

2009-10 budget in brief

MESSAGE FROM THE MAYOR AND CITY COUNCIL

In order for a democracy to work, people need to be informed and involved. The Modesto City Council is dedicated to keeping citizen's informed and involved in the process of governing our community. As part of this effort and desire, we are pleased to present the Citizen's Guide to the Budget for Fiscal Year (FY) 2009-10 which began July 1.

Modesto, California, and the Nation are experiencing the most challenging economic times since the Great Depression as we strive to balance budgets and still provide essential services to our citizens. As stewards of your tax dollars, we make the difficult decisions regarding which services we must provide and which services we can no longer afford to provide. Although the task was challenging at best and daunting to say the least, we have developed and implemented a balanced budget, on time, with the needs of the community at the forefront.

At the beginning of this budget process, City General Fund expenses were set to outpace our revenues by \$19 million. The General Fund pays for many of the City's vital services including police, fire, and parks and recreation programs. In order to remain financially sound in cases of emergency, the City holds a reserve at eight percent of the total budget. To help soften the shortfall, we decided to make do with just a seven percent reserve for this fiscal year. Even with this concession, when we adopted the FY 2009-10 budget on June 2, we were still \$4.8 million short. This caused a second round of revenue enhancements and spending reductions and we now have a balanced budget with a seven percent reserve.

This fiscal year, we will continue to spend more than two-thirds of the City's General Fund on public safety. While public safety is our number one priority, we must also continue to provide other services that make Modesto a livable community. As such, the remaining General Fund dollars have been strategically budgeted to preserve core services in other areas such as park maintenance and recreation activities. Each service and program we provide was scrutinized with the following questions:

- Is the service essential and who does it serve?
- Does it serve Modesto residents' greatest needs?
- Can we do it better and at less cost?
- Are there others who provide the service for less cost and can improve effectiveness?
- What are the long-term benefits of continuing the program or spending level?

For the past two fiscal years, we have had the following four budget goals:

1. Focus resources on vital public services;
2. Begin efforts which will result in long-term structural budget changes;
3. Reduce deferred maintenance;
4. Increase the City's economic opportunities.

These are not one-time goals that are accomplished and then set aside on a shelf. No, they are part of a process of continual improvement and are the driving principles behind each and every budget action we take and are our focus as we make difficult decisions.

There were no easy decisions made this year and we would like to extend our thanks and gratitude to the many dedicated City employees who worked diligently on the development of this year's budget. We also appreciate the sacrifices so many of our employees are making by reducing their pay through the taking 96 hours of furloughs, or by deferring scheduled raises. This is a difficult time for all, and we appreciate the leadership we have witnessed in this organization and the willingness for all to bear the burden together.

We strive to put citizens first in all that we do, which is why we focus on reducing costs, balancing the budget and streamlining City services. We inevitably make decisions that are difficult and controversial, but we do so with the best of intentions and with the needs of our citizens in mind. Our goal is always to move forward and to position Modesto so that we are ready and able to take advantage when the economy resets itself. We promise to be focused and to have a plan in place for Modesto's future that allows us to thrive under better economic times.

Thank you, citizens of Modesto, for your involvement and feedback throughout the development of the FY 2009-10 budget. We extend an open invitation to all citizens to participate in your local government year-round by attending City Council meetings – make your voice heard concerning the issues that face this community.

A CHARTER CITY

Modesto is one of 114 charter cities in California. A charter is a document which establishes the governmental framework and basic law of a city. In general, charter cities may enact and enforce within their boundaries any law which does not conflict with state or federal government law. Modesto's City Charter was written by a board of freeholders. It was approved by voters in 1910 and became official in 1911. A second charter was adopted in 1951 and has been revised several times over the years the most recent of which took place in 2008 with the passage of Measure M.

COUNCIL-MANAGER FORM OF GOVERNMENT

Most California cities are governed in one of two ways, the council-manager or mayor-council system. Modesto's 1951 charter provides for the council-manager form of government in which the 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 and direct the operations of the city.

MAYOR & CITY COUNCIL

The Modesto City Council is made up of seven elected officials. The Mayor is elected at-large by the entire City; while the six Councilmembers are elected by district by the residents within the respective district. Members of the City Council hold office for four year terms and are limited to two terms; terms of office expire in alternate odd numbered years, with a maximum of four Council seats up for election at any one time. The first City Council elections by district will take place in November 2009. 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 more than 20 City advisory boards, committees, and commissions; and appoints and supervises the performance of the City Manager, City Attorney, City Auditor and City Clerk. The Mayor is the presiding officer of all City Council meetings and is authorized to sign legal documents on behalf of the City. The Mayor represents the City on local, state and national levels. In the Mayor's absence, duties are performed by the Vice Mayor. Measure M, passed by Modesto voters in 2008, added duties and responsibilities to the role of Mayor that included a greater role in the development of the annual budget and allows the Mayor to be more involved in the affairs of City management.

POPULATION

203,955

US CENSUS BUREAU AMERICAN FACTFINDER - 2007 ESTIMATE

MEDIAN AGE

34.0

MEDIAN HOUSEHOLD INCOME

\$49,413

ETHNICITY (RACE & HERITAGE)

White	55.0%
Hispanic	32.0%
Asian	5.8%
Black or African American	3.5%
Two or more Races	2.2%
American Indian & Alaskan Native	0.7%
Native Hawaiian & Pacific Islander	0.6%
Other Race	0.1%

HIGHEST EDUCATIONAL LEVEL (POPULATION AGE 25 OR OLDER)

Less than 9th grade	10.8%
Some High School, no diploma	10.9%
High School Graduate or Equivalent	27.2%
Some College, no degree	26.1%
College Graduate	25.0%
Associate's Degree	28.5%
Bachelor's Degree	50.2%
Graduate/Professional Degree	21.3%

EMPLOYMENT DATA (CIVILIAN POPULATION, AGE 16 OR OLDER)

Management/Professional	29.7%
Sales & Office	27.5%
Service	16.9%
Production/Transportation	15.7%
Construction/Extraction/Maintenance	8.8%
Farming/Forestry/Fishing	1.4%

AREA IN SQUARE MILES

36.2

STREET MILES

578

PARK ACRES

1,088

FY 2008-09 ACCOMPLISHMENTS AND HIGHLIGHTS

SPOTLIGHT PROJECTS/EVENTS

Launch of New Web site/E-mail Notification Subscription Service

The City of Modesto launched a new and improved Web site in February. In addition to a new look and feel for the overall site, navigation plans and content were also changed. The navigation plan throughout the entire site has been revamped to flow better and also to inter-link between departments so that citizens have easy access to related services and information. The content of the Web site received a throughout review to ensure that the most accurate and up-to-date information and contacts are on the site.

In addition to the newly re-designed Web site, citizens can now customize the news they receive from the City either by subscribing to e-mail notifications or RSS feeds. So, whether you want to know about the upcoming swim lessons, the most recent police news, or if you can expect delays on your way to work, the City of Modesto Web site has what you are looking for! The process is quick and easy: go to www.modestogov.com and click on "Newsroom" and then click on "E-mail Subscriptions" in the menu on the left. Simply enter your E-mail address, create a password and check the box next to the notifications you wish to receive. Then, each time a press release or announcement is posted for those categories, an E-mail will be sent directly to you with a link to the information.

2009 Amgen Tour of California

There is only one reason thousands of people stand outside in the rain and cold, cheering and screaming. . . the Amgen Tour of California. In February, more than 120 professional cyclists from around the world raced through Modesto before screaming down I Street for an exhilarating finish. The Modesto community rallied together and showed their support for this wonderful, free community experience. In addition to the thousands of spectators, local organizations helped Modesto make this event a success by contributing all the funding necessary to cover the costs of hosting the race.

Not only were the streets lined and the event fully funded, but the race had a large impact on our local economy. The Modesto Convention and Visitors Bureau reported that many Modesto hotels were sold out with at least 660 hotel rooms booked specifically for the race. Additionally, the Local Organizing Committee purchased meals from local restaurants for the 2,000 riders, team support staff, tour officials and media.

The 2009 Amgen Tour of California was a huge success and City officials have already turned their attention to the 2010 race, beginning the process of ensuring that the race calls Modesto home once again.

"Certified Organic"

The City of Modesto's compost received "organic" certification from the Organics Management Research Institute (OMRI). This means that

compost from the City's facility can be used by growers of certified organic produce. In order to be certified organic, compost products must undergo rigorous testing to ensure it meets the OMRI production and quality standards. By being certified organic, the City's compost now has a wider agricultural market.

Street Improvements

The following street projects were completed in FY 2008-09 and provide the community with a smoother drive and better drainage systems during harsh winter storms. Funded through various sources, these projects are part of the City's street maintenance program.

- Claratina between Coffee and Oakdale – Extended the Pelandale/Claratina Expressway from Coffee to Oakdale Road in each direction. This project was funded with Capital Facility Fees.
- Floyd Avenue between Roselle and Fine - Floyd Avenue was widened to four lanes. Includes curb, gutter, sidewalk, bike path, landscaped parkways and a landscaped median. This project was funded by the Village One #2 Community Facility District.
- Sylvan Avenue was reconstructed between McHenry Avenue and Coffee Road. This length of roadway last received an overlay in 1981. The project was funded with Regional Surface Transportation Program (RSTP) and Gas Tax.
- Snyder Avenue between Prescott Road and Carver Road. Funded through the Carver-Bangs/Pelandale-Snyder CFD, this project widened the eastbound travel lane and installed curb, gutter, landscaped parkway strips, a bike path and a retaining wall adjacent to the Modesto Irrigation District canal.

Water Meter Installation Program

In 2006, the Water Division began installing residential water meters including retrofitting metered residences with automated meter reading technology (AMR) for over 77,000 water customers. As of June 30, 2009, City crews reached the "half-way point" with over 39,000 meters installed.

Water meters are valuable resources for the City and its customers. Meters can be used for the following purposes:

- Budget water use. Customers can track how much water is used on a monthly basis. This information can help families make educated decisions about water usage.
- Save water and money. Reducing water usage conserves our most precious natural resource and allows for cost-savings on metered bills, as customers will be charged for the amount of water used each month.
- Plan ahead. Water meters enable the City to monitor water use and compare it with historical data. This will help determine future needs and demands and identify water loss in the system, which is important for long-term planning purposes.

PUBLIC SAFETY

Downtown Cameras

Placed into service in late April 2009, the downtown camera system has already assisted in crime arrests and has even prevented a few from even happening in the first place. The monitoring system is intended to make downtown Modesto a safer place as the Police Department utilizes it to watch the area and investigate crime reports. Officers are stationed at the system to watch live footage from the cameras during peak hours of the downtown club scene on weekend nights. The remainder of the footage, not monitored live, is archived for 30 days for review in response to any crime reports.

Officers Assist with Delivery

In September 2008, two Modesto Police Officers were flagged down by a motorist who was stopped in the middle of the intersection at McHenry Avenue and Orangeburg Avenue. Officers Steve Anderson and Ben Kroutil directed Jose Resendes to the nearby Chevron gas station and there they realized that Jose's wife, Brenda was in labor and had already partially delivered their baby. With their training kicking into gear, the two officers helped Brenda complete a successful delivery of the newest edition to the Resendes family. Engine 5 of the Modesto Fire Department arrived shortly thereafter and provided medical care and comfort to Brenda, Jose and their new baby Jesus. Even though the circumstances were a little different than a hospital, Jose was still allowed the honor of clamping and cutting the umbilical cord of his new son.

Extra! Extra! Read All About It!

The Modesto Police Department broadcasts crime and public safety information to the public in a variety of new and exciting ways. In addition to the E-mail subscription service mentioned earlier, you can also follow urgent public safety alerts, police activity and current crime prevention information by registering at www.nixle.com. Nixle allows members of our community to receive critical information by text message or e-mail. The Police Department firmly believes that providing prompt, accurate, and relevant information to the public is a crucial element to reduce crime throughout the city and to build partnerships between the police department and the community they serve.

ARRA / COPS Grant

The Modesto Police Department has applied for funding for 40 Police Officer positions through the federal COPS Hiring Recovery Program (CHRP). Many law enforcement agencies have applied for this funding and, at this point, the amount the Modesto Police Department will receive remains uncertain. The funding is slated to restore police officer positions vacated by recent layoffs, avoid further layoffs, and possibly add sworn police officer positions. The Modesto Police Department anticipates notification of potential grant awards sometime in September

of 2009. Any funding obtained through this grant would fund officers for a three year period. This grant is just one of many grants sought by the Modesto Police Department.

CalGRIP Grant

Governor Schwarzenegger introduced the California Gang Reduction, Intervention and Prevention (CalGRIP) initiative in May of 2007 to confront the dramatic increase in gangs across the state and their proliferation in suburban and rural areas. Gangs are responsible for crimes including murder, witness intimidation, money laundering, extortion, narcotic production and sales, prostitution, human trafficking, theft and counterfeiting. In spite of an overall decrease in crime in most California cities since the 1990s, rates of gang-related violent crime remain steady. The CalGRIP grants directed \$34.7 million this year toward local anti-gang efforts, including intervention, suppression and prevention. The Modesto Police Department applied for, and was granted, \$383,423 in March of 2009 to address local gang-related issues.

Continuity of Operations Planning

As part of the City of Modesto's Emergency Preparedness Program, each department participated in the development of a citywide Continuity of Operations Plan (COOP). Since each department provides critical services to the community, it was important to work together to establish one cohesive plan. In March of 2009 representatives from each of the departments started working with a consultant to update the current COOP to a more modern web based design. Although the final document will not be available until September 2009 the teams have worked very hard to compile all the necessary information to make it a success. What is a COOP? A Continuity of Operations Plan is a guiding document that will give Modesto the ability to survive and sustain critical core business operations and functions during an unforeseen event or interruption in service. This could be anything from localized acts of nature, accidents, technological emergencies, or terrorist attack-related incidents. In any case, our COOP will enable us to continue our essential functions across a broad spectrum of emergencies.

Clown Program

The Fire Department has a long established public education program known to thousands of school children as the "Clown Program". Each year for two weeks during fire prevention month three to four firefighters dress up like clowns to teach approximately 7,500 K-3rd graders the important message of fire safety. In addition, they teach kids how to call 911 and to always wear a seat belt when riding in a car. There may be a lot of clowning around during this two week period to help deliver a memorable fire safety message, but don't be fooled by these clowns.

The rest of the year they are professional firefighters that believe in the importance of teaching fire safety. They attend special classes on

FY 2008-09 ACCOMPLISHMENTS AND HIGHLIGHTS

how to deliver an effective program that keeps them up to date on new trends and ideas. Since the inception of this program almost twenty years ago, over 100,000 kids have learned the importance of fire safety.

COMMUNITY ENGAGEMENT

After School Program

The City of Modesto partnered with Modesto City Schools to provide After School Program staff at Everett, Franklin, Kirschen, Marshall, Pearson, Robertson Road and Wilson Elementary Schools as well as Mark Twain Junior High School. The programs at each site averaged 40-100 students per day depending on the size of the school.

The After School Program provides assistance to students in completing homework assignments, participation in academic enrichment such as reading and language improvement, practicing fitness in the SPARK sports skills program and taking part in games, crafts and special projects. The program gives students opportunities to improve a wide variety of skills including leadership, sportsmanship, innovation, analytical and critical thinking, and math and science aptitude. Activities are also planned with the goal of building positive character traits and instilling the desire for good citizenship.

TOPS Program

The Technology Outreach Program (TOP) launched its pilot year at Marshall Elementary School's After School Program thanks to a \$18,600 grant from AT&T and assistance from Dell. The Parks, Recreation and Neighborhoods Department was able to purchase 20 laptops with the grant funding, each of which had network capability and basic programs for student needs, the department also purchased two printers and two rolling storage carts. Students were provided with instruction in internet searches, common Microsoft Word options, turning data into a pie chart in Microsoft Excel and were able to practice their typing through exercises. Students also utilized Microsoft PowerPoint to develop a presentation informing incoming students what they can expect at the next grade level. With the success of this pilot year, the TOP program will continue next year at all nine After School Program school sites for use on special projects involving over 140 students.

Invest in Modesto

The Parks, Recreation and Neighborhoods Department offers thousands of Modesto's youth, seniors and disabled citizens discounted access to community programs and facilities each year. To continue fulfilling this mission, the Invest in Modesto campaign was developed as an opportunity for residents and businesses alike to invest their charitable contributions into the City's parks system and recreation programs. Community investment in Modesto enhances the quality of life for all our citizens. What can your gift do? \$30 teaches a child to swim; \$45 gives a child art lessons; \$115 gives a child a week of summer camp; \$500 covers youth sports costs for up to seven youth; \$1,000

provides a year of recreation fun for 30 senior citizens. Pledge sheets and additional information are available online at www.modestogov.com/prnd/partners/invest or by calling (209) 571-5582.

S.H.A.R.E.S. Cards

The City of Modesto Parks, Recreation and Neighborhoods Department is excited to announce that it is taking part in Save Mart Supermarkets' Supporting Humanities, Arts, Recreation, Education & Sports (S.H.A.R.E.S.) Program. Participation is easy; simply request a FREE S.H.A.R.E.S. card through the Parks, Recreation and Neighborhoods Department and use it each time you go shopping for groceries. When shopping at any Save Mart, Food Max, Lucky's or S-Mart Foods, present your S.H.A.R.E.S. card at checkout and Save Mart will donate 3% of your grocery bill to help support local parks and recreational activities. To request your FREE S.H.A.R.E.S. card, please contact Andy Johnson at ajohnson@modestogov.com or (209) 571-5582. Feel free to ask for cards for your family, friends and co-workers.

FOR THE GOOD OF THE COMMUNITY

Downstream Improvements

The downstream improvements completed in FY 2008-09 highlight the City's commitment to meeting both the current and long-range water needs of the community and will enhance capacity and delivery.

- West Tank Transmission Mains. This project increases water pressure and volume on peak days and provides fire flows for commercial development for the west-half of the city, including downtown.
- Tier 1 Pressure Reduction Valves. This project helps distribute water flow from the Modesto Reservoir from the east side of Modesto to the west side while increasing water pressure.
- North Tank property acquisition. This project includes five acres northeast of Tully Road and Bangs Avenue and expands the City's water distribution system.
- Industrial Tank property acquisition. This project also expands the City's water distribution system.

Two Recycling Programs Expand

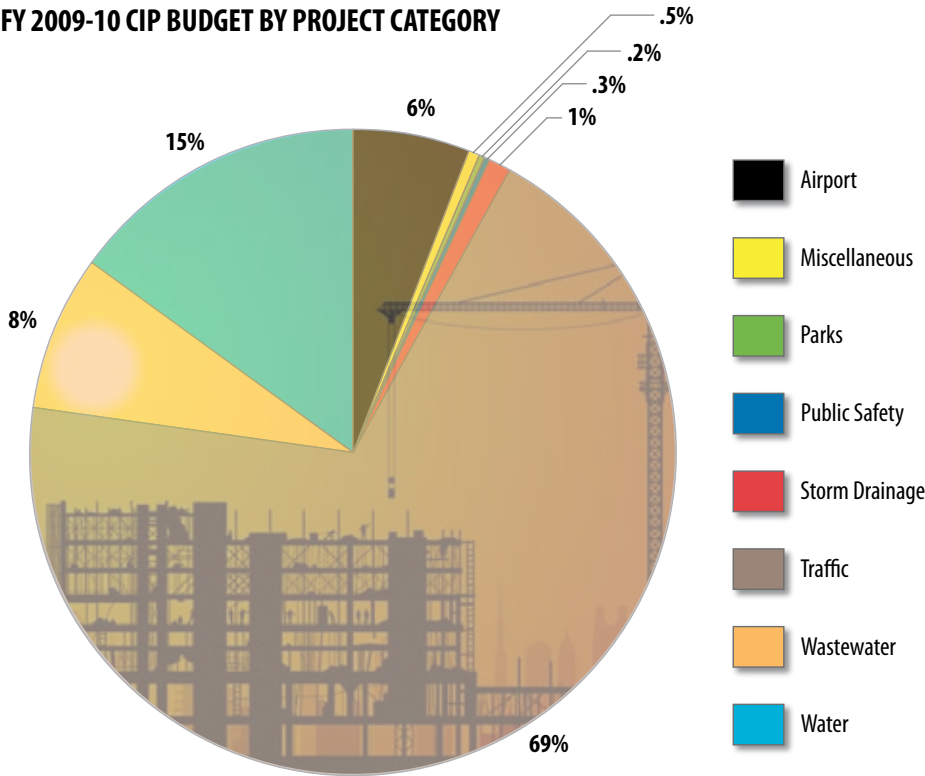
The City has expanded its Green Waste Program to add paper, cardboard and other materials that can now be placed in the green can for composting. This expansion significantly increases the diversion of organic materials and provides a convenient way for residents to ensure these materials are reused.

The Commercial food waste recycling program has also been expanded to include an additional five restaurants and is in the process of addition another hospital to the program. Participating restaurants and hospitals receive a discount on their disposal costs and the food materials are composted at the City's facility. The program has diverted almost 1,000 tons of food since it began.

FY 2009-10 CIP BUDGET AT A GLANCE

What is a capital improvement? By definition, it is a permanent addition to the City's assets, including the design, construction, or purchase of land, buildings or facilities, or major renovations. The Modesto Capital Improvement Program details a ten-year plan for capital improvements in the City. Traditionally, the following categories comprise the program: airport, information technology, parks systems, public safety, storm drainage, traffic circulation, transit, wastewater, water and miscellaneous areas. Each year, the ten-year plan is updated with the following criteria: public health and safety mandates, support of community goals, fiscal impact, promotion of economic development, impact on operations and maintenance, impact of service levels and relationship to other projects and the ability to coordinate.

FY 2009-10 CIP BUDGET BY PROJECT CATEGORY



MODESTO'S CAPITAL IMPROVEMENT PROGRAM

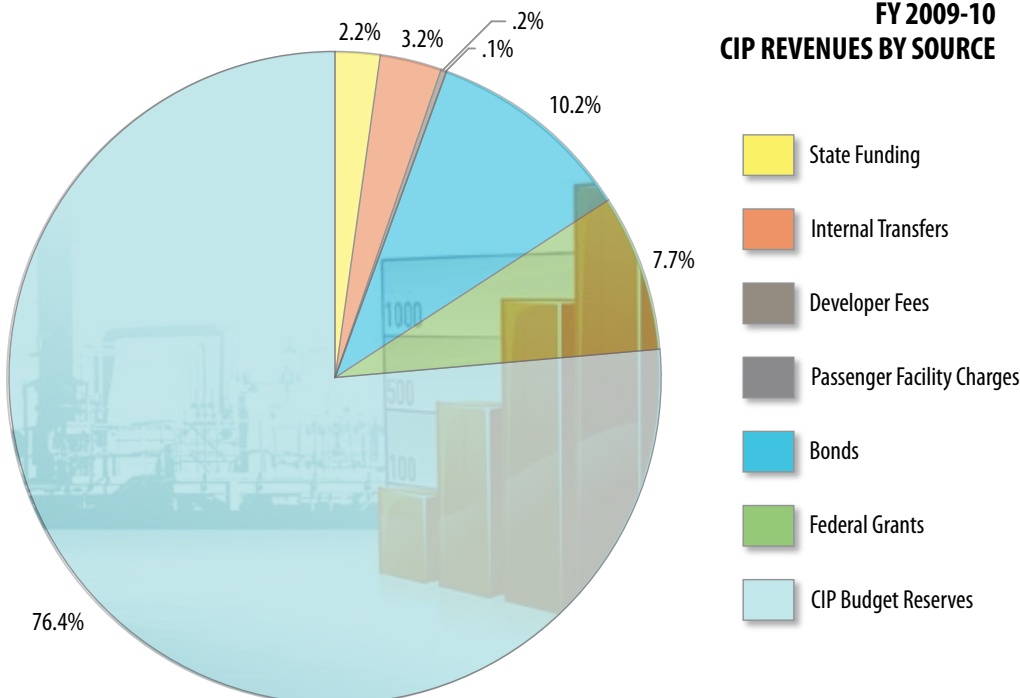
The Capital Improvement Program includes funding from a wide variety of sources. Due to the current state of the economy, no new CIP projects were funded from either the General Fund or the Gas Tax Fund.

There are 404 total projects in the City's Capital Improvement Program and they are primarily funded in the project areas of water, wastewater and traffic. Of these, 19 new projects were included in the FY 2009-10 CIP budget in the areas of airport, traffic, wastewater and water.

A Capital Improvement Program Task Force reviews project status, develops evaluation criteria and weighting for the prioritization of projects. As part of this process, the Task Force's goals include:

1. Development of a credible process for identifying top priority projects;
2. Utilizing a coordinated approach to link capital projects with other planning projects and community goals;
3. Engage elected officials, citizens and staff in the process to garner greater support and attention;
4. Employ effective monitoring and coordination efforts to ensure top priority projects move to completion quickly.

FY 2009-10 CIP REVENUES BY SOURCE



FY 2009-10 BUDGET AT A GLANCE

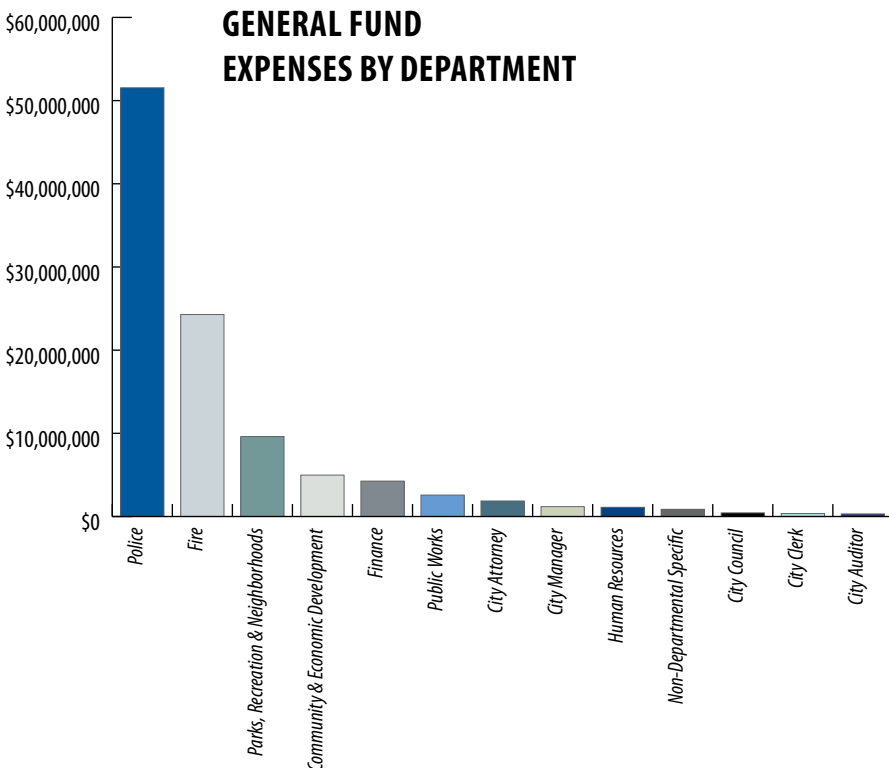
Modesto's General Fund is the primary operating fund with its major revenue sources coming from: sales tax, property tax, utility taxes, business licenses and franchise taxes, and other general revenues from the State. Police and Fire services require the bulk of the General Fund, with the balance going to a variety of "quality of life" areas including parks, recreation, city trees, sidewalk maintenance, planning and general government. The information provided below details the various revenues and expenses for Fiscal Year (FY) 2009-10 as the budget was adopted on June 2, 2009 and amended on June 23, 2009.

FY 2009-10 OPERATING BUDGET

FUND	REVENUES	EXPENSES	DIFFERENCE
General Fund	\$103,165,998	\$103,402,326	(\$236,328)
Gas Tax Fund	\$4,912,885	\$8,227,099	(\$3,314,214)
Utilities	\$99,744,351	\$76,081,883	\$23,662,468
Internal Services	\$44,617,660	\$45,757,416	(\$1,139,756)
Debt Service	\$2,546,852	\$5,904,715	(\$3,357,863)
Other	\$44,347,514	\$43,497,015	\$850,499
Total (without transfers)	\$299,335,260	\$282,870,454	\$16,464,806

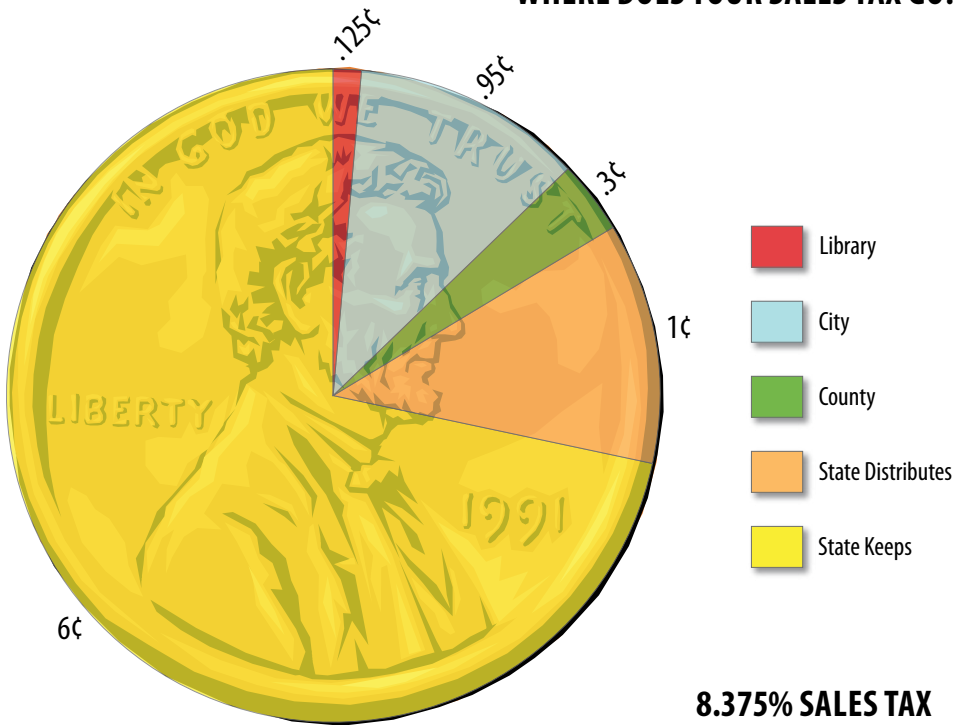
\$115.31

THE ANTICIPATED AMOUNT A RESIDENT OF MODESTO IS EXPECTED TO PAY IN SALES TAX TO THE CITY THIS FISCAL YEAR



Sales Tax	\$23,517,256
Utility Users Tax	\$19,000,000
Property Tax	\$12,470,099
Vehicle License Fees Flip	\$13,049,508
Business License	\$8,948,229
Franchise Tax	\$3,971,306
Construction	\$2,039,794
Transient Occupancy Tax	\$2,050,000
Vehicle License Fees	\$825,000
Other	\$17,294,806
Total	\$103,165,998

WHERE DOES YOUR SALES TAX GO?



DID YOU KNOW?

For every taxable dollar you spend in Modesto, you pay 8.375 cents in sales tax. Of the 8.375 cents, the City of Modesto receives less than one cent toward the General Fund.

So, where does the rest of the sales tax go? It gets divided up between the State, the county and the Stanislaus Library. The State keeps six cents and distributes one cent, .125 of a cent goes to the Library, .95 of a cent comes to the City, and the remaining .3 of a cent goes to the County.

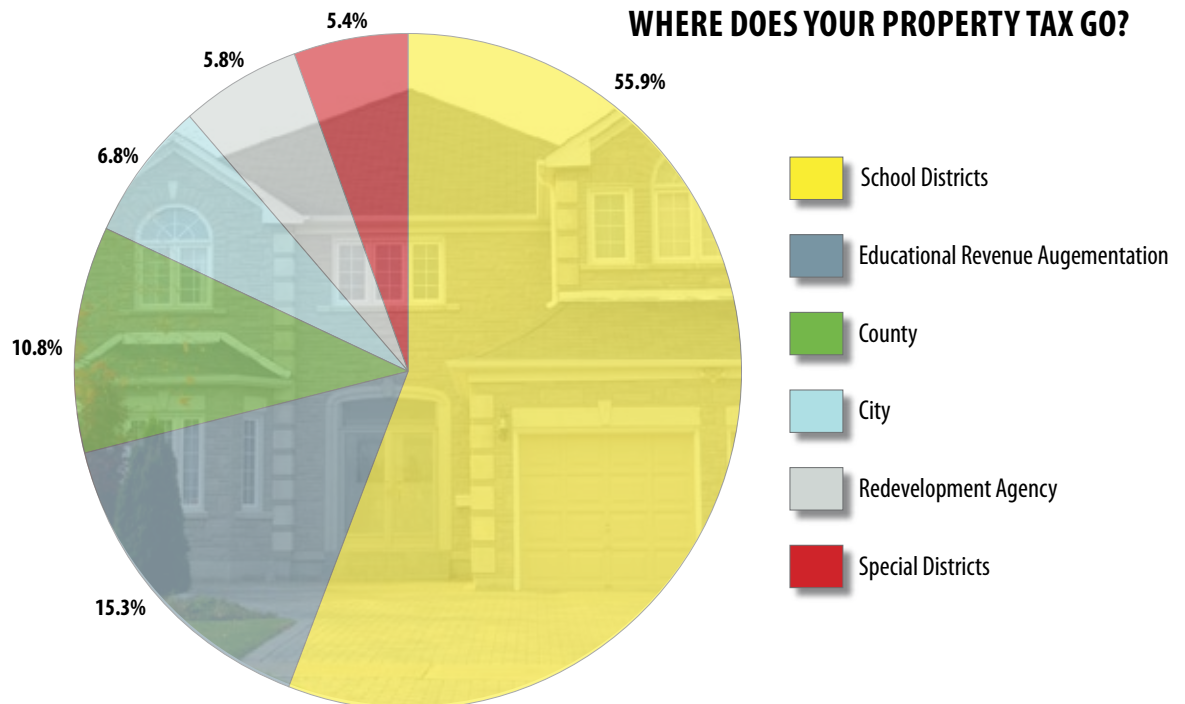
SALES TAX ACCOUNTS FOR 23% OF GENERAL FUND REVENUES AND PROPERTY TAX ACCOUNTS FOR 12%. COMBINED THEY MAKE UP JUST 35% OF THE GENERAL FUND.

DID YOU KNOW?

When you pay your property tax, the City of Modesto receives \$6.80 toward the General Fund for every \$100 paid.

For example, on an average \$200,000 home, the annual property tax paid is \$2,000 (1% of the assessed value). Of that, the City of Modesto receives \$136 to fund Police, Fire, Parks, etc.

WHERE DOES YOUR PROPERTY TAX GO?



1% OF THE ASSESSED VALUE OF YOUR HOME

ATTEND THE BUDGET WORKSHOPS

The Finance Committee of the Modesto City Council will review the Mayor's Fiscal Year 2010-11 Proposed Budget in May 2010. These workshops will be held in Council Chambers at Tenth Street Place, located at 1010 Tenth Street. The dates and times for these workshops will be posted online at www.modestogov.com.

BE INFORMED

City services, policies and spending are discussed year-round at the City Council meetings. Come to meetings, view them on the local cable channel, view them live online, or review archived meetings online at www.modestogov.com and click on "Council Webcast" under Modesto Media on the left-hand side of the home page.

KNOW YOUR CITY COUNCILMEMBERS

Go online to www.modestogov.com and click on Mayor and City Council under the Government tab to view the biographies of your elected officials. You can also find out information on the various committees of the Council, the terms of office, review current agendas and/or past Council meeting minutes.

CONTACT YOUR CITY COUNCILMEMBERS

You are encouraged to call your City Councilmembers at (209) 571-5169 or fax them at (209) 571-5586. Individual Councilmember e-mail addresses can be located at www.modestogov.com/council.