



City of Modesto
Popular Annual Financial Report
Fiscal Year End June 30, 2017



CITY OF
MODESTO
CALIFORNIA



Government Finance Officers Association

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

Presented to

**City of Modesto
California**

For its Annual
Financial Reporting
for the Fiscal Year Ended

June 30, 2016

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, 2016.

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 has not 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 town feel while offering big city amenities.

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

Modesto, California

Date of Incorporation	August 6, 1884
Adoption of City Charter	January 14, 1963
Form of Government	Council-Manager
Population (Modesto Incorporated Area)	212,175
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	\$50,996
Median Family Income	\$58,017
Median Age	35.3
Housing Units	75,377
Median Housing Unit Value (2016 ACS)	\$208,000
Median Monthly Rent (2016 ACS)	\$1,034
Employment Data	
Management, Business, Science & Arts Occupation	26.6%
Service Occupations	19.5%
Sales & Office Occupations	26.2%
Natural Resources, Construction, & Maintenance Occupations	11.1%
Production, Transportation, & Material Moving	14.6%

Sources: US Census 2016 American Community Survey, City of Modesto

Mayor's Message



Mayor Ted Brandvold

It is with much gratitude and respect for our citizens and taxpayers that I introduce this year's Popular Annual Financial Report for Fiscal Year End June 30, 2017.

In my second full year as your mayor, I and others who agree on the goal have worked to increase City Hall's forthrightness with you. City Hall needs to earn your trust so together we can address the challenges our City faces. Clear fiscal accountability is the necessary first step to fiscal sustainability.

Upon taking office, the City Council and I appointed the 100-Day Budget Review Committee. The 100-Day Committee recommended 37 separate action items to put the City in a stronger financial condition. City staff members and community volunteers have worked hard to implement some of these recommendations. We need to increase the pace of implementation because 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."

Of course shedding a "business as usual" approach is difficult. For example, the 100-Day Committee recommended that the City review all its vendor contracts. In the course of this review, we have discovered that spending under many City contracts was over authorized amounts. These mistakes and overruns are being fixed and new policies will be implemented to prevent such failures in the future.

While it will not always be a pleasant task inside City Hall, our objective must remain to transform City government into an organization that is customer-focused: clearly dedicated to providing world-class service to residents and taxpayers that allow us to serve them.

As we work to improve City government, I continue to believe we will be able to provide the pre-conditions necessary for the private sector to transform us into a more prosperous community. As I noted last year, "this is critical if the City is to keep the many promises it has made to its taxpayers, residents, employees, retirees, and many others"

By working together Modesto's brightest days remain ahead of us. However, Modesto's bright future depends on your elected leaders being willing to make tough decisions today. It is my hope that the information provided in this report will help you to help us in making the right decisions.

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 209-571-5597.



City Manager's Message

Transparency in government has become important to how we do business in the City of Modesto. We pride ourselves on being open, accountable and accessible to the community we serve. Our financial goal is to advance our sustainability efforts to ensure that our community remains vibrant and resilient for generations to come. To that end, the Mayor's goal, and my goal, is to ensure that residents have up-to-date and accessible information about the city's finances. Confidence in our city is directly related to the availability of complete, accurate, and timely information. That's why it is my pleasure to present to you the 2016 Community Report.

During Fiscal Year 2016-2017, we made significant strides toward getting our "fiscal house" in order. As we continue down that path, we have seen our local economy improve by way of increased revenue in property, business license and sales taxes, which account for 60.1% of our General Fund revenues. The City was able to increase its General Fund emergency reserves from \$12.8 to \$15.8, while still containing costs.

As City leaders, we need to be fiscally responsible, and think beyond the numbers. We understand that performance and measuring performance matters. It is our goal to use data based evidence to help us make decisions, evaluate progress and make adjustments to the level of service we provide as necessary. Our objective is to turn that data into a performance based budgeting process.

As always, Public Safety is our priority. It is my commitment to actively manage vacancies as they occur to ensure that we provide quality services for our residents. We also need to take an aggressive pro-business approach to expand existing businesses and attract new ones. Doing so will help our revenues grow and allow us to meet the ever-increasing needs of our community.

Our biggest challenge is finding a balance between quality of life and fiscal responsibility. I believe if we continue to invest in collaborative partnerships with other jurisdictions, our neighborhood groups and faith organizations, we will overcome those challenges and continue our success as the "City of Great Neighbors".



Interim City Manager
Joseph P. Lopez



Fiscal Sustainability: Planning for Challenges

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

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

General Fund Five Year Forecast

	FY 2015-16 Actuals	FY 2016-17 Actuals	FY 2017-18 Budget	FY 2018-19 Projected Budget	FY 2019-20 Projected Budget	FY 2020-21 Projected Budget	FY 2021-22 Projected Budget	FY 2022-23 Projected Budget
REVENUES:								
Taxes:								
Property Tax - Property	\$ 14,390,833	\$ 15,225,836	\$ 15,634,250	\$ 16,267,437	\$ 16,836,797	\$ 17,358,738	\$ 17,919,425	\$ 18,501,807
Property Tax - VLF Swap	\$ 14,310,867	\$ 15,070,966	\$ 15,711,010	\$ 16,347,306	\$ 16,919,462	\$ 17,443,965	\$ 18,007,405	\$ 18,592,646
Sales Tax	\$ 29,878,815	\$ 30,204,125	\$ 30,440,650	\$ 31,256,459	\$ 31,819,076	\$ 32,391,819	\$ 32,974,872	\$ 33,535,445
Utility Users Tax	\$ 19,564,921	\$ 20,113,023	\$ 20,459,361	\$ 20,663,955	\$ 20,870,594	\$ 21,079,300	\$ 21,290,093	\$ 21,502,994
Transient Occupancy Tax	\$ 2,523,087	\$ 2,669,484	\$ 2,450,000	\$ 2,499,000	\$ 2,548,980	\$ 2,599,960	\$ 2,638,959	\$ 2,678,543
Business License/Mill Tax	\$ 11,944,291	\$ 12,255,062	\$ 11,603,520	\$ 11,777,573	\$ 11,954,236	\$ 12,133,550	\$ 12,315,553	\$ 12,500,286
Fees:								
Franchise Fees	\$ 5,058,542	\$ 4,837,344	\$ 4,605,794	\$ 4,697,910	\$ 4,791,868	\$ 4,887,705	\$ 4,985,460	\$ 5,085,169
Motor Vehicle Fees	\$ 237,560	\$ 314,103	\$ 177,020	\$ 180,560	\$ 184,172	\$ 187,855	\$ 191,612	\$ 195,444
Construction Revenues	\$ 1,835,072	\$ 2,128,628	\$ 2,179,162	\$ 2,211,849	\$ 2,245,027	\$ 2,278,703	\$ 2,312,883	\$ 2,347,576
Departmental Revenues	\$ 18,595,573	\$ 15,993,598	\$ 16,131,153	\$ 16,211,809	\$ 16,292,868	\$ 16,374,332	\$ 16,456,204	\$ 16,538,485
Increases of Obligations from Capital Leases (Fire)	\$ -	\$ 5,883,757	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
MRFA Dissolution Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
One Time Revenues	\$ -	\$ 3,679	\$ 2,200,000	\$ -	\$ -	\$ -	\$ -	\$ -
Total Operating Revenues	\$ 118,339,561	\$ 124,699,605	\$ 121,591,920	\$ 122,113,858	\$ 124,463,080	\$ 126,735,927	\$ 129,092,466	\$ 131,478,395
Transfers In	\$ 551,992	\$ 836,204	\$ 746,825	\$ 750,559	\$ 754,312	\$ 758,083	\$ 761,874	\$ 765,683
TOTAL REVENUES	\$ 118,891,553	\$ 125,535,809	\$ 122,338,745	\$ 122,864,417	\$ 125,217,392	\$ 127,494,010	\$ 129,854,340	\$ 132,244,078
EXPENSES:								
Great Safe Neighborhoods:								
Police Department	\$ (54,490,233)	\$ (54,237,659)	\$ (62,280,572)	\$ (63,214,781)	\$ (64,163,002)	\$ (65,125,447)	\$ (66,102,329)	\$ (67,093,864)
Fire Department	\$ (28,333,929)	\$ (28,981,495)	\$ (30,803,956)	\$ (31,266,015)	\$ (31,735,006)	\$ (32,211,031)	\$ (32,694,196)	\$ (33,184,609)
Fire Apparatus Lease Expense (Offset by Revenue)	\$ -	\$ (5,883,756)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Parks, Recreation, and Neighborhoods	\$ (3,119,259)	\$ (3,203,519)	\$ (3,903,426)	\$ (3,961,977)	\$ (4,021,407)	\$ (4,081,728)	\$ (4,142,954)	\$ (4,205,098)
Healthy Economy & Great Quality of Life	\$ (6,041,650)	\$ (6,355,248)	\$ (7,900,681)	\$ (8,019,191)	\$ (8,139,479)	\$ (8,261,571)	\$ (8,385,495)	\$ (8,511,277)
Community and Economic Development	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Vibrant Infrastructure & Sustainable Environment	\$ (6,274,095)	\$ (6,516,710)	\$ (6,506,588)	\$ (6,604,187)	\$ (6,703,250)	\$ (6,803,798)	\$ (6,905,855)	\$ (7,009,443)
Public Works	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Effective, Responsive, & Transparent Government	\$ (407,593)	\$ (392,237)	\$ (420,514)	\$ (426,822)	\$ (433,224)	\$ (439,722)	\$ (446,318)	\$ (453,013)
City Manager's Office	\$ (1,849,863)	\$ (2,315,922)	\$ (2,378,827)	\$ (2,414,509)	\$ (2,450,727)	\$ (2,487,488)	\$ (2,524,800)	\$ (2,562,672)
Human Resources	\$ (1,394,082)	\$ (1,282,001)	\$ (1,462,766)	\$ (1,484,707)	\$ (1,506,978)	\$ (1,529,583)	\$ (1,552,527)	\$ (1,575,814)
City Attorney's Office	\$ (2,110,218)	\$ (2,026,612)	\$ (2,137,936)	\$ (2,170,005)	\$ (2,202,555)	\$ (2,235,593)	\$ (2,269,127)	\$ (2,303,164)
City Clerk's Office	\$ (940,516)	\$ (398,923)	\$ (937,881)	\$ (653,318)	\$ (951,949)	\$ (663,118)	\$ (966,228)	\$ (673,065)
Office of the City Auditor	\$ (234,846)	\$ (252,296)	\$ (327,769)	\$ (256,080)	\$ (259,922)	\$ (263,820)	\$ (267,778)	\$ (271,794)
Finance Department	\$ (4,707,880)	\$ (4,246,171)	\$ (4,666,358)	\$ (4,736,353)	\$ (4,807,399)	\$ (4,879,510)	\$ (4,952,702)	\$ (5,026,993)
Non-Departmental	\$ (518,868)	\$ (355,060)	\$ (421,000)	\$ (427,315)	\$ (433,725)	\$ (440,231)	\$ (446,834)	\$ (453,537)
Debt Service	\$ -	\$ (482,977)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Department Expenses	\$ (110,423,032)	\$ (116,930,586)	\$ (124,148,274)	\$ (125,635,262)	\$ (127,808,622)	\$ (129,422,641)	\$ (131,657,144)	\$ (133,324,344)
Other Expense Adjustments (Variance Rate)	\$ -	\$ -	\$ 5,866,619	\$ 5,983,951	\$ 6,103,630	\$ 6,225,703	\$ 6,350,217	\$ 6,477,221
Transfers Out	\$ (6,222,300)	\$ (6,021,176)	\$ (6,600,150)	\$ (6,567,149)	\$ (6,534,314)	\$ (6,501,642)	\$ (6,469,134)	\$ (6,436,788)
TOTAL EXPENSES	\$ (116,645,332)	\$ (122,951,762)	\$ (124,881,805)	\$ (126,218,460)	\$ (128,239,305)	\$ (129,698,580)	\$ (131,776,061)	\$ (133,283,911)
RESERVES:								
Beginning Fund Balance	\$ 24,819,500	\$ 27,065,721	\$ 29,649,768	\$ 27,106,708	\$ 23,752,666	\$ 20,730,752	\$ 18,526,183	\$ 16,604,462
CAFR Adjustments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Fund Balance	\$ 27,065,721	\$ 29,649,768	\$ 27,106,708	\$ 23,752,666	\$ 20,730,752	\$ 18,526,183	\$ 16,604,462	\$ 15,564,630
Non-Spendable	\$ 2,647,692	\$ 2,515,146	\$ 2,515,146	\$ 1,154,070	\$ 1,154,070	\$ 1,154,070	\$ 1,154,070	\$ 1,154,070
Restricted	\$ 2,092,126	\$ 1,970,622	\$ 1,970,622	\$ 2,972,992	\$ 2,972,992	\$ 2,972,992	\$ 2,972,992	\$ 2,972,992
Committed for Emergency Reserves	\$ 3,000,000	\$ 15,800,000	\$ 15,800,000	\$ 15,800,000	\$ 14,135,670	\$ 11,931,101	\$ 10,009,380	\$ 8,969,548
Assigned	\$ 6,503,769	\$ 4,854,307	\$ 4,854,307	\$ 2,468,020	\$ 2,468,020	\$ 2,468,020	\$ 2,468,020	\$ 2,468,020
Unassigned Reserves	\$ 12,822,134	\$ 4,509,693	\$ 1,966,633	\$ 1,357,584	\$ 0	\$ 0	\$ 0	\$ 0
Required \$7M Reserve (Letter of Credit)	\$ (7,000,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted Reserves (Carryover at Year-End)	\$ 5,822,134	\$ 4,509,693	\$ 1,966,633	\$ 1,357,584	\$ 0	\$ 0	\$ 0	\$ 0
Emergency Reserves Running Balance*	\$ 3,000,000	\$ 15,800,000	\$ 15,800,000	\$ 15,800,000	\$ 14,135,670	\$ 11,931,101	\$ 10,009,380	\$ 8,969,548

Key points to the General Fund Forecast
Major Revenue Assumptions: Average Property Tax Growth of 3.43%, Average Sales Tax Growth Rate of 1.96%, and Average Business License/Mill Tax Growth Rate of 1.5% in years 2019 through 2023.

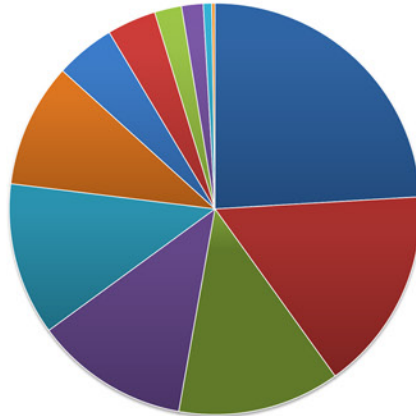
Expenses reflect current staffing levels and do not address unmet needs, future expansion of public safety services, or deferred maintenance on capital assets.

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

General Fund Revenues & Expenditures

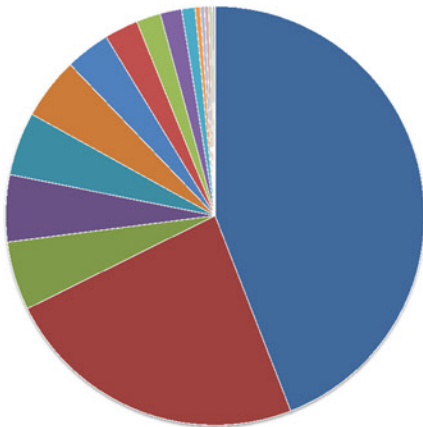
FY 2016-17 Actual General Fund Revenues Received

- Sales Tax (\$30.2 Million)
- Utility Users Tax (\$20.1 Million)
- Departmental Revenues (\$15.9 Million)
- Property Tax (\$15.2 Million)
- Vehicle License Fees Swap (\$15.1 Million)
- Business License/Mill Tax (\$12.3 Million)
- Capital Leases/Sales of Assets (\$5.9 Million)
- Franchise Fees (\$4.8 Million)
- Transient Occupancy Tax (\$2.7 Million)
- Construction Revenues (\$2.1 Million)
- Transfers In to General Fund (\$0.8 Million)
- Motor Vehicle Fees (\$0.3 Million)



FY 2016-17 Actual General Fund Expenditures by Department

In FY 2016-17 the General Fund had total expenditures from all Departments (inclusive of Principal and Interest expenses) of \$122.9 million. Revenues (inclusive of Capital Leases and Sales of Assets) were at \$125.5 million. This resulted in a positive change in fund balance for the General Fund of \$2.6 million in FY 2016-17. This change resulted from a combination of department expenditure savings and higher than anticipated revenues received for Property Tax, Transient Occupancy Tax, Users Utility Tax, and Business License/Mill Tax.



- Police Department (\$54.2 Million)
- Fire Department (\$28.9 Million)
- Public Works (\$6.5 Million)
- Community & Economic Development (\$6.4 Million)
- Transfers Out (\$6.0 Million)
- Fire Apparatus Lease Expense (\$5.9 Million)
- Finance (\$4.2 Million)
- Parks, Recreation and Neighborhoods (\$3.2 Million)
- City Manager's Office (\$2.3 Million)
- City Attorney's Office (\$2.0 Million)
- Human Resources (\$1.3 Million)
- Principal Retirement/Interest Expense (\$0.5 Million)
- City Clerk's Office (\$0.4 Million)
- City Council (\$0.4 Million)
- Non-Departmental (\$0.4 Million)
- Office of the City Auditor (\$0.3 Million)

What do your tax dollars fund?

Nearly 72.5% 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 \$89.1 million in FY 2016-17 (inclusive of the capital lease expense for Fire apparatus purchases). 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 2016-17 (\$80.6 million) would not be enough to fund Public Safety services alone.



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 – Government Funds) for the General Fund in FY 2016-17.

Statements of Net Position & Financial Highlights

City of Modesto's Net Position As of June 30, 2017

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current & Other Assets	\$ 234,821,516	\$ 242,284,397	\$ 243,332,330	\$ 243,332,330	\$ 478,153,846	\$ 485,616,727
Capital Assets	\$ 419,668,957	\$ 421,005,457	\$ 854,078,506	\$ 854,078,506	\$ 1,273,747,463	\$ 1,275,083,963
Deferred Outflows of Resources	\$ 56,076,070	\$ 29,527,963	\$ 49,190,388	\$ 49,190,388	\$ 105,266,458	\$ 78,718,351
Total Assets & Deferred Outflow of Resources	\$ 710,566,543	\$ 692,817,817	\$ 1,146,601,224	\$ 1,146,601,224	\$ 1,857,167,767	\$ 1,839,419,041
Current Liabilities	\$ 292,651,623	\$ 260,520,365	\$ 144,402,121	\$ 144,402,121	\$ 437,053,744	\$ 404,922,486
Noncurrent Liabilities	\$ 98,300,219	\$ 90,656,679	\$ 343,719,665	\$ 343,719,665	\$ 442,019,884	\$ 434,376,344
Deferred Inflows of Resources	\$ 10,503,691	\$ 17,408,971	\$ 4,281,118	\$ 4,281,118	\$ 14,784,809	\$ 21,690,089
Total Liabilities & Deferred Inflows of Resources	\$ 401,455,533	\$ 368,586,015	\$ 492,402,904	\$ 492,402,904	\$ 893,858,437	\$ 860,988,919
Net Investment in Capital Assets	\$ 376,743,556	\$ 381,887,289	\$ 539,821,175	\$ 539,821,175	\$ 916,564,731	\$ 921,708,464
Restricted	\$ 123,851,082	\$ 115,619,807	\$ 22,052,595	\$ 22,052,595	\$ 145,903,677	\$ 137,672,402
Unrestricted	\$ (191,483,628)	\$ (173,275,294)	\$ 92,324,550	\$ 92,324,550	\$ (99,159,078)	\$ (80,950,744)
Total Net Position	\$ 309,111,010	\$ 324,231,802	\$ 654,198,320	\$ 654,198,320	\$ 963,309,330	\$ 978,430,122

Financial Highlights from the City's Comprehensive Annual Financial Report

- The assets of the City exceeded liabilities at the close of the 2017 fiscal year by \$999,396,169 (total net position). Of this amount, \$145,377,043 is restricted for a specific purpose (restricted net position), \$931,906,773 is invested in capital assets, net of related debt and (\$77,887.647) is unrestricted (unrestricted net position).
- The largest portion of the City's net position, \$931,906,773 (93.2 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 \$20,966,047 during the current fiscal year was largely due to the additions associated with the City's infrastructure and reduction on the City's long-term liabilities.
- The long-term liabilities decrease was attributed to the principal payments of about \$14.8 million made during the fiscal year.

Enterprise Funds Change in Net Position	Business-type Activities	
	2017	2016
Revenues:		
Charges for Services	\$ 141,588,536	\$ 124,982,742
Operating Grants & Contributions	\$ 15,975,703	\$ 14,153,568
Capital Grants & Contributions	\$ 19,617,513	\$ 4,753,223
Other	\$ 2,388,860	\$ 3,822,676
Total Revenues	\$ 179,570,612	\$ 147,712,209
Expenses:		
Water	\$ 63,008,231	\$ 59,127,625
Sewer	\$ 36,248,877	\$ 33,093,921
Bus	\$ 21,979,360	\$ 19,709,745
Parking	\$ 1,628,226	\$ 1,625,943
Storm Drain	\$ 6,119,472	\$ 5,312,896
Compost	\$ 9,648,481	\$ 11,998,345
Airport	\$ 1,744,557	\$ 1,787,081
Golf	\$ 2,871,167	\$ 3,130,536
Community Center	\$ 1,934,179	\$ 1,981,307
Abatement and Public Nuisance	\$ 51,624	\$ 84,152
Total Expenses	\$ 145,234,174	\$ 137,851,551
Increase in Net Position Before Transfers	\$ 34,336,438	\$ 9,860,658
Transfers	\$ 1,750,401	\$ 567,177
Change in Net Position	\$ 36,086,839	\$ 10,427,835
Net Position - Beginning of the Year	\$ 654,198,320	\$ 647,857,327
Adjustments	\$ -	\$ (4,086,842)
Net Position - End of the Year	\$ 690,285,159	\$ 654,198,320



Repair of collapsed portion of River Trunk, adjacent to the Tuolumne River. Due to historic precipitation experienced in early 2017, a section of the River Trunk collapsed and dramatically increased flows to the city's treatment facilities. The city's Utilities staff quickly mobilized its resources to stabilize the site and perform necessary repairs.

2015-2018 Strategic Commitments

The 2015-2018 Strategic Plan is the foundation for how the City allocates its resources, how it prioritizes its initiatives to best serve the citizens of Modesto, and how it responds to future challenges.

Our 2015-2018 Strategic Plan priorities bring the City's vision and values to life in our community and define our overall direction as a City. It also confirms our commitment to our citizens. While the priorities are individually important, they are also interconnected and cannot be addressed in isolation. In addition, they are the basis of our scorecard that measures success and upon which our performance metrics are built.



Great, Safe Neighborhoods

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



Effective, Responsive & Transparent Government

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



Vibrant Infrastructure & Sustainable Environment

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



Healthy Economy & Great Quality of Life

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

Our Commitment to the Citizens of Modesto



Fiscal Responsibility & Accountability

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



Customer Service

for every customer, everyday

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



Organizational Excellence

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

Great, Safe Neighborhoods



Modesto Police Services

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

Save Me a Seat

Save Me a Seat is a program designed to build relationships with students during their lunch period. After officers eat lunch with kids in the cafeteria, officers stay during recess to play and talk. The concept is to have kids learn about the officers behind the badge and have an opportunity to talk to them one on one while sharing a meal. Police staff currently attend 6 schools regularly and have gone to others upon request. Officers who participate in the program have said that they want to go back because of how they quickly bond with the kids.



CSI Camp

Crime Scene Investigation Camp lets children ages 10-13 learn all about police work. This interactive camp covers calling 9-1-1, collecting evidence, casting, molding impressions, developing and lifting fingerprints, collecting and documenting evidence and maintaining the chain of custody.

Youth Summit

The Law Enforcement Youth Summit is a multi-agency partnership that allows at-risk youth to take a closer look at law enforcement, and experience what it's like to be a police officer. Attendees are walked through life-like scenarios where they make split second decisions using communication and/or law enforcement tools. The experience facilitates an open dialogue between officers and our youth about the realities and perceptions of law enforcement today.



Vacation House Check

Volunteers in Police Services seized an opportunity to provide extra patrol in neighborhoods through a newly created Vacation House Check program. The idea stemmed from a staff member who wanted to find a low cost way to be more visible in neighborhoods in an effort to provide reassurance to the community while deterring crime. The free Vacation House Check service is available to Modesto residents who are away from their home up to 30 days. Trained volunteers periodically check registered homes looking for anything out of the ordinary. If something seems suspicious, volunteers work with police officers to investigate the activity further.

Highlights

- Increased Neighborhood Watch Groups by 10%.
- Increased Crime Free Multi-Housing properties by 1% along with the number of properties inspected.
- 32 Police Officeres hired
- Hosted community events such as Coffee with Cops and Town Hall Meetings.
- Explorer Post 219, made up of young men and women ages 16-21, took home several first place trophies in the 2017 Central Valley Explorer Competition.
- Modesto Volunteers in Police Services, made up of 36 members, donated over 10,000 hours of service to the community.

Activity (July 2016-June 2017)

Calls for Service	186,201
Arrests	11,760
Courtesy Notices	2,309
Traffic Citations	15,428
Police Reports Taken	129,802



Ranked #1 in California and 5th nationwide for participation within cities of its size. 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.



Beyond the Walls

Beyond the Walls an after school program organized through Empire School District and Sylvan Unified School District. Participating children are identified by school staff as having parents who are incarcerated and are therefore in a transition period while parents deal with the legal system. The idea behind the program is to facilitate a positive interaction between youth and the police in an often confusing and resentful time following an arrest of a loved one. Police personnel slowly build a relationship through personal conversations about being police officers, sports, and school. Throughout the interactions, officers also work to repair the image that police officers are "bad guys" and educate students that every action has a consequence.

Great, Safe Neighborhoods



Modesto Fire Services

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

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

- Fire Chief Alan Ernst

Sound the Alarm. Save a Life.

Launching in 2014 nation-wide, the Home Fire Campaign has already accomplished so much.



In late 2016 MFD teamed up with the American Red Cross “Sound the Alarm: Save a Life” campaign to provide and install smoke alarms in one and two-family dwellings. This program is intended to target the “at risk” population in Modesto; the elderly and persons of a low socioeconomic status.

Since 2014, the Red Cross, in partnership with fire departments and other local groups, has visited homes installing free smoke alarms, replacing batteries in existing alarms and providing fire prevention and safety education to prevent needless tragedies. This partnership will continue through 2018 with the American Red Cross providing the smoke alarms and MFD installing them. Residents in need of new smoke alarms can contact the Fire Prevention Division at (209) 571-5553 to see if they qualify for this program.

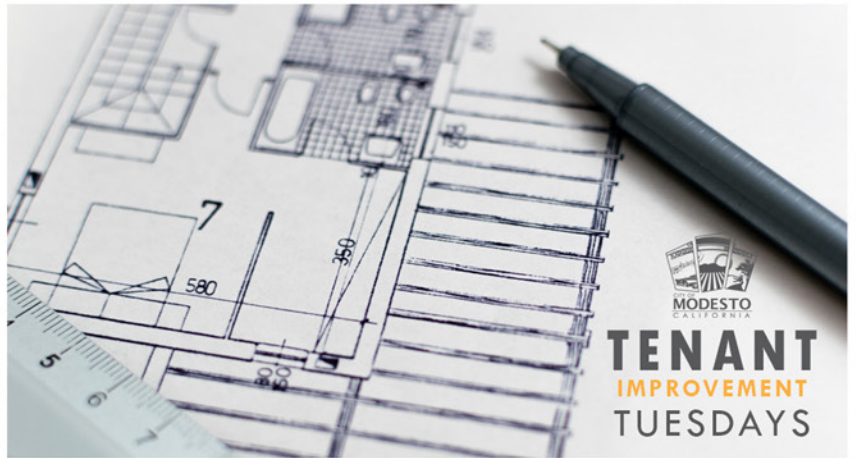
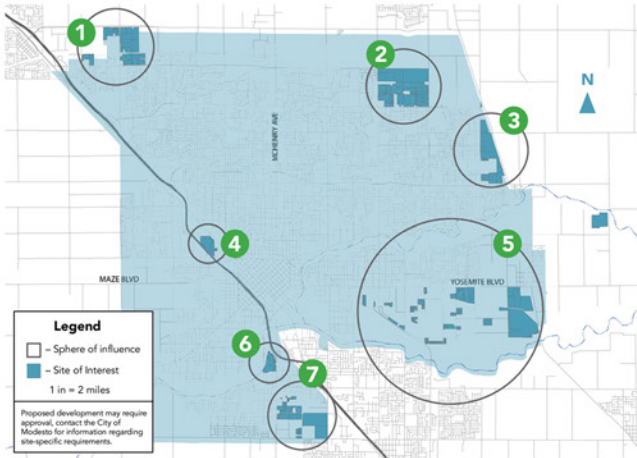
Activity (Jan 2017-Oct 2017)	
Fires	1,092
EMS	14,895
Vehicle Accident Rescue	1,152
HazMat	388
Other	5,742



Highlights

- Eight firefighter paramedics completed their probation at the end of 2016. An additional 16 firefighters were hired to fill current vacancies and grant funded positions to reinstate Engine 11 which returned to service in April after being eliminated during the economic downturn.
- MFD crews assisted numerous communities throughout the State during the wildfires of 2016. Modesto Fire crews responded to 12 different fires through the State Wide Mutual Aid System where they provided fire suppression and filled leadership positions.
- Public Education Program coincides each year with Fire Prevention Week in October – this educational characterization program featured 20 shows over a two-week period reaching 6,200 students.
- A partnership with Modesto City Schools and American Medical Response enabled MFD crews to train more than 2,000 junior high students in “hands-only” CPR.

Effective, Responsive & Transparent Government



Opportunity-Ready

Developers are now able to visit our website to view available land and level of infrastructure/entitlements. Once a site of interest is selected you can view the acres, target uses as well as key advantages. Our online map allows you to find your site of interest for a detailed list of possible infrastructure projects yet to be completed.

Tenant Improvement Tuesday's

In order to streamline the issuance of same-day permits, "Tenant Improvement Tuesday" (TI Tuesday) was designed to allow applicants to schedule appointments on any Tuesday to meet one-on-one with Building, Planning, and Fire Department staff to review plans and receive initial approval for proposed simple improvements.



Jennifer Peet
City of Modesto, Environmental Services

California Water Environment Association Northern San Joaquin Community Engagement & Outreach Person of the Year

Celebrating outstanding achievements within the wastewater field, as well as promoting awareness and understanding of water quality issues.

Online Utility Bill Activation

Citizens now have the option to go online to sign-up or transfer utility service. This secure service also allows residents to upload required documents with utility service activation to be completed within two business days. Our ePay site is also a convenient online option that allows residents to view billing, payment and water consumption history, and pay their bill, without stepping into the office.



Senior Citizen iPad Basics Workshop

The City of Modesto, in partnership with AT&T Services, presented an iPad Basics Workshop last summer for local seniors in Modesto. iPad training included a review over the many functions, buttons and terminology as well as demonstrations on navigating through the internet safely.



City View

City View is a strategic initiative designed to utilize data and evidence in driving decisions and to be more accountable to our citizens. Each month, all City executives convene to discuss performance measures as well as collaborate with one another ensuring the needs of our citizens are being met.

Parking Citations Online

The Parking Citation Division now offers a fast and convenient way for citizens to pay a parking citation online or file an appeal to contest a citation that was issued. You can also view details such as photos taken by the issuing officer when applicable.



Vibrant Infrastructure & Sustainable Environment

Highlights

- Construction of a 4 million gallon Industrial Tank expected to be complete in 2018.
- Partnered with other local agencies to form a regional Groundwater Sustainability Agent to collaboratively manage groundwater resources.

Utilities

Repair & Replaced

- 7 water wells and 5 sewer lift stations
- Nearly 800 water leaks
- Installed 250 sewer service lateral clean-outs
- Replaced over 5,000 linear feet of water mains
- Replaced 15,000 linear feet sewer mains

Transit

- Refurbished 6 Gillig Transit buses
- Installed new 3-position bike racks on buses
- Installed fare boxes that accept electronic fare media
- Installed 20 bus stop shelters

Traffic Engineering & Operations

- Installed Rectangular Rapid Flashing Beacons on Rumble Road, Leveland, and Bowen Avenue all within the Virginia Corridor.
- Converted six of 35 high voltage street light circuits (HVC) to normal voltage for a total of 146 street lights converted to normal voltage.

Solid Waste

- Sold 33,318 tons of compost and wood chips
- Processed 67,272 tons of yard, paper, and food waste
- Collected 2,234.32 tons of bulky items and 3.6 tons of materials at three hazardous waste collection events
- Collected 5,292 tires through amnesty and clean-up grants.
- Collected 2,487 piles of illegally dumped waste

Streets

- Applied slurry seal to 120,000 lane miles of streets.
- Filled 5,459 potholes
- Repaired 31,043.25 square feet of sidewalk and 3,554.5 linear feet of curb and gutter.



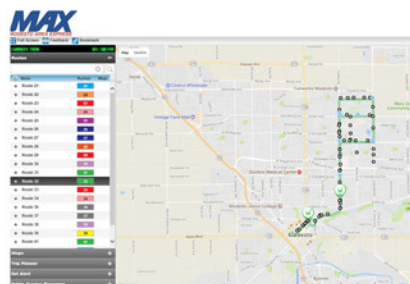
Park Partners Program

City has partnered with various neighborhood groups in the City to provide park improvements throughout Modesto through the City's Park Partner Program. Projects include: La Loma Native Gardens, Soccer Fields, Pickleball Courts, Fitness Equipment, Benches and Park Signs.



North Tank

6 million gallon North Tank is the City's largest water storage reservoir. The North Tank, and associated booster pump station, will bring water system reliability and redundancy to the North Modesto and Salida areas. This project began construction in July 2015 and was completed in April 2017.



Real Time Bus Tracker

Modesto Area Express (MAX) new Real Time Bus Tracker system shows our customers real-time bus locations for all our MAX bus routes. The system is designed to provide riders with up-to-the-minute real-time bus location and estimated arrival times.

The new system also offers easy access to rider alerts and features text and email notifications. The system uses Avail Technologies software and the Global Positioning System (GPS) tracking satellites combined with the Modesto Area Express (MAX) bus schedule information to provide accurate arrival information for all 850+ bus stops in the our fixed route bus system.

Healthy Economy & Great Quality of Life

Parks, Recreation & Neighborhoods

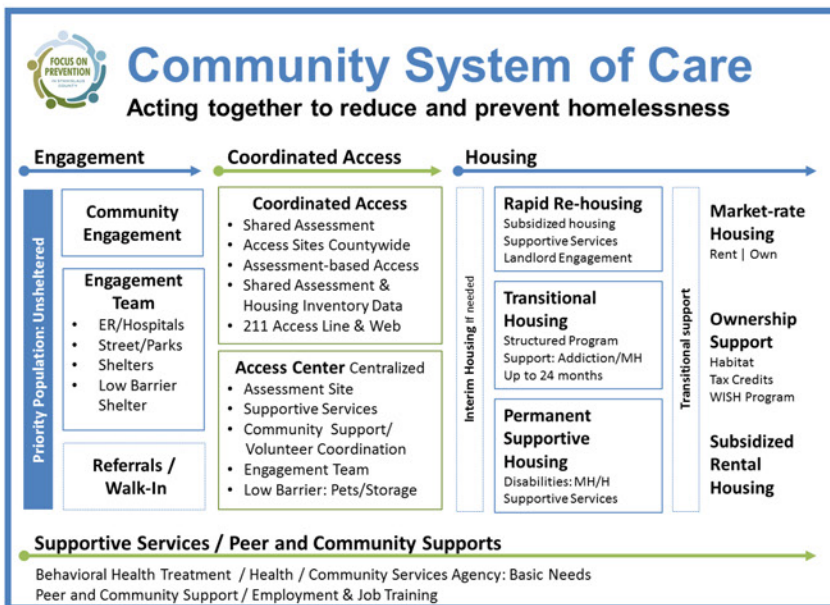
- Over 150,000 participants were served through Modesto's recreation and neighborhood programming.
- More than 26,000 participants were served through the Modesto Senior Citizen Center's health and wellness programming as well as over 5,000 others who enjoyed free services such as meals, tax-preparation and special events.
- Modesto Senior Citizens Center leveraged over \$21,000 in in-kind donations and services in the pursuit of Active Aging opportunities for Modesto's Seniors.



"I moved to Modesto in 2000 with the intent of being here three years before moving on to my next corporate gig. Our family fell in love with Modesto and 17 years later, this is still home."

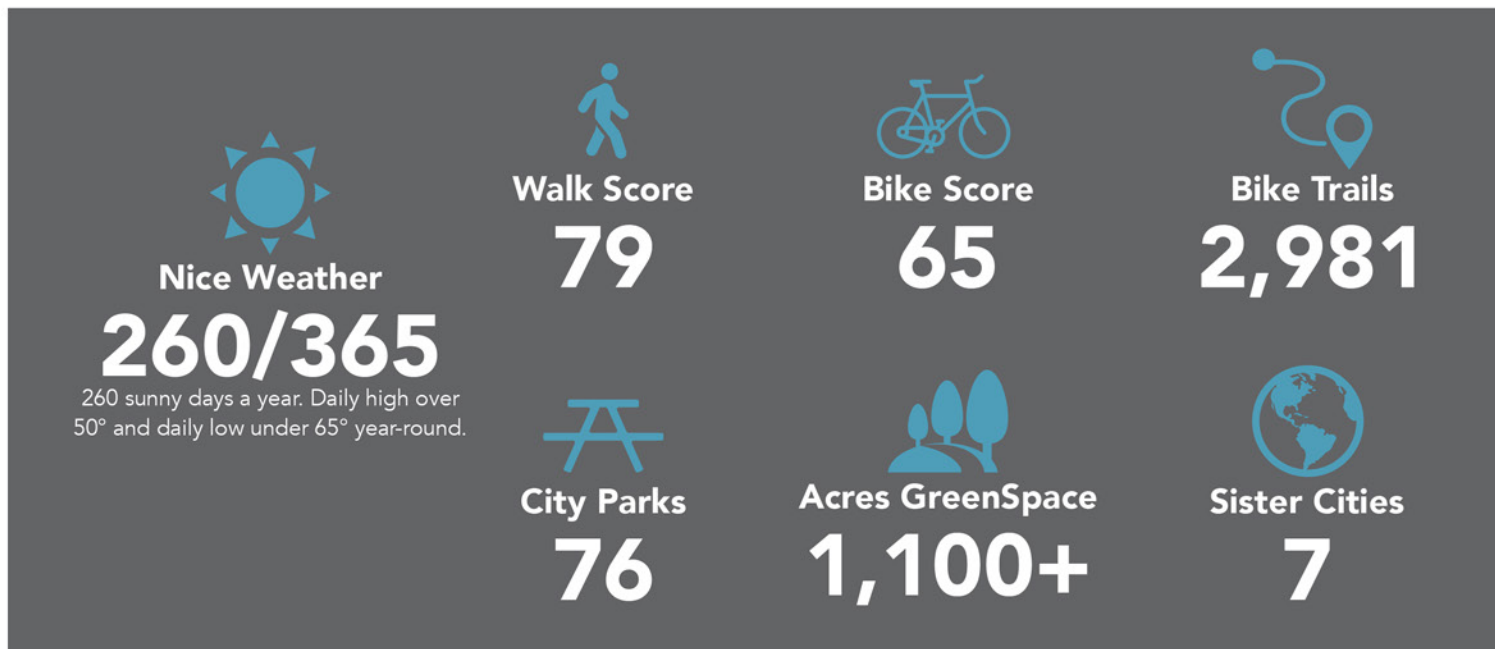
I love the warm, giving people, the climate, downtown Modesto with its many great restaurants and cultural options, plethora of fresh fruits, vegetables and flowers available year round and the farmers who sell them."

- Lynn Dickerson,
Chief Executive Officer,
Gallo Center for the Arts



Stanislaus Community System of Care Collaborative

In 2017, the Stanislaus County Housing and Support Services Collaborative/Continuum of Care and the Homelessness Action Council merged efforts. The Stanislaus Community System of Care (StanCSOC), led by a 25 member Council representing the City of Modesto and all major sectors of our community, will now lead homelessness efforts. Instead of isolated interventions of the past, our community's multiple homelessness services agencies and community partners have come together, aligning their efforts and acting together to achieve the shared results of preventing and reducing homelessness. This aligned effort will greatly improve our community's capacity to secure and leverage new resources, and strengthen our capacity to effectively and efficiently achieve results. All sectors have a role and are contributing to the desired results acknowledging that service providers and partners can accomplish much more working together rather than separately. The importance – and potential – of alignment, shared results, and learning has become crystal clear.



Civic Engagement Opportunities Boards, Commissions & Committees

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

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

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

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

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

Appointments Committee

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

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

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

Apply

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

Phone: 209-571-5169

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



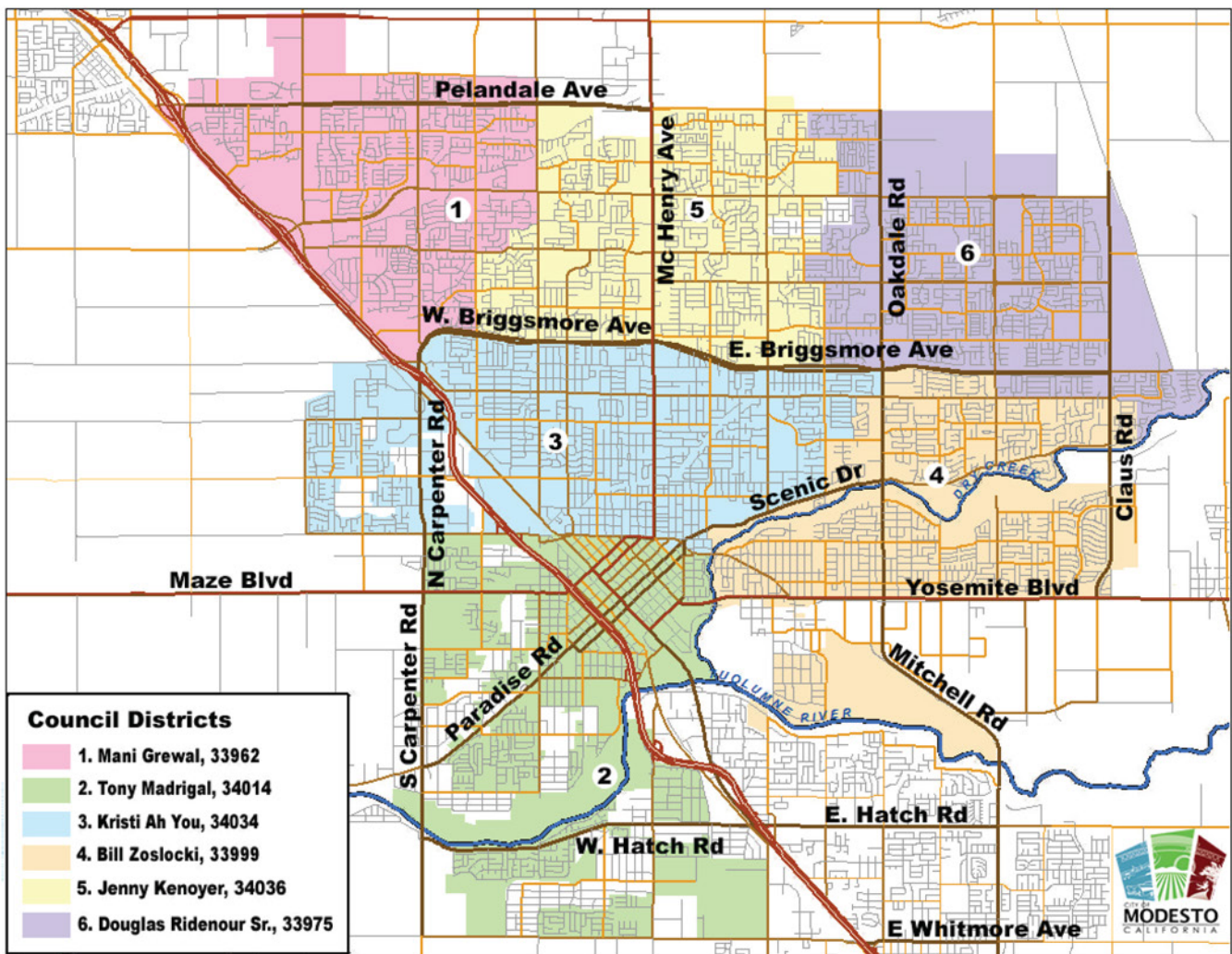
Modesto City Council



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.





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, 2017. 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 DeAnna Christensen - Director of Finance at dachristensen@modestogov.com 1010 10th Street, Modesto, CA 95354 | P.O. Box 642, Modesto, CA 95353 | 209-577-5200