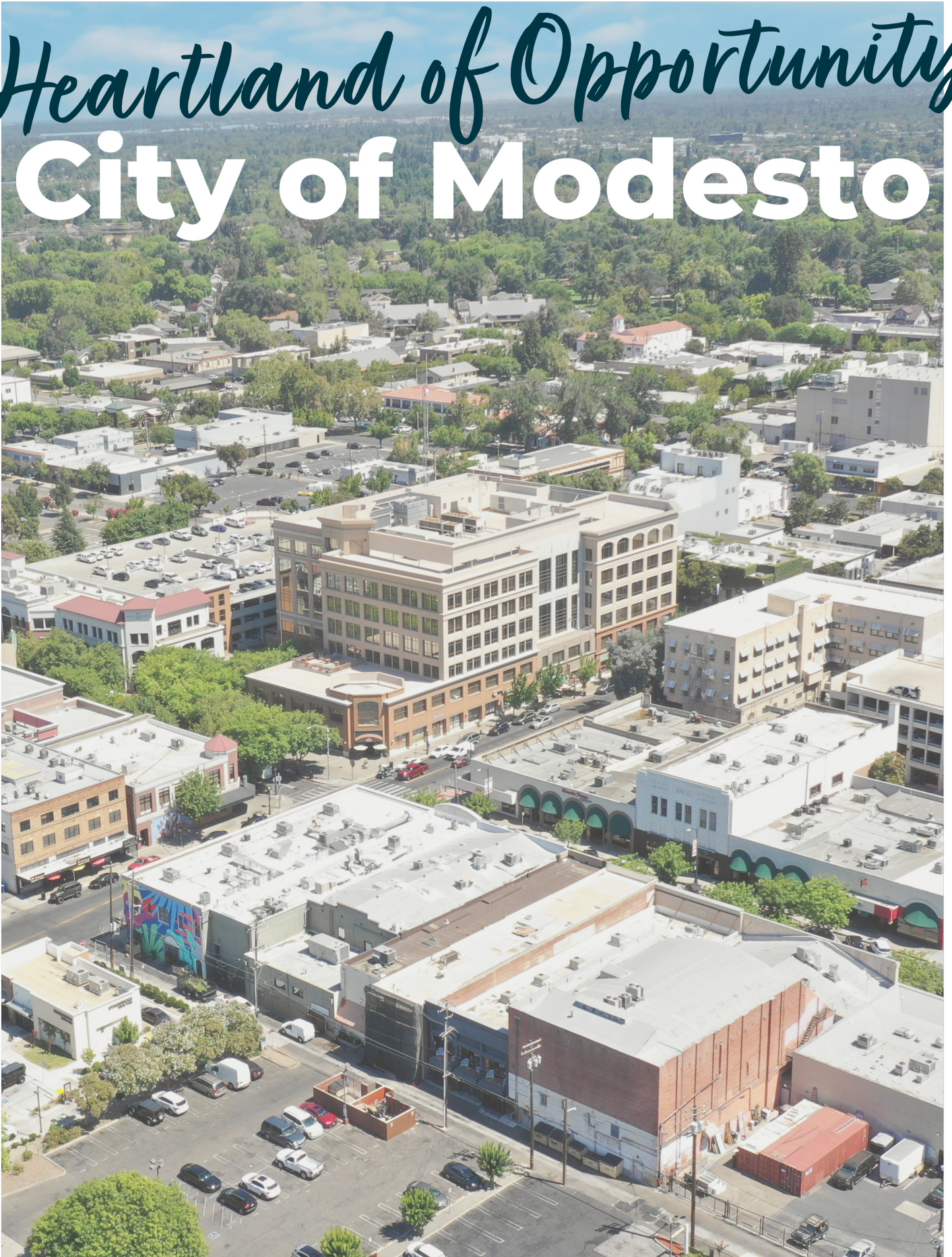


Heartland of Opportunity City of Modesto



2023-2024
POPULAR ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2024






Modesto doesn't just sit in the heart of California. We've got heart!

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ABOUT MODESTO

Located in the *heart of California's* San Joaquin Valley and is the County Seat of Stanislaus County. It is also the retail, service, and financial center of Stanislaus County and the Northern San Joaquin Valley.

The City currently occupies a land area of 37.8 square miles and serves a population of 218,989. The City has a diverse economy and population with a strong sense of *community pride*. Incorporated as a municipal city in 1884, the City adopted its City Charter on March 12, 1951, with a Council-Manager form of government.

The City is a full-service city including police and fire; public works; water and sewer; community and economic develop-

ment; parks and recreation; and cultural and convention visitor services.

The City's financial reporting entity includes all funds and activities of the City as the primary government and its component units, which are legally separate entities that operate under the guidance of the City and provides services to the residents of Modesto.

The annual operating budget serves as the *foundation* for the City's financial planning and control. The proposed budget is adopted annually prior to July 1 by Council ordinance.

Learn more at modestogov.com.



Efficient use of taxpayer dollars fosters trust and confidence that every dollar spent serves the public good.

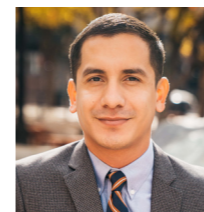
Modesto City Council



Sue Zwahlen
Mayor
mayor@modestogov.com



Rosa Escutia-Braaton
District 1
rescutiabraaton@modestogov.com



Eric E. Alvarez
Vice Mayor, District 2
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Chris Ricci
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Nick Bavaro
District 4
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Jeremiah Williams
District 5
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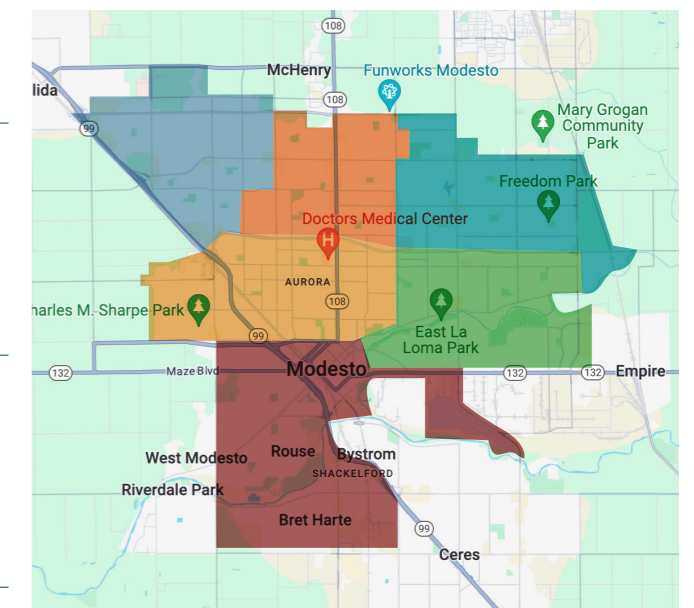


David Wright
District 6
dawright@modestogov.com

The Modesto City Council (Council) is the City's legislative body and is made up of seven elected officials serving overlapping four-year terms. The Mayor is elected at-large by the entire City, while the six Councilmembers are elected by district and are limited to two terms.

The Council *sets policy and tax rates*, approves budgets, and passes ordinances and resolutions, which govern the City. The Council also appoints citizens to advisory boards, committees, and commissions, and appoints the City Manager, City Attorney, City Clerk, and City Auditor. The City Manager is responsible for carrying out Council policy and managing the day-to-day affairs of the City.

Modesto City Districts

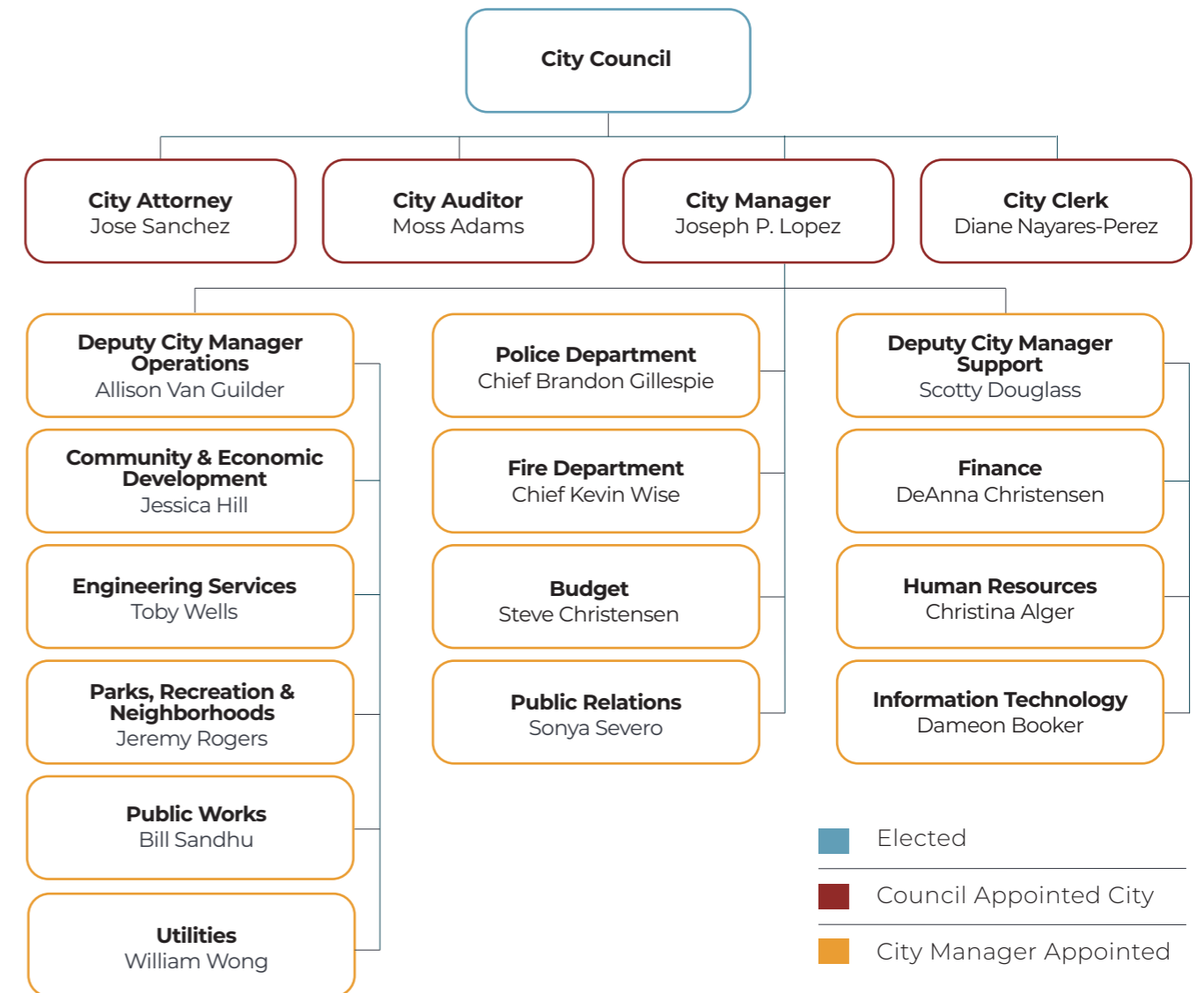


- District 1
- District 4
- District 2
- District 5
- District 3
- District 6



CITY LEADERSHIP

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



CITY MANAGER'S MESSAGE

It is my *honor and pleasure* to submit to the residents of Modesto the Popular Annual Financial Report (PAFR) for the Fiscal year 2023-2024.

I am excited to share a *promising* outlook for our beloved city, fueled by the transformative effects of the voter approved Measure H Sales Tax. By being fiscally responsible, we can make significant strides in enhancing the quality of life for all of Modesto Residents.

At June 30, 2024, the unassigned fund balance for the General Fund increased by \$24.6 million as compared to the prior fiscal year mainly due to the increase in revenues from adoption of Measure H for the 1% voter-approved increase in sales tax.

Measure H enables us to invest in critical infrastructure projects that will modernize our city and make it more resilient for generations to come. From sidewalk repairs to park improvements, these initiatives will enhance connectivity among our community.

Public safety can be improved by providing our Police and Fire Departments resources they need to keep our neighborhoods safe. By bolstering our emergency response capabilities and investing in policing efforts, we can foster a sense of security and well-being among our residents.

Collaboration is vital, and by working with residents, community groups, non-profits, and Modesto businesses, we can leverage our *collective strengths* and resources to address pressing challenges from homelessness to economic development.



Sincerely,

JOSEPH P. LOPEZ
MODESTO CITY MANAGER

Strategic Priorities

In the City's 2020-2025 Strategic Plan the City Councilmembers reaffirm three strategic priorities. The City leadership focus on these priorities and they are the basis of our scorecard that *measures success* and upon which our performance metrics are built.

ECONOMIC VITALITY

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

QUALITY OF LIFE

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

GOVERNANCE & SERVICE DELIVERY

Build community trust in City government through responsive, transparent, and efficient service delivery.



LOCAL ECONOMY

Modesto has a *thriving economy* that supports a prosperous community.

A *major center* for local commerce, the City attracts thousands for work, shopping, and entertainment. Major employment sectors include bio-industrial, manufacturing, healthcare, education, and retail.

Modesto and its surrounding communities contain canneries, packing plants, and warehouses which ship agricultural products across the *nation and the world*. An active farm-to-table movement

has been spearheaded by the area's large production of nuts, dairy, poultry, and other *locally grown* products.

Modesto plays a pivotal role in a growing, vibrant economy that tops \$1 trillion within a 100-mile radius. More growth lies ahead thanks in part to the region's abundant biomass and leading role in emerging multi-trillion-dollar circular economy initiatives.

218,989

Total Population for the City of Modesto

\$73,375

Median Resident Income

\$469,124

Average Home Value

\$1,548

Average Rental Price

4,809

Building Permits Issued

34.9

Median Resident Age

7.1%

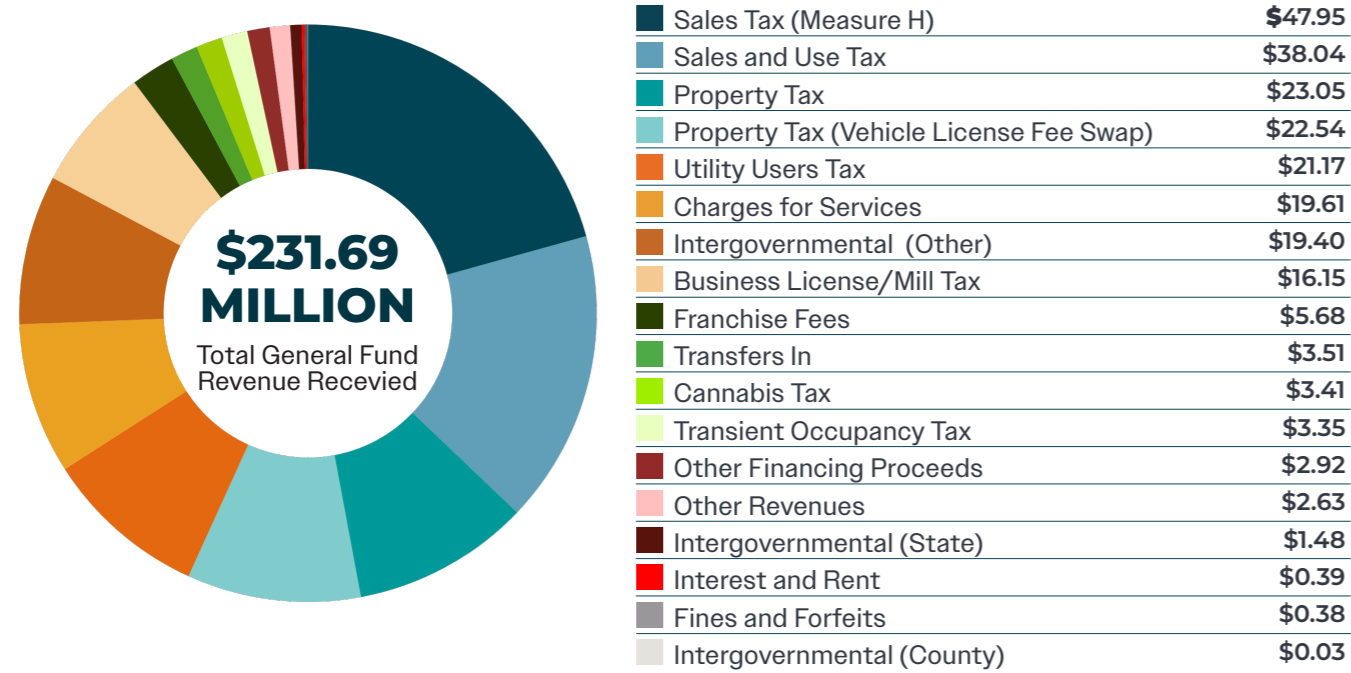
City Unemployment Rate



General Fund Revenues FY 2023-24

Where the Money *Comes From*

Actual General Fund Revenues Received

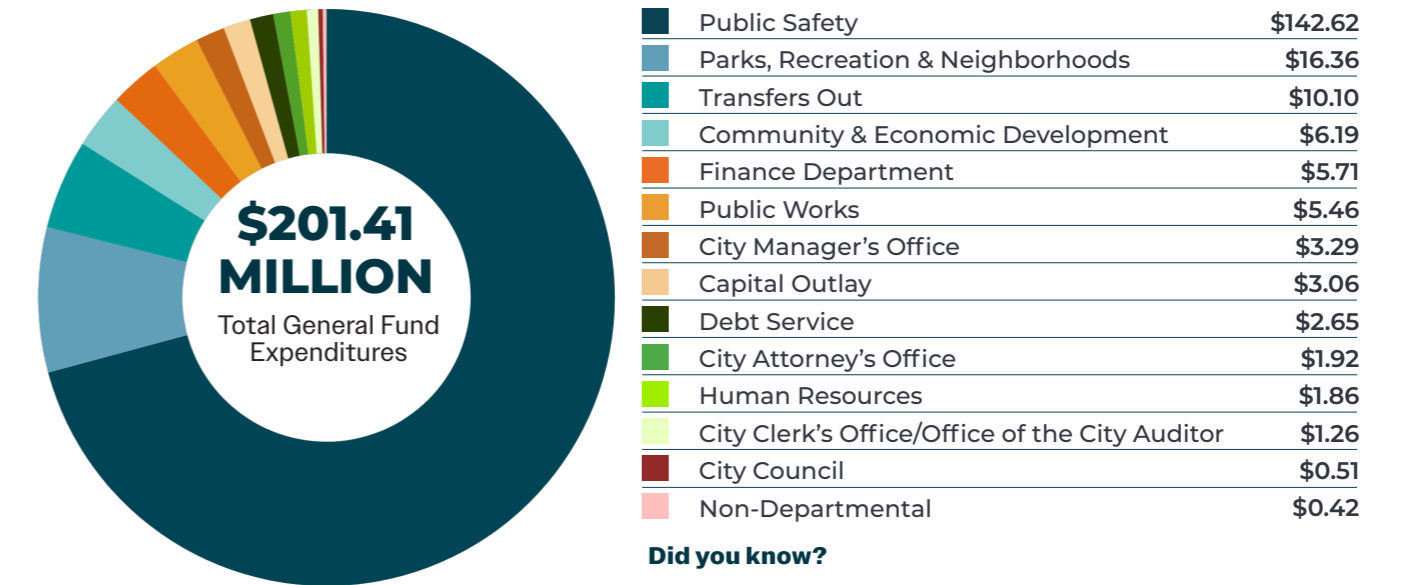


General Fund Expenditures FY 2023-24

Where the Money *Goes*

In FY 2023-24 the General Fund had total expenditures from *all Departments* of \$201.41 million. Revenues came in at \$231.69 million. These amounts include Transfers In and Out and the first full year of Measure H revenue which is rolled up into the General Fund for ACFR reporting purposes.

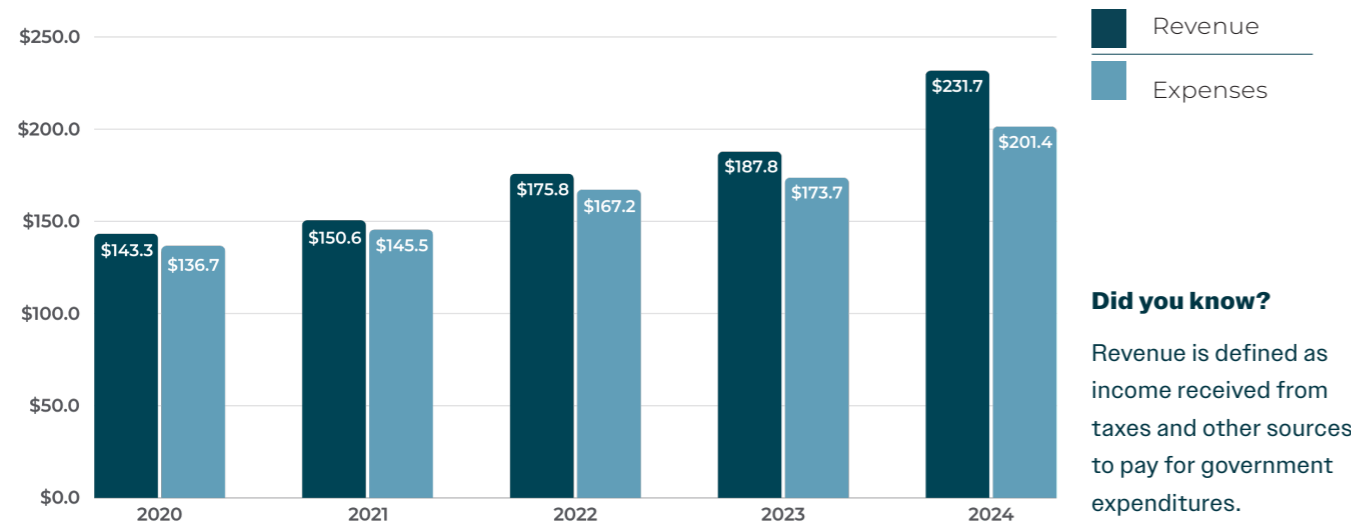
Actual General Fund Expenditures by Department



Did you know?

Expenses is defined as the purchase of goods and payment of services that enable a government to achieve its goals.

General Fund Revenue vs. Expenditure Five Year History



Did you know?

Revenue is defined as income received from taxes and other sources to pay for government expenditures.

Note: All \$ in millions

The figures represented in these charts agree, in totality, to figures shown in revenues in the City of Modesto's ACFR (Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds) for the General Fund in FY 2023-24.



FINANCIAL HIGHLIGHTS

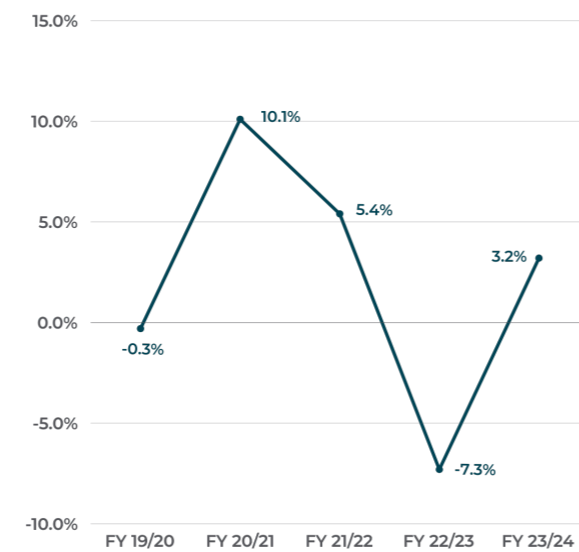
City of Modesto's *Net Position*

	GOVERNMENTAL ACTIVITIES		BUSINESS TYPE ACTIVITIES		TOTAL	
	2024	2023 (Restated)	2024	2023 (Restated)	2024	2023 (Restated)
Current & Other Assets	\$420,559	\$382,040	\$344,726	\$353,838	\$765,285	\$735,878
Capital Assets	\$359,164	\$363,586	\$879,750	\$846,935	\$1,238,914	\$1,210,521
Total Assets	\$779,723	\$745,626	\$1,224,476	\$1,200,773	\$2,004,199	\$1,946,399
Deferred Outflows of Resources	\$97,922	\$105,199	\$28,111	\$33,261	\$126,033	\$138,460
Current & Other Liabilities	\$42,236	\$32,103	\$38,859	\$38,203	\$81,095	\$70,306
Long-Term Liabilities	\$466,462	\$452,200	\$325,913	\$340,458	\$792,375	\$792,658
Total Liabilities	\$508,698	\$484,303	\$364,772	\$378,661	\$873,470	\$862,964
Deferred Inflows of Resources	\$15,368	\$16,520	\$13,931	\$16,171	29,300	\$32,691
Net Investment in Capital Assets	\$347,825	\$329,254	\$628,224	\$578,795	\$976,049	\$908,049
Restricted Net Position	\$83,916	\$208,584	\$15,883	\$16,789	\$99,800	\$225,373
Unrestricted Net Position	-\$78,162	-\$187,835	\$229,776	\$243,617	\$151,613	\$55,782
Total Net Position	\$353,579	\$350,003	\$873,883	\$839,201	1,227,462	\$1,189,204

Change in Net Position

	BUSINESS TYPE ACTIVITIES	
	2024	2023 (Restated)
REVENUES		
Charges for Services	\$185,031	\$175,288
Operating Grants & Contributions	\$844	\$1,263
Capital Grants & Contributions	\$8,018	\$3,310
Other	\$18,469	\$4,562
Total Revenues	\$212,362	\$184,423
EXPENSES		
Water	\$89,689	\$77,533
Sewer	\$54,056	\$48,558
Parking	\$2,565	\$2,026
Storm Drain	\$7,165	\$6,767
Compost	\$14,630	\$11,902
Airport	\$1,756	\$2,130
Golf	\$3,434	\$3,238
Community Center	\$2,026	\$1,899
Abatement and Public Nuisance	\$381	\$137
Total Expenses	\$175,705	\$154,193
Increase in Net Position Before Transfers	\$36,657	\$30,229
Transfers	-\$1,975	-\$66
Change in Net Position	\$34,681	\$30,163
Net Position (Start of the Year)	\$839,201	\$809,038
Net Position (End of the Year)	\$873,883	\$839,201

% Change in Total Net Position



Net position, over time, may serve as a *useful indicator* of a government's financial position. The key consideration in analyzing net position is the direction and speed at which it is either increasing or decreasing, not the amount itself. In FY 2023-24, the City's overall net position increased by 3.2% from the prior year. This is attributed to higher assets held by the City than liabilities.

Note: All \$ in thousands.
All data as of June 30, 2024.

Allocation of your *Tax* Dollars

- ➔ The *assets* of the City exceeded liabilities at the close of the 2024 fiscal year by \$1,227,462,750 (total net position). Of this amount, \$99,800,050 is restricted for a specific purpose (restricted net position), \$976,049,641 is invested in capital assets, net of related debt and \$151,613,059 is unrestricted (unrestricted net position).
- ➔ The largest portion of the City's net position, \$976,049,641 (79.5% percent), reflects its investment in capital assets (e.g. land, water rights, buildings, improvements, furnishings and equipment, pipelines, leases – right to use, SBITAs – right to use and infrastructure), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to *provide services to citizens*; consequently, these assets are not available for future spending. Although the City's net investment in its capital assets is reported net of debt and related deferred outflows and inflows, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- ➔ The City's total net position increased by \$38,258,494 during the current fiscal year compared to the prior year. This increase is attributed mainly to an increase in inter-governmental revenue not restricted for specific purposes in the amount of \$34,014,511 resulting from the increase in sales tax increase under Measure H, which increased sales tax rate by 1% with fiscal year 2024 being the *first full fiscal year* reporting this revenue.
- ➔ As of June 30, 2024, the City's governmental funds reported combined fund balances of \$255,127,303 an increase of \$31,903,734 in comparison with the prior year's restated fund balances due mainly to revenues generated higher than expenditures incurred during the fiscal year.
- ➔ As of June 30, 2024, 57.9% of the General fund balance, \$48,060,252 is available to meet the City's *current and future needs* (General Fund unassigned fund balance).
- ➔ At the end of the fiscal year, the General Fund balance was \$83,058,620 or 43.4% of total General Fund expenditures. Of this, \$10,088,574 is the restricted fund balances. The unassigned fund balance of \$48,060,252 represents 23.9% of total General Fund outflows. The City Council has adopted a *goal* of maintaining a General Fund reserve at a minimum level of no less than the average of two months of regular General Fund operating expenditures. Please note that the balances described include the Measure H Fund balances as well. For reporting purposes, in the Annual Financial Comprehensive Report (ACFR) the Measure H Fund rolls up into the General Fund.
- ➔ The City's total long-term liabilities showed a net decrease of \$282,743 in comparison with the prior year. This decrease was attributed to a *reduction in debt* from the principal payments made during the fiscal year.

The City *receives* 23 cents of every tax dollar from Generated Sales Tax.



Note: Does not apply to Measure H Sales Tax

Measure H

One-Cent *sales tax* for General City Services. On November 8, 2022, the Modesto voters approved Measure H, a one-cent local sales tax for general city services. On November 29, 2022, by Resolution No. 2022-453 the Modesto City Council certified the election results.

With the passage of Measure H, the City began collecting sales tax revenue in April of 2023. While the sales tax revenue generated by Measure H can be used for any general city purpose, the ordinance language did identify examples of expenditures that allow the City to *proactively* develop a plan to improve City services and the quality of life in Modesto. The expenditures include funding to address:

- Police patrols, gang, drug, and crime prevention.
- Fire protection, paramedic, and 911 emergency response.
- Homelessness
- Cleaning up trash and illegal dumping.

- Keeping streets, parks, sidewalks, landscapes, and infrastructure *safe, clean, and well-maintained.*

As part of the ordinance language that was passed with Measure H, a Citizen Oversight Board was created to audit the revenues and expenditures of the new sales tax to ensure that funds are being spent appropriately by the City and for the purposes approved by Council.

Measure H Sales Tax is estimated to bring in an additional amount estimated at over \$48 million annually. This funding will be critical in the City's ability to provide improved and sustainable services to the citizens of Modesto.



\$48
Million Annually

Did you Know?

On the City of Modesto Website, there is a Paid for by Measure H *project map* that shows the location of completed projects that were funded by Measure H.

View the map at: modestogov.com.



Additional *impacts* from Measure H funding.

- Additional positions for the Fire Department and Police Department to enhance public safety.
- Playground replacement at eight City of Modesto Parks.
- Park security and lighting upgrades at four parks.
- Downtown video camera improvements.
- Contractor services and additional positions for Forestry operations.
- Contractor services to address curbs, gutter, and sidewalk improvements.



QUALITY OF LIFE

Engaging *partners* across the community.

Modesto features vibrant arts, entertainment, sports, and *cultural expression*. The City provides prime access to major highways and a municipal airport — as well as proximity to abundant lifestyle attractions.

Live entertainment is a prominent feature in the Civic Plaza and nearby clubs, and a busy calendar of entertaining and educational events can be experienced just across the street at the Modesto Centre Plaza.

Arts live year-round with monthly Art Walks, and seasonal activities including events such as the Spirit of Giving Run, Graffiti Cruise, various parades, the Modesto on Ice downtown skating rink, Mod Shop Arts and Crafts Walk, and Porchfest community music stroll bring *joy to residents* and visitors.

Modesto truly offers something great for everyone.

Annually, the City of Modesto partners with *community partners* to support some of its treasured events like the Celebration of Lights Parade, Historic Graffiti Cruise Route Parade, Fourth of July Parade, Music in the Plaza, Veteran’s Day Parade, and MoBand summer concert series at Mancini Bowl.

Visit Modesto’s Almond Blossom Cruise has attracted attention from tourism blogs and magazines as far away as Great Britain and Japan. It is nice to see visitors return each year to Modesto to enjoy all the wonderful places and events we have to offer.

The City of Modesto provides services that ensure the safety, resilience, and attractiveness of Modesto.



Public Works, Forestry Division

Forestry resolved 3,069 broken tree limb issues and completed 13,153 tree pruning activities.



Public Works, Solid Waste Division

Recycled 3,597 waste tires and 1,080 mattresses. The Blight Abatement team collected over 266,866 pounds of illegal dumping.



Parks, Recreation, & Neighborhoods

Recreation had over 4,700 participants in their registered programs. This includes camps, adaptive bowling, Archery, Dance, Tennis, Crime Scene Investigation (CSI) Camp, driver’s education, swim lessons and soccer.



City of Modesto Fire Department

The Training Division held a joint Modesto Stanislaus Turlock (MST) Engineer Academy that served as a professional development opportunity to individuals interested in Engineer promotional opportunities.



The City of Modesto Police Department

The City of Modesto Code Enforcement Unit moved from Community & Economic Development (CED) to the MPD Area Command Division, enhancing coordination in addressing community needs across various units.

QUALITY OF LIFE

Aquatics Program

There were 2,738 *participants* for swim lessons, adult water exercise, and certification courses at five different pool locations in Modesto.

Modesto Junior Giants

Over 730 players participated in the baseball and new softball programs that are completely *free* and focuses on teaching children the importance confidence, integrity, leadership, and teamwork.

Neece Drive Non-motorized Boat Launch

In 2024, there was a grand opening for the non-motorized boat launch that offers the community access to the Tuolumne River with associated access road, parking lot, security lighting, and concrete pathways.

Modesto On Ice

More than 1,000 school-aged children skated thanks to discounted rates, early openings, and private ice lessons. This year they continued the Learn to Play Hockey program, hosted over 200 special events, and provided special sessions for many local non-profit organizations.

Community and Economic Development (CED)

In 2024, Archway Commons opened and offers 74 *affordable housing* units for low and very low-income families. This project leveraged state, federal, tax credit, and private funds.

CED Camp2Home

Camp2Home program has assisted 381 individuals with job and housing readiness services. Camp2Home has also assisted 11 individuals in obtaining employment and has housed a total of 38 individuals.

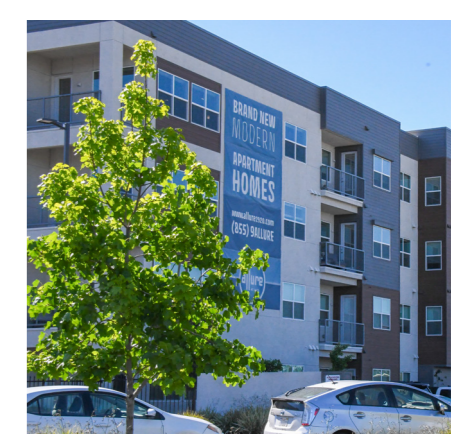
CED Planning Division

Planning drafted an ordinance update to establish Mixed-Use Pedestrian and Mixed-Use Highway zones to provide additional *opportunities* for new development of residential and commercial properties to address the City of Modesto's housing needs.

CED Homeowner Rehabilitation Program

A total of \$480,820 was distributed in loans and grants through the City's Homeowner Rehabilitation Program. A total of 13 eligible households were served through this program. The City assisted eligible households with health and safety repairs including, but not limited to installation of energy efficient windows, energy efficient HVAC systems, re-roof, American with Disabilities (ADA) bathroom improvements, and ADA ramps.

The City of Modesto is a place where *people can live, work, and enjoy their lives* to the fullest. The City embraces diversity and ensure that all residents have equal access to opportunities and services improve their quality of life.



ECONOMIC VITALITY

Fostering city assets and *future development* growth.

The Community and Economic Development Department initiated a project to create a first ever planning document to provide a roadmap for future development of Southwest Modesto.

The Southwest Modesto Plan will serve as a *blueprint for future* development, with guidance on land use, economic development, transportation, infrastructure, and other issues for the plan area. Three community workshops were conducted in fis-

cal year 2023-2024 to gain valuable input from community members.

The Water Division within the Utilities department completed 57,545 customer service requests, replaced 631 water services due to leaks, repaired 157 water main breaks and replaced 4,250-linear feet of pipe and completed water meter installation project in December of 2023.



Compost Division

Processed over 49,000 tons of residential and commercial organics into compost.



Public Works, Solid Waste Division

Recycled 658.5 gallons of used oil and 47 used oils filters (July 2023 through May 2024).



Streets Division

Completed 35.9 lane miles of crack seal application and 193.76 lane miles of slurry seal application.



CED Development Projects

As of June 2024, active development projects in planning and building phases include 2,568 single family dwelling units, 1,086 multifamily units, 142 new business class hotel rooms, 577,000 square feet of new industrial space, 538,000 square feet of new office space, 190,000 square feet of new retail space, and 114 acres of recreational and open space use.



Economic Development Retention and Expansion

Developed and released a *bilingual* online business sentiment survey and worked with a Modesto-based dog toy manufacturer to expand manufacturing.



Traffic Operations Division

Replaced 1,842 traffic signs and completed 241,583 square feet of striping for legends and crosswalks. They installed two rectangular rapid flashing beacons (RRFB) at school crosswalks for safer crossings and 51 vehicle detection cameras at 15 intersections within the City of Modesto.



GOVERNANCE & SERVICE DELIVERY

Enhancing *public services* for all.

In August of 2023, the Modesto Police Department (MPD) introduced the Area Command Division, a *strategic initiative* aimed at fostering comprehensive and thoughtful problem-solving approaches with enduring positive outcomes.

This division leverages timely and accurate information to swiftly deploy resources, employing effective tactics and follow-up to ensure favorable results. Under the umbrella of the Area Command Division, a diverse range of units col-

laboratively address *quality of life* challenges, enabling the seamless provision of assistance and enforcement as required.

The City of Modesto was awarded an Organized Retail Theft grant from the Board of State and Community Corrections (BSCC) worth \$6,003,419. The grant will fund Modesto's Retail and Motor Vehicle Theft Program, focusing on *community* outreach, collaboration with retailers, equipment, and directed enforcement to combat current and emerging trends.



Utility Billing Assistance

Assisted over 900 utility customers in participating in State Low Income Household Water Assistance Program which assists utility customers with one-time payments on past due utility bills for an overall total of \$1.2 million.



Public Works, Forestry Division

Responded to 10,180 forestry service requests and 1,765 GoModesto! app service requests.



MPD Recruitment Efforts

MPD experienced *significant growth* in 2023. We welcomed 44 new dedicated individuals to our team, including Police Officers, Support Specialists, Community Service Officers, Police Cadets, Park Rangers, Animal Control Officers, Property and Evidence Technicians, Civilian Investigators, and Police Recruits.



MPD Cultural Relations

MPD is continuing to enroll staff in *Cultural Relations* Community Coaching Series classes. Understanding the cultural dynamics in our community is crucial for law enforcement.



MPD Civilian Investigators

Civilian Investigators have proven to be an asset in assisting with investigations and supporting our officers and detectives. Their expertise enhances our investigative capabilities, allowing us to serve our community more effectively.



Awards & Acknowledgments

A *spotlight* on service.

The City of Modesto is receiving accolades for its commitment and connection to residents.

The City of Modesto was the recipient of two *prestigious* Helen Putnam Awards for Excellence by the League of California Cities. The first award was for the City's exceptional efforts in Housing Programs and Innovations for its partnership with Center for Human Services for the Youth Navigation Center.

The second Helen Putnam Award was in Public Safety for its Community Health and Assistance Team (CHAT) program. In 2023, the CHAT team received 4,917 calls, resulting in 3,519 individuals accepting services, 1,214 of those accepted shelter, and 30 individuals accepted housing.

The strong link between community and law enforcement is felt annually on the first Tuesday evening in August. Modesto is ranked first in California and fifth in the nation for *National Night Out* participa-

tion in cities of similar size. This block party endeavor, organized by the Modesto Police Department, showcases community engagement and support for those protecting our neighborhoods.

The Popular Annual Financial Report would not be completed without highlighting the City of Modesto's recognition of the *Triple Crown Award* received for excellence in financial reporting of effective management in public funds for Modesto from the Government Finance Officers Association. The Triple Crown Award is recognized for receiving the three awards annually:

- Distinguishing Budget Presentation Award
- Popular Annual Financial Report Award
- Certificate of Achievement for Excellence in Financial Reporting (COA) Program



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, 2024. It is suitable for readers who prefer to review operational and financial information in summary form and does not substitute for the City's Annual Comprehensive Financial Report (ACFR). This publication is derived from information provided in the ACFR, which is based on generally accepted accounting principles (GAAP). This report is presented in GAAP format and is not inclusive of all funds. The City's financial statements have been audited by Vasquez + Company, LLP, an independent firm of certified public accountants. The auditor's 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 ACFR are published on the City's website at www.modestogov.com/250/Budgets-Financial-Reports. For more information, please contact DeAnna Christensen, Director of Finance at dachristensen@modestogov.com.

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