



City of Modesto
Popular Annual Financial Report
Fiscal Year Ended June 30, 2015

CITY OF
MODESTO
CALIFORNIA

About Modesto: A City of Great Neighbors



The City of Modesto has tremendous pride and a rich history of civic engagement.

In recent years, public-private partnerships have built the Gallo Center for the Arts, established the Virginia Corridor Trailway and the Helen White Memorial Trail, facilitated the creation of the Modesto Dog Park, and hosted numerous special events for the benefit of our Citizens. This year, the City welcomed its very own ice skating rink, as well as several new restaurants into the heart of downtown.

It's about the people. Our warm, friendly persona gives Modesto its hometown feel. We are a hospitable city, with metropolitan amenities and attractions.

Modesto's central location offers close proximity to the ocean, mountains, and some of our nation's largest cities, National Parks and renowned landmarks.

Our mild climate makes outdoor activities enjoyable year round. Located in the very heart of one of the richest agricultural areas in our nation, Modesto boasts the most fertile agricultural land in the San Joaquin Valley. Dairy products, nuts, fruits, wine grapes, and poultry are some of our main industries.

Date of Incorporation	August 6, 1884
Adoption of City Charter	January 14, 1963
Form of Government	Council-Manager
Population (Modesto Incorporated Area)	209,286
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	\$52,186
Median Family Income	\$58,670
Median Age	33.6
Housing Units	76,710
Median Housing Unit Value (2014 ACS)	\$211,900
Median Monthly Rent (2014 ACS)	\$994
Employment Data	
Civilian Population age 16 or Older	27.3%
Management, Business, Science & Arts Occupation	21.4%
Service Occupations	21.4%
Sales & Office Occupations	24.0%
Natural Resources, Construction, & Maintenance Occupations	12.6%
Production, Transportation, & Material Moving	14.7%

Mayor's Message: Challenge, Change & Partnership Matters



Photo Courtesy of Modesto Bee

"I see us as a City of Great Neighborhoods woven together like a beautiful patchwork quilt; neighbors helping neighbors with the spirit of volunteerism prevailing."



National Night Out

Times are changing and it's exciting to be the Mayor of Modesto. In Fiscal Year 2014-15, we balanced our budget for the first time in recent decades and learned to live within our means. We were able to reinvest one-time money, from Fiscal Year 2013-14, into some much needed deferred maintenance. We expanded our bike lanes, installed energy efficient lighting, and repaved some major roadways. We took steps to reinvest in our employees while at the same time achieving pension and retirement reform. As you read the following pages, you will see our accomplishments and challenges.

All of this is good; however, I have a bigger vision for Modesto. I see us as a City of Great Neighborhoods woven together like a beautiful patchwork quilt; neighbors helping neighbors with the spirit of volunteerism prevailing. Modesto is a community coming together collaboratively to solve the problems that can't be solved individually.

As a City, we face a series of challenges. One challenge is that there just are not enough financial resources to make our neighborhoods as safe we want them to be. Our budget is manageable and balanced. We will do great things with what we have and will continue to spend our resources wisely, striving to achieve the most benefit with what we have. But, it will not be enough to do everything that our community deserves.

The challenge isn't just financial; it's also a leadership challenge. As a community, we must rise up and lead our City into the future. It will take all of us working together to solve the problems we face in new, collaborative, and innovative ways.

That is why I am challenging you to partner with us. Attend Council meetings where your voice can be heard. Join a Neighborhood Watch group. Read to a child. Participate in a Love Modesto event. Engage with us and fellow citizens through our social media channels. All of this will make a difference. But, most of all, I ask each of you to help solve the challenges of this City.

- Mayor Garrad Marsh



Love Modesto

City Manager's Message: A City in Transition



Photo Courtesy of Modesto Bee

Modesto is an exceptional city to live and raise your family in. We have all the advantages of being an affordable California city with access to world-class agricultural, recreational, cultural and economic centers. But, we are also a city facing some great hurdles. As the City's General Fund stabilizes and recovers from the recession, it has become apparent that there is more demand for public services than what we can provide. The City can do a lot with the financial resources it has, but it can't do everything. We have to focus our attention on our priorities. And that is our challenge.

City government is changing. The new Strategic Plan adopted by Council in 2015 represents the chartered course we will use to focus our financial resources on our top priorities. Within each of the four strategic Core Commitments of the Plan are the goals and objectives we will accomplish as we move forward with our Core Commitments. With approximately 85% of the City's resources dedicated to public safety, it is clear our primary focus is on Great Safe Neighborhoods.

As a City of Great Neighborhoods, we have partnered with Modesto Neighborhoods, Inc. to build even greater and safer neighborhoods. Modesto is engaging our community and forging collaborative partnerships that leverage available resources. We strive to be effective, to respond to our citizens and partner with our neighborhoods. To be most effective, we must understand and listen to neighborhood residents.

Though the challenges are many, we are confident that with the leadership of our Mayor and Council, the talent and commitment of our City personnel, the strength of our businesses, and non-profit community, and the collaboration and partnership with our great neighborhoods, we will succeed.

- Jim Holgersson, City Manager

"We have a very diverse community and have to learn to harvest the strengths of the community. We have to find solutions that align priorities and work for each specific neighborhood. One solution for all does not work."

Our Strategic Commitments

Great Safe Neighborhoods

Effective, Responsive & Transparent Government

Vibrant Infrastructure & Sustainable Environment

Healthy Economy & Great Quality of Life



City of Great Neighbors



Making Modesto better one neighborhood at a time
www.modestoneighborhoods.com

Fiscal Sustainability: Planning for Challenges

During the past year, the City of Modesto's Finance Department has worked with an independent consulting firm, Management Partners, to develop a 10-Year General Fund Forecast Model. 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.

The 10-Year Forecast is a new valuable tool in "navigating the financial sea" to the City's future fiscal sustainability and was presented to Council during budget workshops held in May 2015.

FORECAST SUMMARY	Actual	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
(\$ in Mil.)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Property Tax	\$24.11	\$25.12	\$27.60	\$28.69	\$29.81	\$30.96	\$32.01	\$33.00	\$34.06	\$35.17
Sales Tax	27.65	28.30	30.05	31.26	32.51	33.82	35.16	36.54	37.94	39.36
Utility Users Tax	20.15	20.25	20.02	19.92	20.07	20.35	20.56	20.76	20.97	21.18
Other Taxes	17.02	16.65	16.75	16.12	16.42	16.74	17.04	17.15	17.25	17.36
Permits & Fees	12.33	12.75	13.53	13.93	14.27	14.59	14.94	15.23	15.54	15.86
Other Revenue/Tfrs In	11.75	5.73	5.64	5.66	5.65	5.64	5.63	5.62	5.62	5.62
Total Revenues	113.01	108.80	113.59	115.58	118.73	122.10	125.34	128.30	131.39	134.56
Salaries*	32.27	43.60	47.57	46.72	47.40	48.09	48.79	49.50	50.23	50.96
Overtime	2.57	2.02	4.07	4.07	4.07	4.07	4.07	4.07	4.07	4.07
Health/Dental/Vision	3.82	4.65	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05
Pension*	7.33	14.16	15.61	17.39	19.31	20.34	21.76	22.05	21.99	22.32
Retiree Medical	0.55	2.89	2.03	1.72	1.75	1.80	1.84	1.82	1.83	1.83
Other Pay & Benefits*	4.48	11.68	11.52	11.88	12.13	12.39	12.65	12.92	13.20	13.49
Budget Adjustments	-	(1.38)								
Vacancy Savings	-	(2.76)		(2.30)	(2.33)	(2.37)	(2.41)	(2.44)	(2.48)	(2.51)
Subtotal Personnel	51.03	74.87	85.85	84.52	87.37	89.36	91.76	92.97	93.89	95.20
Contract Services*	31.42	9.24	7.94	9.61	9.80	10.00	10.20	10.40	10.61	10.82
ISF Charges	6.71	6.32	6.10	6.57	6.71	6.84	6.98	7.12	7.26	7.40
Other Expense	11.56	12.29	15.14	14.20	14.48	14.77	15.07	15.37	15.68	15.99
Debt/Capital/Transfers Out	10.44	5.20	4.91	4.95	4.95	4.95	5.35	5.35	5.35	5.35
Total Expense	111.15	107.92	119.94	119.86	123.31	125.92	129.35	131.21	132.79	134.77
Net Annual Surplus (Shortfall)	1.86	0.88	(6.36)	(4.28)	(4.58)	(3.83)	(4.01)	(2.91)	(1.40)	(0.21)
CAFR Adjustments	1.28									
Council Spending Priorities (2-10-15)	-	(5.17)	-	-	-	-	-	-	-	-
Adjustments to Address Deficit	-	-	6.36	-	-	-	-	-	-	-
Total Beginning Fund Balance	16.77	19.91	15.62	15.62	11.35	6.76	2.94	(1.07)	(3.98)	(5.38)
Total Ending Fund Balance	19.91	15.62	15.62	11.35	6.76	2.94	(1.07)	(3.98)	(5.38)	(5.59)
Nonspendable/Restricted	4.84	4.84	4.34	4.34	4.34	4.34	4.34	4.34	4.34	4.34
Emergency/LOC Reserve	10.00	10.00	10.00	10.00	7.00	7.00	7.00	7.00	7.00	7.00
Unassigned Balance	5.07	0.78	1.28	(2.99)	(4.58)	(8.40)	(12.41)	(15.32)	(16.72)	(16.93)
Res+Bal % of Total Expense	13.6%	10.0%	9.4%	5.8%	2.0%	(1.1%)	(4.2%)	(6.3%)	(7.3%)	(7.4%)

During Fiscal Year 2013-2014, the Modesto Regional Fire Authority (MRFA) contracted with the City of Modesto for Fire Services. The \$24.1 Million dollar contract for services is reflected as a total cost in FY 2014. City expenses such as salaries, pensions and other benefits appear to be lower in 2014 than 2015 as this was prior to the dissolution of the contract. In 2015 contract services decreased while City expenses appear to increase as the cost is shifted from one expense category to another.

Key Points of the 10 - Year Forecast
Major Revenue Assumptions:
Average Property Tax Growth Rate of 3.5%, Average Sales Tax Growth Rate of 3.9%

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.

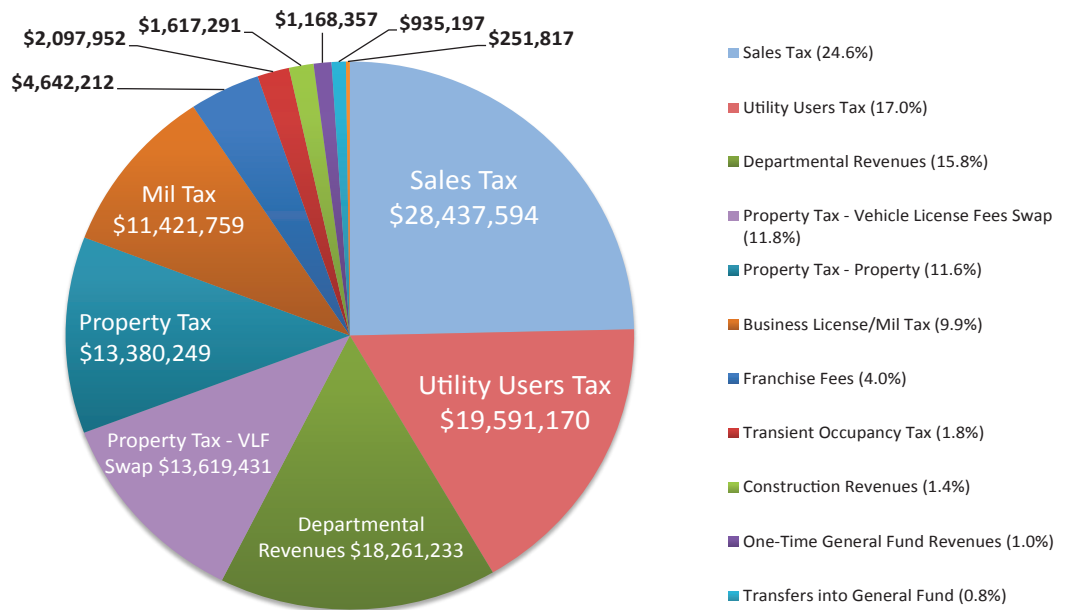
General Fund Revenues & Expenses

Revenues continue to grow nominally for the City of Modesto

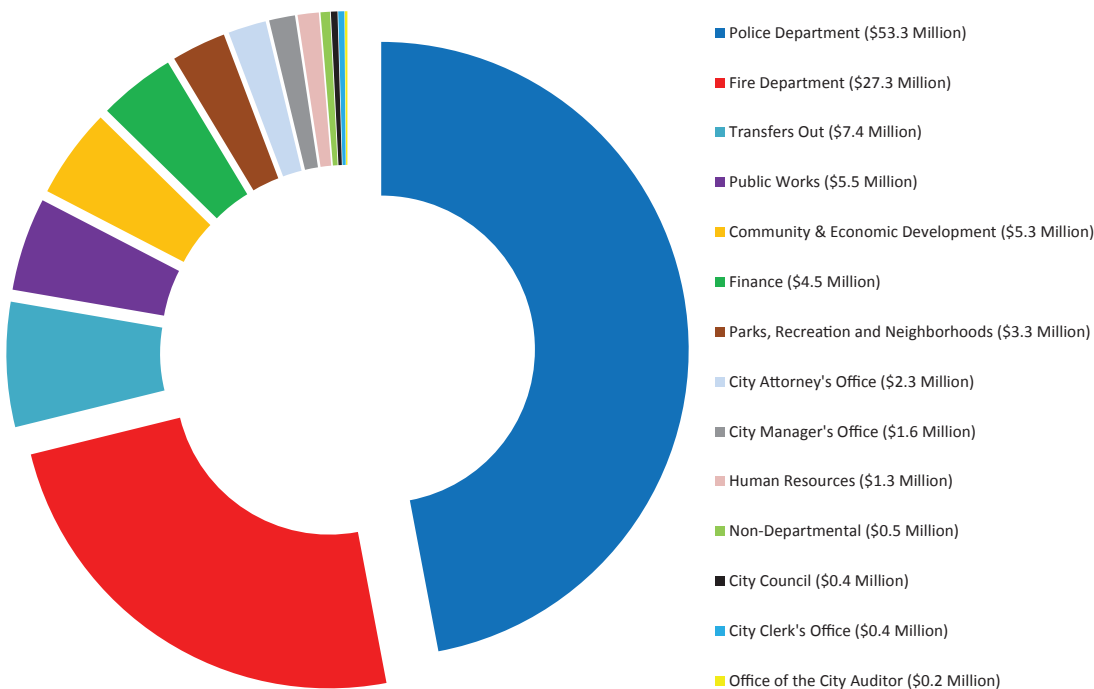
Increases have been counted for in various major revenue areas such as Sales Tax, Property Tax, and Business License/Mil Tax

Nearly 75% of the total General Fund revenue is made up of resident-driven taxes

FY 2014-15 Actual General Fund Revenues Received



FY 2014-15 Actual General Fund Expenses by Department



In FY 2014-15 the General Fund had total expenses from all Departments of \$113.2 million. Revenues came in slightly higher at \$115.4 million. This resulted in a net operating surplus in FY 2014-15 of \$2.14 million which is made up of a combination of department expense savings and additional revenues received.



Where Do Your Tax Dollars Go?

Nearly 85% of the City's total resources and almost 72% of the General Fund operating expenses are used to pay for Public Safety Services, which had total actual expenses of \$80.6 M in FY 2014-15. If we take into account the main resident-driven taxes such as Sales Tax, Property Tax (inclusive of the VLF Swap), and Utility Users Tax, the actual revenues received in FY 2014-15 (\$75 M) would not be enough to fund public safety service alone.

Statements of Net Position & Financial Highlights

City of Modesto's Net Position As of June 30, 2015

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current & Other Assets	\$ 248,973,249	\$ 224,226,389	\$ 257,455,772	\$ 254,157,756	\$ 506,435,134	\$ 478,384,145
Capital Assets	\$ 418,803,027	\$ 410,178,059	\$ 841,130,531	\$ 799,350,704	\$ 1,259,933,558	\$ 1,209,528,763
Deferred Outflows of Resources	\$ 23,792,551	\$ 10,276,475	\$ 40,254,775	\$ 32,384,362	\$ 64,047,326	\$ 42,660,837
Total Assets & Deferred Outflow of Resources	\$ 691,568,827	\$ 644,680,923	\$ 1,138,841,078	\$ 1,085,892,822	\$ 1,830,416,018	\$ 1,730,573,745
Current Liabilities	\$ 241,951,212	\$ 67,694,068	\$ 134,841,204	\$ 29,844,485	\$ 376,792,416	\$ 97,538,553
Noncurrent Liabilities	\$ 91,288,243	\$ 131,437,023	\$ 346,641,048	\$ 343,352,655	\$ 437,929,291	\$ 474,789,678
Deferred Inflows of Resources	\$ 38,654,888	\$ 11,170,483	\$ 9,501,499	\$ 37,423,944	\$ 48,156,387	\$ 48,594,427
Total Liabilities	\$ 371,894,343	\$ 210,301,574	\$ 490,983,751	\$ 410,621,084	\$ 814,721,707	\$ 572,328,231
Net Investment in Capital Assets	\$ 378,145,625	\$ 347,647,419	\$ 527,784,338	\$ 502,684,950	\$ 905,929,963	\$ 850,332,369
Restricted	\$ 121,105,182	\$ 77,564,677	\$ 20,622,619	\$ 22,398,957	\$ 141,727,801	\$ 99,963,634
Unrestricted	\$ (179,570,210)	\$ 9,167,253	\$ 99,450,370	\$ 150,187,831	\$ (80,119,840)	\$ 159,355,084
Total Net Position	\$ 319,680,597	\$ 434,379,349	\$ 647,857,327	\$ 675,271,738	\$ 967,537,924	\$ 1,109,651,087

Financial Highlights from City's Comprehensive Annual Financial Report

The assets of the City exceeded liabilities at the close of the 2015 fiscal year by \$967,537,924 (total net position). Of this amount, \$141,727,801 is restricted for a specific purpose (restricted net position), \$905,929,963 is invested in capital assets, net of related debt and (\$80,119,840) is unrestricted (unrestricted net position).

At the end of the fiscal year, the General Fund balance was \$24,819,500 or 23.2% of total General Fund expenditures. Of this, \$1,341,972 is the restricted fund balance. The unassigned fund balance of \$14,586,931 represents 12.8% of total General Fund outflows. This unrestricted amount also includes the City's \$7 million requirement for its Letter of Credit on General Fund obligations as well as the Council established \$3 million set-aside as an Emergency Reserve.

The City's total net position decreased by \$142,113,163 compared to the prior year. This decrease is attributed to the beginning net position restated by (\$199,407,557) for the implementation of the Governmental Accounting Standards Board Statement No. 68 and 71 and adjustments related to prior year. The current year change based on Fiscal Year 2014-15 activity resulted in an increase in net position of \$57,294,394.

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

Enterprise Funds Change in Net Position	Business-type Activities	
	2015	2014 (restated)
Revenues:		
Charges for Services	\$ 127,236,623	\$ 124,329,967
Operating Grants & Contributions	\$ 14,223,954	\$ 13,721,179
Capital Grants & Contributions	\$ 13,820,127	\$ 4,971,940
Connection Fees	\$ -	\$ 524,914
Other	\$ 2,020,306	\$ 3,090,724
Total Revenues	\$ 157,301,010	\$ 146,638,724
Expenses:		
Water	\$ 54,718,239	\$ 63,498,896
Sewer	\$ 30,281,361	\$ 31,895,568
Bus	\$ 18,614,175	\$ 19,618,547
Parking	\$ 1,513,185	\$ 1,605,829
Storm Drain	\$ 3,913,204	\$ 6,372,418
Compost	\$ 7,841,048	\$ 4,951,441
Airport	\$ 2,025,146	\$ 2,291,222
Golf	\$ 2,998,505	\$ 2,845,109
Community Center	\$ 1,852,585	\$ 2,031,928
Abatement and Public Nuisance	\$ 93,067	\$ 31,877
Total Expenses	\$ 123,850,515	\$ 135,142,835
Excess (Deficiency) Before Transfers	\$ 33,450,495	\$ 11,495,889
Transfers	\$ 775,377	\$ 41,317
Special Item	\$ -	\$ (1,356,418)
Change in Net Position	\$ 34,225,872	\$ 10,180,788
Net Position - Beginning of the Year	\$ 675,271,738	\$ 665,135,994
Prior Year Adjustments	\$ (61,640,283)	\$ (45,044)
Net Position - End of the Year	\$ 647,857,327	\$ 675,271,738



Fourth of July Parade

A Cleaner, Greener City



Modesto is one of more than 340 California communities that have adopted the Home Energy Renovation Opportunity, or HERO Program, a Property Assessed Clean Energy program. HERO encourages sustainability, saves homeowners on their monthly energy expenses and creates jobs locally.



Impact to Date

HERO Launch Date: 07/02/2014

505 Residents Participated	72 Jobs Created
\$8,527,116 Funded Projects	\$14,768,181 Funded Projects
81,622,126 kWh Energy Saved	9,340,750 gal Water Saved
19,674 tons Emission Reduced	

In California the program has helped to create more than 7,500 jobs, funded more than 38,000 residential projects, and provided more than \$875 million in financing to homeowners.

Since the program came to Modesto in 2014, over 500 projects have been completed, 72 jobs created, over 9 million gallons of water saved and over 80 million kWh energy saved!

HERO program financing enables homeowners to make energy efficient and water efficient improvements, paying for them over time through their property tax bill. Interest may be tax-deductible, and homeowners may see immediate savings on utility bills.

www.heroprogram.com/ca/modesto

Projects Completed

Energy 720
Savings \$9,746,429

Solar 160
Savings \$6,851,238

Water 18
Savings \$73,751



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.

During 2015, the City adopted its 2015-2018 Strategic Plan. 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.



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.

Great Safe Neighborhoods

Safer Neighborhood Initiative

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.

Our City's #1 challenge is Safer Neighborhoods. Modesto's crime rates, economic struggles, homelessness and vagrancy are issues with no simple answers that must be addressed now as well as strategically over time.



Although our police force is grossly understaffed, we are working to provide the safer neighborhoods residents want. People are coming together in new ways and many efforts are underway. Behind the scenes, there are scores of community minded people working to improve the quality of life for residents. Our in-house Homeless Task Force is working in partnership with other agencies to identify and implement solutions. We are also looking at the challenge from a holistic perspective to deal with some of the core issues that lead to homelessness and vagrancy. Innovative strategies are emerging to meet our challenges with viable solutions. One of them is the Safer Neighborhoods Initiative.

The Safer Neighborhoods Initiative was initially intended to be funded by a tax measure, which would have provided about \$14 million annually to help restore critical city services, such as crime and fire prevention, public safety resources deployment, growing neighborhood leadership capacity, positive youth activities, homelessness and tagging prevention. Although that measure did not pass, the City of Modesto is still fully committed to building Great, Safe Neighborhoods throughout our community. Working with the Safer Neighborhoods Initiative Advisory Board, a volunteer steering committee nominated by various local organizations, we are developing creative strategies that will keep Modesto moving into a safer, brighter future.

A City of Great Neighbors

Parks, Recreation and Neighborhoods Department replaced existing playground equipment at Wesson Park (with help from neighbors) and replaced seating at Graceada Park's Mancini Bowl through the Park Partners program. Another critical partnership with Stanislaus County is creating a Veteran's Service Facility in Modesto. Youth programming was enhanced in West Modesto in partnership with the Boys and Girls Club of Stanislaus County and the Miracle League broke ground with the help of a \$250,000 challenge grant to develop a baseball field within the City for youth with disabilities. Continuous collaborations with the North Modesto Kiwanis Club, Crystal Creamery, ShadowChase Running Club, Friends of the Modesto Dog Park, Boyett Petroleum and Modesto View make many special events possible in our city and provide funding for the Parks and Recreation Scholarship Program.

Finding our Way Home

Focus on Prevention is a county-wide initiative that aims to improve the quality of life for all Stanislaus County residents through coordinated prevention efforts that work across multiple sectors. These sectors include government; business; health; non-profit; philanthropy; education; faith; neighborhood; media; and arts, entertainment, and sports. Last fall, the first ever Stanislaus County Summit on Homelessness, brought together hundreds of concerned citizens with a focus on resolving this issue in our community and building a long-term movement to find real answers to homelessness in our county.

A Point in Time Count was conducted in early 2015 revealing that on any given day in our County, some 1,400 people are homeless and an estimated 18,000 more may be imminently homeless. Efforts are being spent reflecting on emerging data on the crisis of homelessness and what cities across the U.S. are doing to reduce and prevent homelessness. As the largest city in Stanislaus County, we are aggressively researching strategies to effect positive change and finding ways people can get involved and take action.

Tag, We're on It!

We are reshaping the image of our City. Sometimes making a city safer starts with making it cleaner. The Neighborhood Preservation Unit and Code Enforcement closed 1,487 tagging abatement cases in 2015 compared to 151 cases total in 2014.

Activity	Dec 2015	Dec 2014	Y-T-D (2015) Thru Dec	Y-T-D (2014) Thru Dec
Cases Received:	318	28	1,943	176
Cases Referred to Other Depts:	6	5	405	7
No Violation Found:	0	2	18	5
Compliance Gained/Case Closed:	296	12	1,487	151
Cases Still Needing Compliance:	16	9	33	13
% Cases Resolved:	0.95	0.57	0.98	0.92
% Still Needing Compliance:	0.05	0.43	0.02	0.08

* Note: The case counts/statistics for each period/column only include new cases opened and addressed during that same period.



Modesto Fire Department

“Our mission is to provide all risk emergency services to our citizens. It has become an increasingly difficult challenge to meet the needs of our community as emergency incidents are increasing at a rapid pace and our resources continue to be reduced to alarmingly low levels. Our greatest priority is, at the very least, to maintain the level of resources we have today.”

- Fire Chief Sean Slamon



Highlights

- Boundary Drop agreement between Turlock, Ceres and Stanislaus Consolidated Fire ensures the closest resources respond to incidents, regardless of jurisdiction, improving access to Emergency Services and increased Firefighter Safety
- Mitigated over 25,000 emergency incidents with fewer resources than we had in 1983

- Completed over \$400,000 in repairs to our 11 fire stations
- Purchased two new fire engines
- Sent Modesto Fire Resources to battle 10 major wildland fires throughout California and Washington this summer



Incidents

Calendar Year 2015

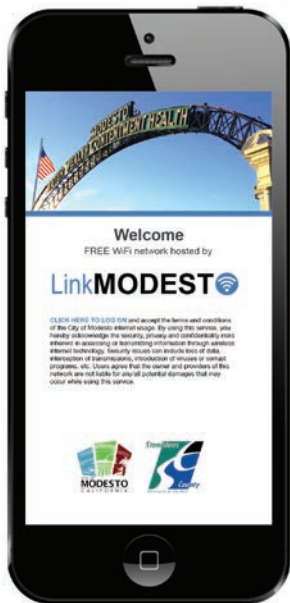
Fires	1,439
Explosion	9
EMS	17,215
Hazardous Materials	397
Service	1,778
Good Intent	3,442
False Alarm	916
Weather	1
Other	47
Total	25,244



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.

Information Technology

This technology strategic plan is dynamic and always in close alignment with the City's four commitments. Meanwhile, the IT department's mission is focused on service excellence with, new and creative methods to leverage technology to benefit both the city government and the public. From new and powerful Public Safety systems to a complete renovation of the City's online capabilities to public engagement tools, technology is helping elected and professional leaders and staff to serve the public more effectively.



Citizens enjoy free Wi-Fi in main public buildings and select business corridors by way of cooperative efforts of City, County and private businesses.

Among many high-value projects, City staff are working to create Open Data portals, Performance Metrics Dashboards, Budgeting, Mobile Maintenance, and Emergency Response and anti-tagging systems.

All these are implemented by highly skilled managers who are driven to deliver the highest value at the best cost for the tax payers.

Vision

To Build and Empower a Leading Smart, Digital City.

Mission

Provide, in alignment with the City's strategic commitments, innovative technology solutions that support City departments and the public.

Department Accomplishments

16,546 Support Requests

Server Replacement/Server Virtualization

Over 200 City-wide applications

95% Customer Satisfaction Rating



Modesto is working to better understand the innovation process and how to build a culture of innovation in our City. Over the past eight years, the Alliance for Innovation and Arizona State University have collaborated to promote innovation in local government.

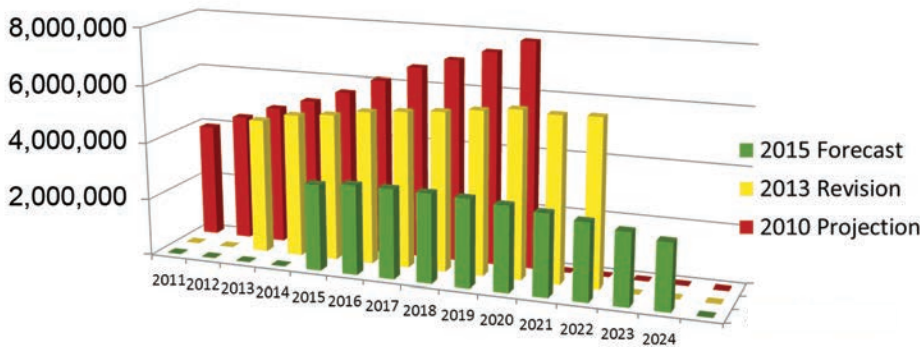
In 2013 they created and piloted a unique curriculum with teams of participants from local governments across North America. They have since graduated nineteen organizations from the Innovation Academy, which is designed to help local governments build and maintain a culture of innovation for cities to help them address community issues and needs. The City of Modesto is currently participating in the academy, working with a cross section of employees and leadership from departments across the organization. The 2016 cohort is on their way to discovering best practices in infusing innovation into all levels of the City of Modesto.

Effective, Responsive, & Transparent Government

Human Resources Department

The City's Human Resources Department is committed to the recruitment, development and retention of a diverse, healthy and productive workforce. We make it a priority to promote a culture of service, excellence, collaboration and support to the employees and the community we serve. Through collaborative projects working with the Information Technology Department, the Human Resources team continues to explore new ways to provide innovative partnership-focused solutions among City departments in building a talented workforce. We strive to provide effective services to the public. Additionally, the Human Resources Department has partnered with the City's labor groups to help reduce personnel costs through Pension, Other Post-Employment Benefits (OPEB) and Healthcare Reform negotiations. These important reforms were done in a collaborative environment and have provided significant financial savings.

Change In Projected Benefits Payments



Healthcare Reform

75%
of Staff

Pay Full PERS
Contribution

OPEB Unfunded Liability

\$28
Mil
Savings

From Negotiations

50%
Decrease

Since 2010

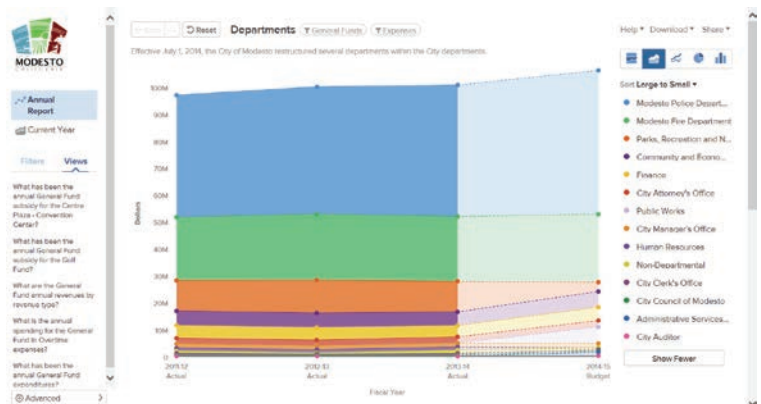
Transparent Government

In order to create more transparency, Modesto City Council conducted monthly workshops in order to build engagement with the public and share important community issues in an informal environment.

The City reorganized several key operations to more effectively serve the public utilizing a team approach. An Open Government tool was added to the City's website and performance dashboards are being developed in an effort to maximize the effectiveness of employees. A General Fund ten year forecasting model was created to strategically anticipate future revenue and expenditure trends. And an Economic Indicator Report was published for the first time last year.

The Finance Department began procurement of a new budget software system which will allow the City to link its budgeting processes to performance metrics and the City's 2015-2018 Strategic Plan. During the fall, the City hosted a community conversation on homelessness and several safer neighborhoods information meetings.

During 2015, the City hired a Public Information Officer to enhance communication with residents. Using social media and other new media, new strategic communication efforts are helping share relevant information quickly and foster civic engagement with the public.



Open Gov Transparency Tool Online

www.modestoca.opengov.com

Vibrant Infrastructure & Sustainable Environment



A Vibrant Infrastructure and Sustainable Environment are cornerstones of a healthy City. Modesto Utilities and Public Works Departments are committed to strengthening and maintaining safe infrastructure of city roads, water supply, wastewater recycling, storm sewers, transit, and airport needs for residents, businesses, and visitors.

Utilities

85% Complete

Water Metering

Complete

Tertiary Treatment Plant

No Cost to Customer

Sewer Lateral Cleaning

Public Works

9.16 Lane Miles

Streets Resurfaced

30.8 Miles

Streets Crack Sealed

98% Complete

LED Project

38%

Increase in Filled Potholes



Tertiary Treatment Plant

Since 2014 Public Works has filled 14,998 pot holes, laid 9.16 lane miles of new asphalt, 28,255 square feet of new sidewalk, and 3,317 lineal feet of new curb and gutter. The department also finished the construction of a new Compost Facility, reestablished the City Nursery utilizing 10 acres of the Compost facility, and began construction of the propagation greenhouse, shade house, and tree growing areas to produce over 4,500 trees annually for the City's urban forest. In Fall of 2015, Modesto was awarded a CalFire grant to provide almost 5,000 new trees to be planted.

Phase 6 of the Virginia Corridor was completed, adding nearly a mile of paved multi-use pedestrian and bicycle trail space for public use.

This completes approximately 3.25 miles of the Virginia Corridor conversion of the old Tidewater/Union Pacific Railroad tracks into a multiuse trail.

Utilities staff completed many impactful projects, including: the Shackelford Sewer Crossing beneath the Tuolumne River, Emerald Relief Sewer Trunk, Emerald Sewer Lift Station Rehabilitation Project, water system strengthening and replacement projects. Last year the department also began construction of the largest water tank in the City's system and Tier 2 Pressure Reducing Valve transmission system project. The decision was made to enter into a Joint Powers and Water Sales Agreement with Del Puerto Water District for a critical recycled water project.

During the summer of 2012, the City started construction of its \$133 million Phase 2 Tertiary Wastewater Treatment facility which is now in use. The City successfully obtained a State of California Revolving Fund loan in the amount of \$128,162,000 to fund construction of this facility which is the largest capital project in the history of the City. This project was recently recognized as one of the top 5 projects of 2015 in *Water & Wastes Digest*.



Virginia Corridor





10th Street Place Plaza - Downtown Modesto

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.

Since 2014, the City has made great strides in the revitalization of its downtown, encouraging cultural and sporting events, providing desirable shopping and dining options, and bringing new jobs to the City in many diverse sectors including healthcare, professional services, technology, and agribusiness.

We are working to grow the City's proactive 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.

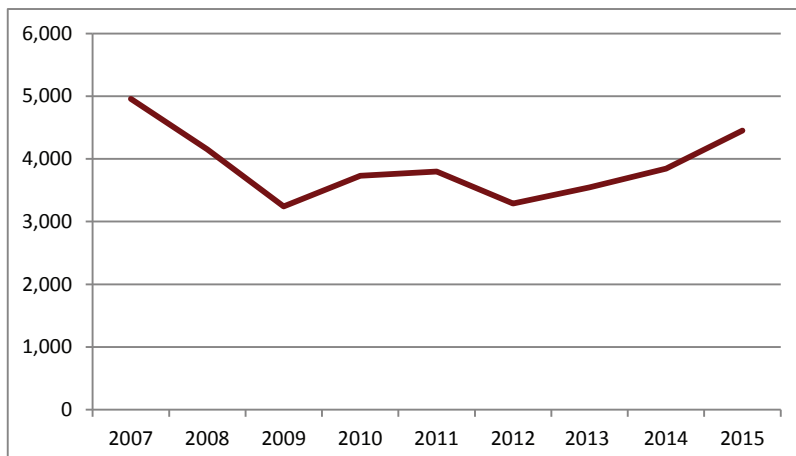
In 2014, the City partnered with Stanislaus County Affordable Housing Corporation to develop Bennett Place, an 18-unit complex for seniors and special needs populations, as well as Downey Terrace, an 11-unit affordable housing complex for seniors.

Downtown property owners initiated an effort to form a Downtown Community Benefit District, a property owner-based assessment district to improve safety, beautify area businesses, improve occupancy rates, and enhance the image of Modesto's downtown while facilitating new development. After a vote showing 55% weighted support by property owners, the City Council unanimously voted to form the district.



Modesto on Ice

Building Permits Issued 2007-2015



Another significant accomplishment was City Council's approval of the Downtown Modesto Partnership's plan for development of the 10th Street Art Block. This street beautification project, between J and I Streets was partially paid for by the Chamber of Commerce' Leadership Modesto program and was constructed by city crews during the summer and fall of 2015. Also during this timeframe, the City of Modesto hosted the Backcountry Horsemen's Trail Challenge at the Tuolumne River Regional Park, attracting participants from throughout Northern California to participate in trials of horsemanship. At the close of 2015, downtown Modesto welcomed an ice skating rink, creating invigorated interest in outdoor recreation and a new gathering place and revenue driver.

City Council



Mayor Garrad Marsh **District 1** John Gunderson **District 2** Tony Madrigal **District 3** Dave Lopez **District 4** Bill Zoslocki **District 5** Jenny Kenoyer **District 6** Dave Cogdill

Modesto City Government

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 City 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 the entire city; while the six Councilmembers are elected by district by the residents within the respective district. Members of the City Council hold office for four year terms and are limited to two terms.

Committees

City Committees review issues involving significant policy issues or matters of great importance to the community. The committees study issues, policies and other items brought forward by staff, citizens and Council and make recommendations to the full City Council.

Council Committees

- Great Safe Neighborhoods Committee
- Healthy Economy Committee
- Effective Government Committee
- Audit Committee
- Appointment Committee

Citizen Committees

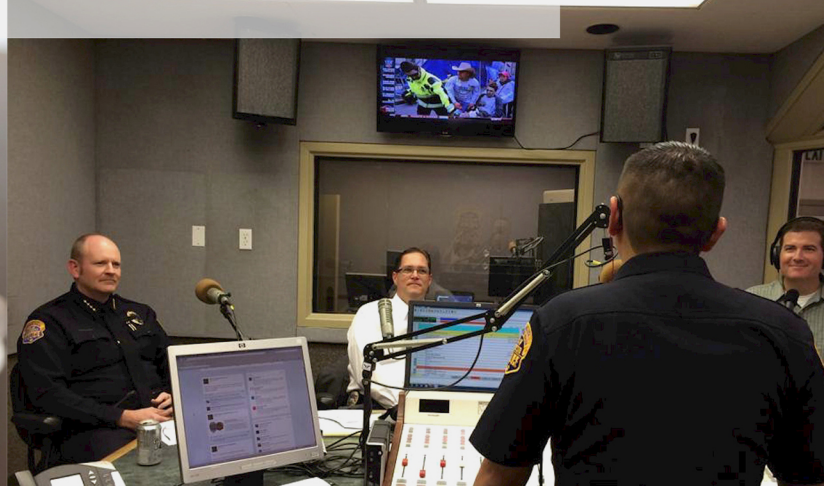
- Planning Commission
- Airport Advisory Committee
- Board of Building Appeals
- Board of Zoning Adjustments
- Charter Review Committee (Charter required)
- Citizens Districting Committee
- Citizens Salary Setting Committee
- Entertainment Commission
- Landmark Preservation Commission
- Tuolumne River Regional Park Citizens Advisory Committee
- Safer Neighborhoods Initiative Advisory Board



Great Safe Neighborhoods



Effective, Responsive & Transparent Government

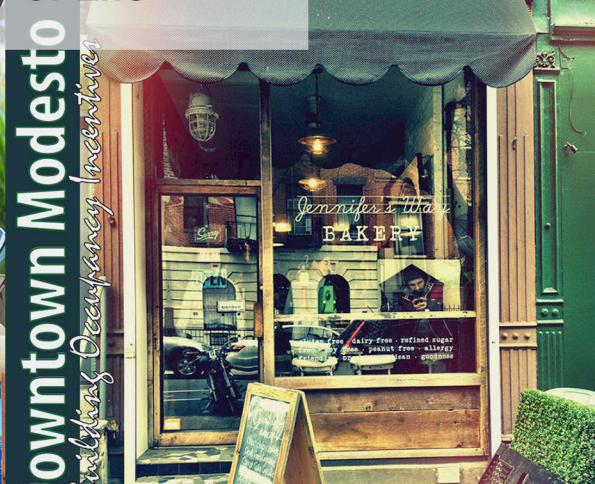




Vibrant Infrastructure & Sustainable Environment



Healthy Economy & Great Quality of Life





Former Federal U.S. Post Office, National Register of Historic Places - 1125 I St, 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, 2015. 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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