

# IN PARTNERSHIP WE THRIVE

Collaborative Success in our City



Popular Annual Financial Report  
Fiscal Year Ended June 30, 2023

**2022-23**

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## ABOUT MODESTO

A city of great neighbors, Modesto is 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. The City currently occupies a land area of **37.8 square miles and serves a population of 216,995.** The City has a diverse economy and population with a strong sense of community pride.

The City is a “full-service” city including police and fire; public works; water and sewer; community and economic development; parks and recreation; and cultural and convention visitor services.

Learn more at [modestogov.com](http://modestogov.com).

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## 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 2022-23. The City of Modesto's overall financial position is strong due to proper management, restraint, and good governance that ties our commitments to our ability to deliver public services. The General Fund, though responsible for so many services, is adequately supported to meet these needs. The Water and Sewer Funds continues to perform well and recently received an upgraded rating to AA for our Sewer Bonds. The Measure L fund accounts for the one-half of one-percent sales tax passed by the County voters in November 2016. The funds can be used for specific transportation categories which include: Local Streets and Roads, Traffic Management, and Bike and Pedestrian. Since inception, Measure L has provided funding for over 71 projects and in fiscal year 22-23 the City received \$12.8 Million in revenue. All other City funds are similarly well managed and capable of delivering their associated services.

This past year marked a turning point in the history of Modesto with the passage of Measure H and its creation of a 1% local sales tax. Through this action, the residents of Modesto expressed renewed confidence in their local government while affirming their expectation for solid financial stewardship and accountability. With this new revenue sources, the City has been able to provide enhanced services to improve the community's quality of life, public safety, and desirability. Trees are being trimmed,

sidewalks are being repaired, and blight is being removed. Park equipment is being repaired or replaced, municipal staffing is being stabilized, and the City is reaching its goal of providing exceptional public services.

With this new revenue also comes a heightened need for accountability. Reports like this Popular Annual Financial Report are just one of many means through which the City communicates its accomplishments and demonstrates its commitment to transparency and fiscal prudence. Other tools like the Measure H dashboard, City website, and media communications all serve to inform and educate the public.

Through its approval of Measure H, the community entrusted the City with its financial resources. This trust cannot be lost, cannot be taken for granted, and it cannot be undervalued. Rather, this trust must be met with action and demonstrable results. The expectations are clear and the City is poised to make the most of this opportunity through its adopted spending plan. This spirit of optimism will only drive us to do more, to do better, and to continue to meet our obligations to this community.

Sincerely,



A handwritten signature in blue ink that reads "Joseph P. Lopez". The signature is fluid and cursive, written over a white background.

**Joseph P. Lopez**  
Modesto City Manager




LOCAL ECONOMY

# By the Numbers


A **MAJOR CENTER** for local commerce, the City attracts thousands to its environs for work, shopping, and entertainment. Major employment sectors include **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**.


6.5%

 City unemployment rate


\$424,220

 Average home value

\$1,510

 Average rental price

4,790


 Building permits issued




216,995

 Total Modesto population

35.8

 Median resident age

\$62,067

 Median resident income



Note: All data as of June 30, 2023

**GENERAL FUND REVENUES FY 2022-23**

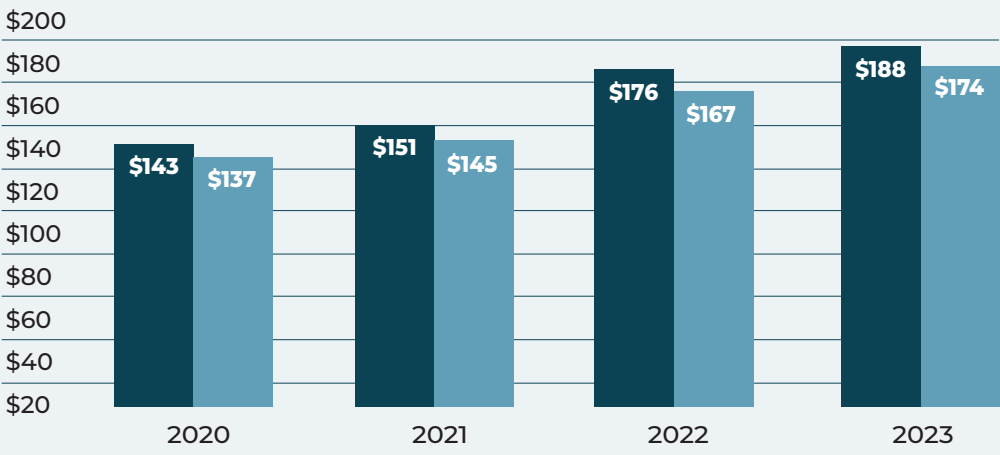
# Where the Money Comes From

## Actual General Fund Revenues Received



Sales and Use Tax	<b>\$39.61</b>
Utility Users Tax	<b>\$22.36</b>
Property Tax	<b>\$21.89</b>
Property Tax (Vehicle License Fee Swap)	<b>\$19.88</b>
Charges for Services	<b>\$18.25</b>
Intergovernmental (Other)	<b>\$15.78</b>
Business License/Mill Tax	<b>\$15.26</b>
Sales Tax (Measure H)	<b>\$11.1</b>
Franchise Fees	<b>\$5.41</b>
Cannabis Tax	<b>\$4.02</b>
Transient Occupancy Tax	<b>\$3.62</b>
Other Revenues	<b>\$2.47</b>
Other Financing Proceeds	<b>\$1.47</b>
Intergovernmental (State)	<b>\$1.37</b>
Transfers In	<b>\$0.85</b>
Licenses and Permits	<b>\$0.39</b>
Intergovernmental (County)	<b>\$0.23</b>

## General Fund Revenue vs. Expenditure Four Year History



**Revenue**

**Expenses**

**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 for 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 2022-23.

**GENERAL FUND EXPENDITURES FY 2022-23**

# Where the Money Goes

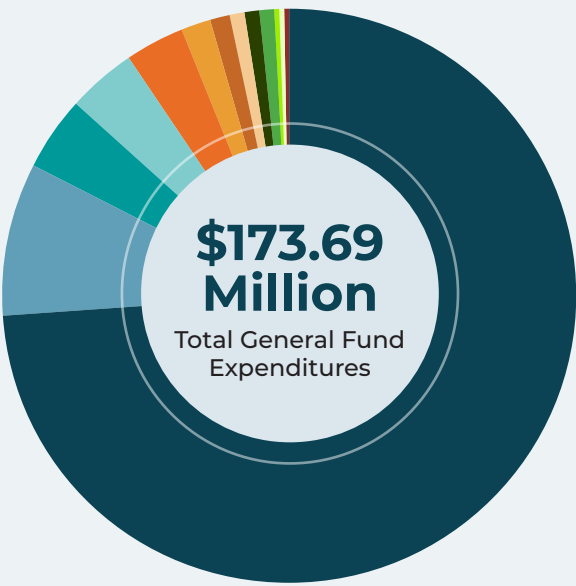
In FY 2022-23 the General Fund had total expenditures from all Departments of **\$173.69 million**. Revenues came in at **\$187.85 million**. These amounts include Transfers In and Out.



**DID YOU KNOW?**

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

## Actual General Fund Expenditures by Department



Public Safety	<b>\$128.76</b>
Parks, Recreation & Neighborhoods	<b>\$14.55</b>
Transfers Out	<b>\$7.47</b>
Community & Economic Development	<b>\$6.60</b>
Finance Department	<b>\$5.77</b>
City Manager's Office	<b>\$3.00</b>
Human Resources	<b>\$1.66</b>
City Attorney's Office	<b>\$1.87</b>
Debt Service	<b>\$1.39</b>
City Clerk's Office/Office of the City Auditor	<b>\$1.21</b>
City Council	<b>\$0.50</b>
Public Works	<b>\$0.50</b>
Non-Departmental	<b>\$0.41</b>

Note: All \$ in millions





## FINANCIAL HIGHLIGHTS

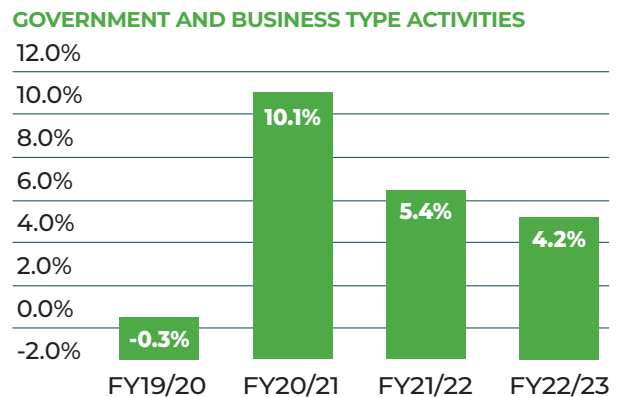
### City of Modesto's Net Position

	GOVERNMENTAL ACTIVITIES		BUSINESS TYPE ACTIVITIES		TOTAL	
	2023	2022	2023	2022	2023	2022
Current & Other Assets	\$382,723	\$383,655	\$351,861	\$332,054	\$734,584	\$715,708
Capital Assets	\$502,335	\$493,364	\$857,439	\$861,980	\$1,359,774	\$1,355,344
<b>Total Assets</b>	<b>\$885,058</b>	<b>\$877,019</b>	<b>\$1,209,300</b>	<b>\$1,194,033</b>	<b>\$2,094,358</b>	<b>\$2,071,052</b>
Deferred Outflows of Resources	\$105,199	\$49,484	\$33,262	\$27,477	\$138,461	\$76,961
Current & Other Liabilities	\$396,129	\$292,993	\$109,170	\$88,257	\$505,299	\$381,250
Long-Term Liabilities	\$88,175	\$90,281	\$269,492	\$286,851	\$357,666	\$377,131
<b>Total Liabilities</b>	<b>\$484,303</b>	<b>\$383,274</b>	<b>\$378,662</b>	<b>\$375,107</b>	<b>\$862,965</b>	<b>\$758,381</b>
Deferred Inflows of Resources	\$16,520	\$79,722	\$16,171	\$27,089	\$32,691	\$106,820
Net Investment in Capital Assets	\$468,002	\$457,620	\$589,299	\$687,640	\$1,057,302	\$1,145,260
Restricted Net Position	\$208,473	\$195,794	\$16,789	\$15,919	\$225,262	\$211,712
Unrestricted Net Position	-\$187,041	-\$189,907	\$241,641	\$115,746	\$54,599	-\$74,161
<b>Total Net Position</b>	<b>\$489,434</b>	<b>\$463,506</b>	<b>\$847,729</b>	<b>\$819,305</b>	<b>\$1,337,162</b>	<b>\$1,282,812</b>

### Change in Net Position

	BUSINESS TYPE ACTIVITIES	
	2023	2022
<b>REVENUES</b>		
Charges for Services	\$175,253	\$174,581
Operating Grants & Contributions	\$1,263	\$1,644
Capital Grants & Contributions	\$3,310	\$2,453
Other	\$4,562	-\$6,610
<b>Total Revenues</b>	<b>\$184,388</b>	<b>\$172,069</b>
<b>EXPENSES</b>		
Water	\$77,533	\$73,422
Sewer	\$48,588	\$44,264
Bus	\$0	\$00
Parking	\$2,027	\$1,927
Storm Drain	\$6,767	\$5,965
Compost	\$11,902	\$11,497
Airport	\$2,131	\$1,686
Golf	\$3,238	\$3,230
Community Center	\$1,899	\$1,571
Abatement and Public Nuisance	\$138	\$124
<b>Total Expenses</b>	<b>\$154,194</b>	<b>\$143,686</b>
Increase in Net Position Before Transfers	\$30,195	\$28,383
Transfers	-\$66	-\$21,078
Special Item	\$00	-\$19,462
Change in Net Position	\$30,129	-\$12,157
<b>Net Position (Start of the Year)</b>	<b>\$819,305</b>	<b>\$843,876</b>
Adjustments	-\$1,705	-\$12,414
<b>Net Position (End of the Year)</b>	<b>\$847,729</b>	<b>\$819,305</b>

### % Change in 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 2022-23, the City's overall net position **increased by 4.2% 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, 2023.*

**FINANCIAL HIGHLIGHTS**

# Allocation of Your Tax Dollars

**THE ASSETS OF THE CITY** exceeded liabilities at the close of the 2023 fiscal year by **\$1,337,162,490 (total net position)**. Of this amount, \$225,261,510 is restricted for a specific purpose (restricted net position), \$1,057,301,510 is invested in capital assets, net of related debt and \$54,599,470 is unrestricted (unrestricted net position).

The largest portion of the City’s net position, \$1,057,301,510 (79.1 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 \$54,350,841** during the current fiscal year and was largely due to the increases in unrestricted investment earnings in the amount of \$18,002,636, an increase in operating grants and contributions of \$3,805,546 as compared to prior year, an increase in sales tax revenue with the voters’ approval under Measure H which increased the sales tax rate by 1% from 7.875% to 8.875% increasing sales tax revenues in the

amount of \$11,116,219 and a decrease in general governmental expenses in the amount of \$3,715,539 as compared to prior year.

At the end of the fiscal year, the **General Fund fund balance was \$53,570,568 or 32.2% of total General Fund expenditures**. Of this, \$8,486,061 is the restricted fund balances. The unassigned fund balance of \$23,445,340 represents 13.5% 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.

The City’s total long-term liabilities showed a **net decrease of \$19,464,944** in comparison with the prior year. This decrease was attributed to a reduction in debt from the principal payments made during the fiscal year.

## What the City receives from \$1 in Generated Sales Tax

23 cents of every tax dollar will come to the City of Modesto.



# \$223,906

**All Governmental Funds:**  
Fund Balance, **+\$28,904** from prior year

Note: Above \$ in thousands.

# Police Review Board & Independent Police Auditor

ON MAY 22, 2021, a listening session was held as a formal launch of the Forward Together initiative where the following key primary themes emerged: 1) **Accountability**, 2) **Policies and Practices**, and 3) **Alternate Response Models**. Subsequently, on June 8, 2021, by Resolution No. 2021-216, the City Council approved the formation of the Forward Together working group in support of a community engagement process to **educate and explore solutions that address broad areas of concern** as expressed in the listening session. The Forward Together working group then held a series of facilitated public workshops and ad hoc meetings focused on improving police-community relations in the City of Modesto.

On August 23, 2022, by Resolution No. 2022-358, the City Council **accepted the Forward Together work group's report** which contained several recommendations and directed staff to carry out the appropriate next steps. Staff completed a comprehensive evaluation

of various accountability models involving a community oversight board and independent police auditor, prepared an overview of this research to obtain Council and Community input on these topics, and utilized this input to develop a model to best meet the needs of Modesto.

As a result, in December of 2022, the City Council established a **Community Police Review Board (CPRB)** in conjunction with contracting the services of an Independent Police Auditor (IPA). The recommendation to establish a Community Police Review Board, as a dual component of a hybrid police accountability model, is the culmination of the efforts of the Forward Together work group.





## PASSAGE OF 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.
- Funding to address fire protection, paramedic, and 911 emergency response.
- Funding to address homelessness.
- Funding for cleaning up trash and illegal dumping.
- Funding for keeping streets, parks, sidewalks, landscapes, and infrastructure safe, clean, and well-maintained.

# \$41.0M Annually

 *Estimated additional funding due to Measure H Sales Tax*



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.



### DID YOU KNOW?

*Measure H Sales Tax is estimated to bring in additional revenues over \$41 million annually. This funding will be critical in the City's ability to provide improved and sustainable services to the citizens of Modesto.*

# Vision and Values

**DURING 2020**, the City adopted the 2020-2025 Strategic Plan to incorporate input from newly elected Council members and to reaffirm our strategic priorities.

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.



## 01.

### Quality of Life

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



## 02.

### Economic Vitality

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



## 03.

### Governance and Service Delivery

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

# Engaging Partners Across the Community

## Forestry Division

The Forestry Division resolved 4,191 broken limb issues and completed 10,141 tree pruning activities in partnership with one of our local vendors, Grover Landscaping.

## Solid Waste Division

The Solid Waste Division collected 2,587 tons of bulky items and recycled 3,549 waste tires and 821 mattresses in collaboration with our local garbage haulers, Gilton and Bertolotti Disposal.

## CHAT

After securing funding the Community Health and Assistance Team (CHAT) is currently recruiting to increase the unit from 6 to 12 Outreach Specialists.

## Park Rangers

Adopted a Park Ranger program after successful completion of a pilot phase. Park Rangers address quality of life issues at City parks, trails and outdoor recreational areas. 12 full-time positions were created to properly staff the unit.

## Aquatics

The Aquatics program was in full force and taught 1,944 children to swim through our Learn-to-Swim classes at one of our 5 operating pools.


## Celebration of Lights

Both Celebration of Lights Parade Dashing through the Decades with a Tree Lighting Ceremony and 7 MoBand Concerts in the Park at Graceada Park had over 20,000 in attendance.


## Youth Commission

The City of Modesto Youth Commission returned for the 2022-2023 school year. Eight students from several high schools. During their term, the Commission partnered with Stanislaus County Commission for Women at the State Theatre's release of "The Swimmers"; participated at panelist in the 2023 StanYea Youth Summit on resources and strategies for youth mental health; oversaw the Hope Blooms Garden project during Love Modesto; and held student workshops at several junior high schools.

1,944

 Children learned to swim

20,000

 Celebration of Lights attendees





## QUALITY OF LIFE

### Junior Giants Baseball League

The Junior Giants Baseball League served **over 750 kids this season**. Junior Giants is a completely free, youth baseball league that focuses on the fundamentals of baseball while teaching children the importance of **confidence, integrity, leadership, and teamwork**.

### CalVIP Grant

The CalVIP Grant added seven events to the Recreation roster with 3 SportsFests, 2 Pop Up Parties and 2 Movie Nights **servicing over 400 members of the community**.



### City of Modesto Fire Department

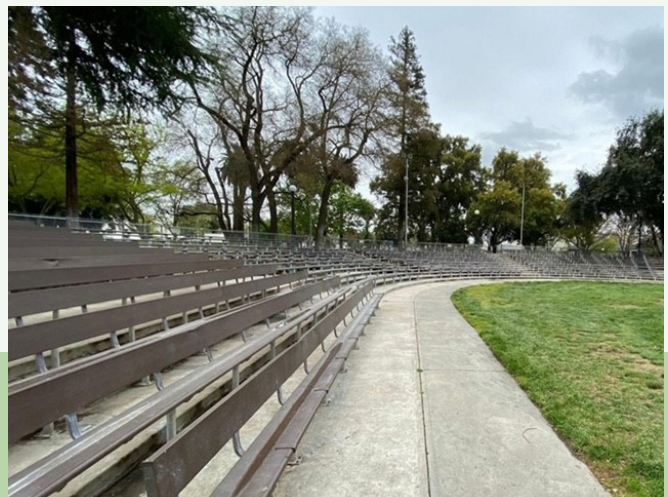
In November 2022, the Modesto Fire Department established a **Type III all-hazard Incident Management Team**, better known as Central Valley IMT, with agencies from Stanislaus County and CalFire Tuolumne Calaveras Unit (TCU). The IMT is deployed as a team of 10-35 trained personnel to manage major and/or complex incidents, as well as incidents that extend into multiple operational periods and require written Incident Action Plans (IAPs). Incidents include, but are not limited to fires, tornado touchdowns, earthquakes, floods, and hostage/standoff situations.

### Park Partners Program

Through the City's Park Partners Program, multiple projects were completed: **new bench seating** at the Mancini Bowl, fundraising was continued for **The Awesome Spot Playground**, and conversion of four tennis courts to **twelve pickleball courts** at Graceada Park.

### Tennis Courts

In partnership with Modesto City Schools, the **tennis courts at Davis Park and Downey Park** were resurfaced.



## QUALITY OF LIFE



# \$17M



State of California Homekey  
3.0 award

# \$43M



State of California Affordable Housing  
and Sustainable Communities award

# \$12.5M



Multifamily Housing  
Program award

### Senior-Friendly Park

Construction of a new park near Ralston Tower was completed in June 2023. The Senior playground features an open area for Tai Chi, seating area, drinking fountain, and low-impact and durable exercise features designed to improve strength, balance, and coordination. This park is a public facility open to all citizens.

### Awards and Partnerships

**01.** Partnered with RH Community Builders for a State of California Homekey 3.0 award in the amount of \$17 million for the acquisition and rehab of the Traveler's Motel into 54 units of permanent supportive housing.

**02.** Partnered with Visionary Homebuilders for a State of California Affordable Housing and Sustainable Communities Award in the amount of \$43 million for the construction of a 79-unit mixed-use development in downtown – the first of its kind.

**03.** Partnered with Self Help Enterprises for a Multifamily Housing Program Award in the amount of \$12.5 million for the construction of 45-housing units.

**04.** Partnered with Stanislaus Equity Partners and R3 development for a 9-unit transitional housing project at 225 E. Orangeburg.



### Camp2Home

Camp2Home program has assisted 114 individuals with job and housing readiness services. Camp2Home has also assisted 10 individuals in obtaining employment and has housed a total of 27 individuals.



**ECONOMIC VITALITY**

# Fostering City Assets and Future Development Growth


**THE COMPOST DIVISION** processed over 49,235 tons of residential and commercial organics into compost.

The Streets Division completed 33.6 lane miles of crack seal application and 154.12 lane miles of slurry seal application.



The Community and Economic Development Department initiated the first comprehensive update of the City's General Plan since 1995, working with the City's consultant, PlaceWorks, and has been conducting extensive public outreach efforts with a broad spectrum of the community in support of the visioning phase of the update.

# 154.12 Lane Miles

 *Of slurry seal application completed*



# Enhancing Public Services for All

**IMPLEMENTED TWO NEW** Utility Billing Discount programs to encourage utility customers to enroll in auto Pay or eBilling.

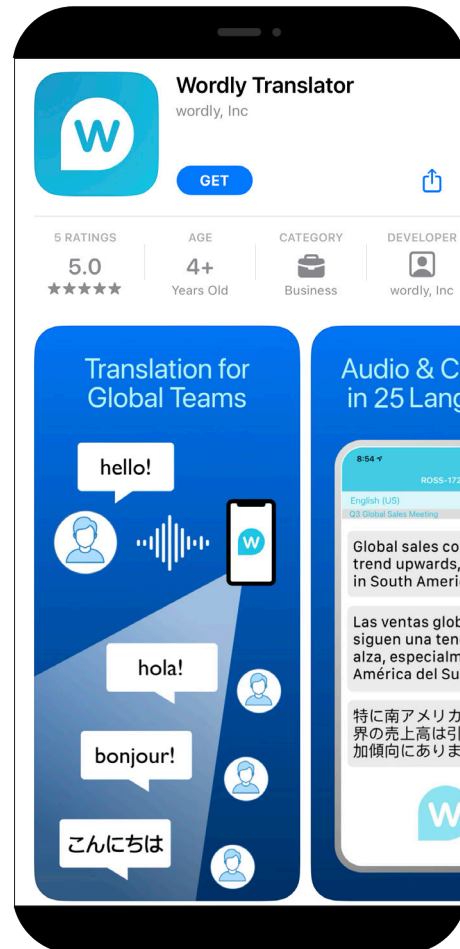
Appointed **two new Public Members for the Audit Committee** as part of the implementation of Measure G updates.

As part of the new virtual City Council meetings, the IT Department working with the City Manager's Office began testing a **real-time translation solution named "Wordly"** that allows the online viewer to see real-time remarks being spoken in any 1 of 30+ different language options which equates to over 700 language interpretations pairs.

IT Department submitted itself for review by the Municipal Information Systems Association of California (MISAC) and **won the 2022 MISAC Excellence Award for IT Best Practices.**

IT Department presented the City of Modesto's various digital capabilities and improvements for the benefit of residents to the Digital Cities Survey and was named **one of the Top 10 Digital Cities in the USA.**

In June, the Building Safety Division was selected as the **recipients of the 2023 Smart Community Award from CentralSquare Technologies** for their work on automating green energy permits.



## 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.

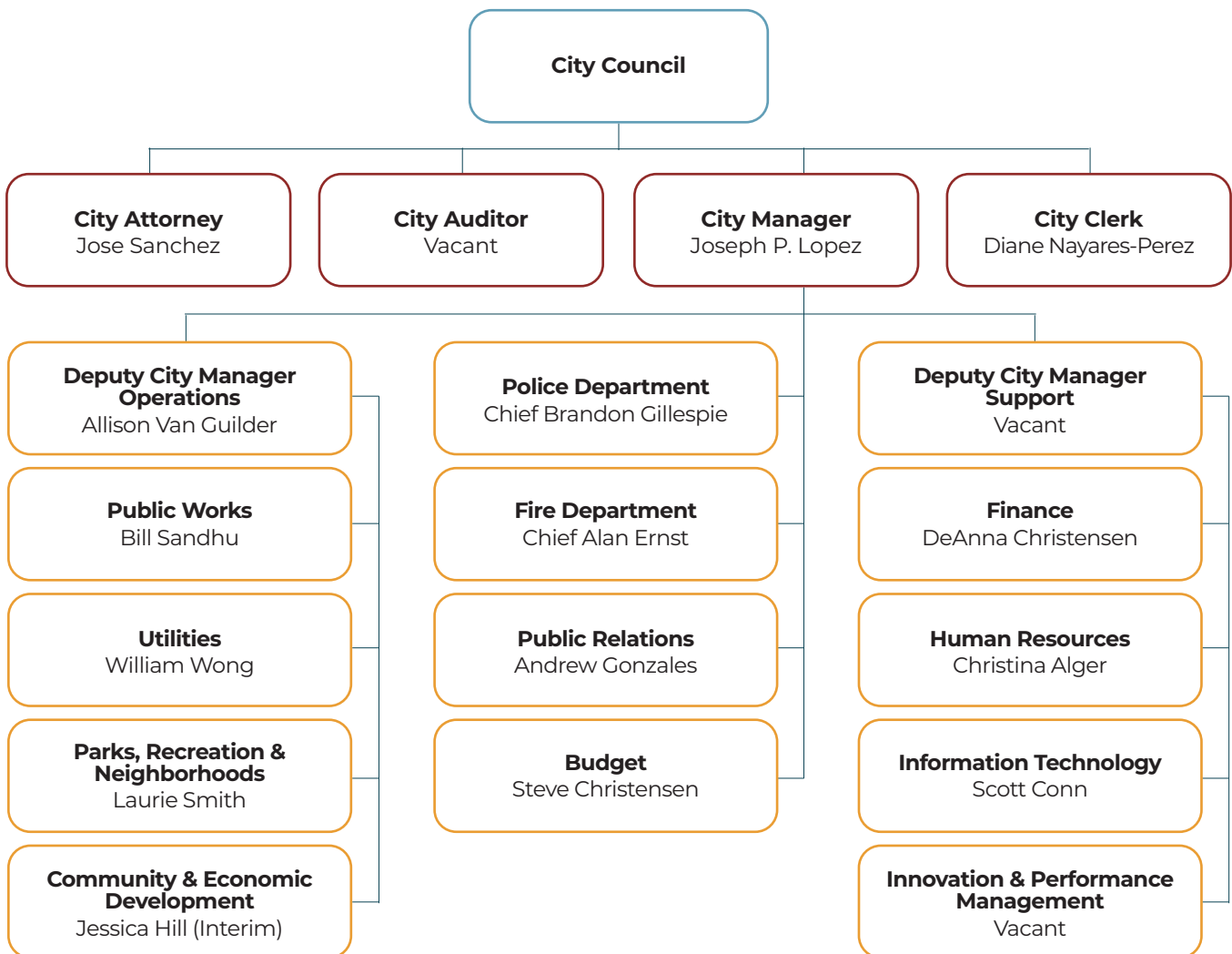
The Modesto City Council has **seven members, including the Mayor**, elected at-large on a nonpartisan basis for four-

year terms. The City Council serves as a **legislative body, enacting ordinances, orders, and resolutions necessary for governing Modesto** as outlined in the City Charter and deemed important by the public.

■ Elected

■ Council Appointed City

■ City Manager Appointed



This branch focuses on the **Economic Vitality** strategic priority.

This branch focuses on the **Quality of Life** strategic priority.

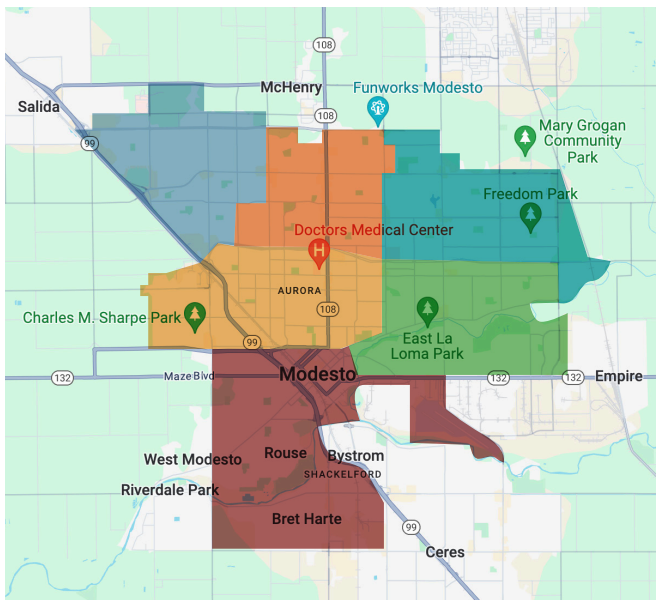
This branch focuses on the **Governance and Service Delivery** strategic priority.







## CITY COUNCIL

**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.**

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 Auditor, City Attorney, and City Clerk.

### Modesto City Districts



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



**Sue Zwahlen**  
Mayor  
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**Chris Ricci**  
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**David Wright**  
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[dawright@modestogov.com](mailto:dawright@modestogov.com)





**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, 2023. 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 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 ACFR are published on the City's website at [www.modestogov.com](http://www.modestogov.com). For more information, please contact DeAnna Christensen, Director of Finance at [dachristensen@modestogov.com](mailto:dachristensen@modestogov.com)

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