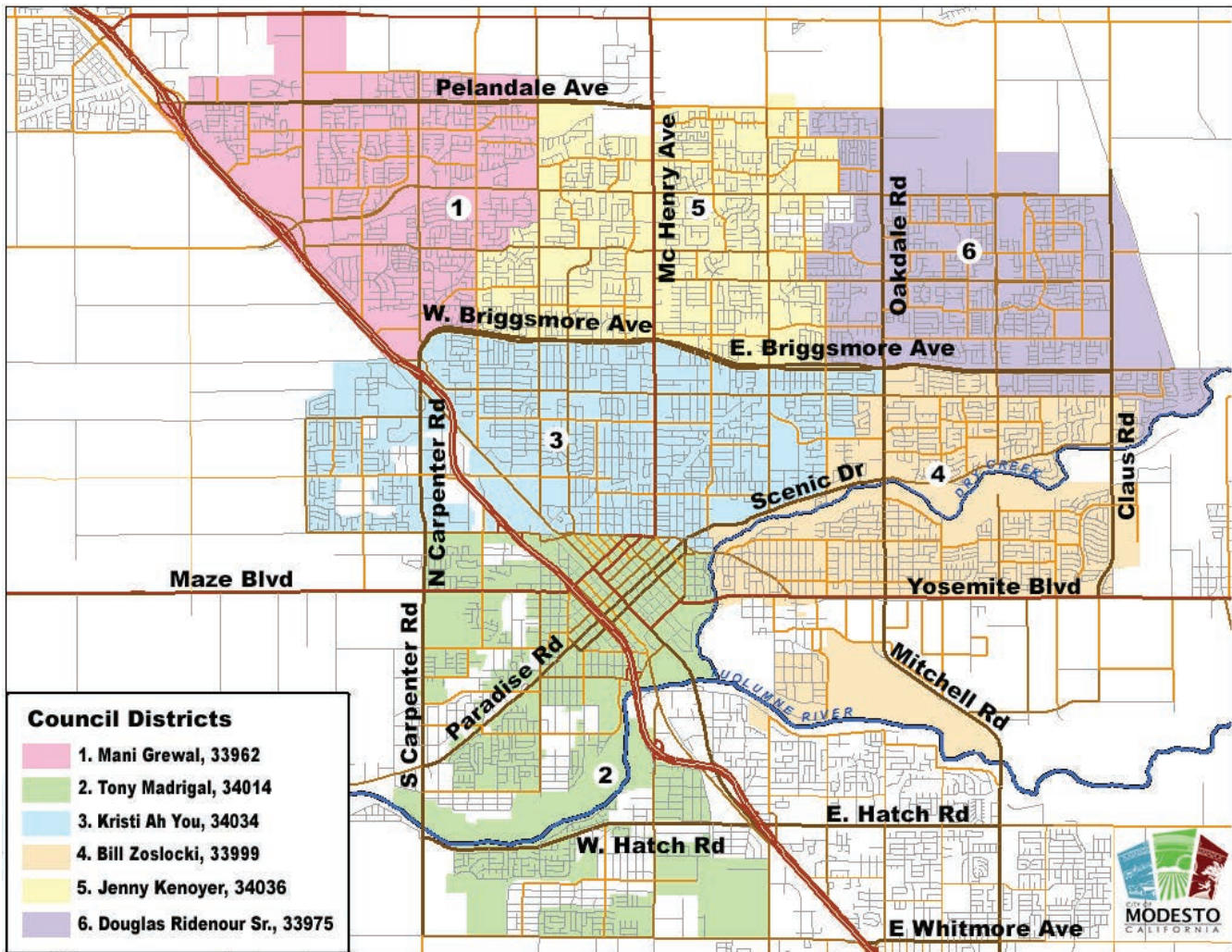
Modesto City Council



Mayor Ted Brandvold **District 1** Mani Grewal **District 2** Tony Madrigal **District 3** Kristi Ah You **District 4** Bill Zoslocki **District 5** Jenny Kenoyer **District 6** Douglas Ridenour

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.





Splash Grounds at Marshall Park - Modesto, CA

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, 2016. 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 Macias, Gini & O'Connell, LLP 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 Gloriette Genereux - Director of Finance at ggenereux@modestogov.com
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