

LOOKING AHEAD: A BRIGHTER OUTLOOK



A Citizen's Guide to the Adopted Budget FISCAL YEAR 2006-07

As part of our continued effort to involve residents in the process of governing our community, we are pleased to present the City of Modesto's "Citizen's Guide to the Adopted Budget".

Recent Trends Reversed

When faced with growing costs that outpaced moderate revenue increases, the Council applied sound fiscal policies to the Budget for Fiscal Year (FY) 2005-2006 by reducing expenditures in all departments. These included reductions in the number of police officer positions, the spring/summer park recreation programs, and tree planting and maintenance. The combined budget cuts to the General Fund totaled \$3.56 million, decreasing the FY 2005-06 operating budget to \$293.5 million.

However, because of a strong growth in property tax and the Council's leadership, the City closed the structural deficit in General Fund spending while also providing for high priority needs. After recent years of mounting budget cuts, the City was able to expand services in key areas adding 25 public safety positions since June 2005, restoring funding for tree programs and funding additional street maintenance.

The Big Picture – All Funds

The FY 2006-07 operating budget totals \$313,257,874 in expenditures from all funding sources against projected revenues of \$325,591,722 (these figures include transfers between funds).

The General Fund

The General Fund is the primary operating fund of the City. In order to be prepared for unforeseen financial emergencies Council policy requires that an 8% General Fund reserve be maintained. Growth in property tax revenues and departmental savings from FY 2005-06 caused the City reserve to exceed the 8% re-

serve minimum. During the budget process the policy decision was made to expend reserve funds above the 8% level on one-time expenditures.

As a result, \$6 million in General Fund reserves will be spent on street and road maintenance projects; curb, gutter, and sidewalk repairs; park infrastructure; rockwell rejuvenation; storm drain leaf collection efforts; improvements on the police training site, and certain on-going public safety expenses. This strategy allows the City to effectively use resources without incurring on-going expenditures that will burden the General Fund in future years.

Including the reserve expenditures, the General Fund expenditures for FY 2006-07 total \$125.8 million with revenues of \$119.8 million. The revenue for this fund includes property tax, sales tax, and certain general-purpose revenues allocated by the State. Police and fire services account for almost three-fourths of the expenditures for this fund. Programs like parks, recreation, urban forestry, sidewalk maintenance, economic development, and general government make up the balance. The FY 2006-07 Budget allows the City to allocate \$12 million more to these programs than in FY 2005-06.

State Fiscal Impacts

Between 1991 and 2005, the State of California diverted about \$39 million of local revenue from the City of Modesto to deal with the State's budget woes. Included in that amount is the \$4.2 million the City paid between FY 2004-2006 for costs associated with Proposition 1A. However, now that the annual payments have come to an end, an additional \$2.1 million can be programmed to meet community needs.

The Governor's proposed budget includes \$98.1 million for repayment of deferred mandate claims, and

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the State Controller anticipates making full payment on the FY 2004-05 claims and about 22% of each FY 2005-06 claim. The City currently has about \$2.7 million in outstanding claims against the State.

In two of the last three years, the State has diverted revenues from the sales tax on gasoline (Proposition 42). In FY 2005-06, however, the City received nearly \$868,000 in Proposition 42 funding and the Governor recommends full funding for FY 2006-07. Due to the Maintenance of Effort (MOE) requirement though, the City must spend almost \$1.7 million on transportation related upkeep to receive their Proposition 42 allocation.

Budget Changes and Other Issues

The operating budget for FY 2006-07 includes several structural changes related to previous Council decisions. Some of these changes include moving the Pruned Refuse Collection Program and the Community Forestry Program to the General Fund from the Sewer Fund and the Special Gas Tax Fund, respectively. Also, the City will monitor the first full-year funding of contractual park maintenance services provided by Grover Landscaping.

To subsidize recurring deficits to the Storm Drain Fund, the City will transfer \$319,000 from the General Fund while looking to pursue other ways this fund can become more sustainable.

Legislation enacted in 1990 authorized counties to charge local agencies a fee for booking individuals into the county jail. In 1999, the State amended this action to reimburse local agencies, yet in FY 2005-06 these reimbursements were deleted from the State budget and counties were directed to only collect one-half of their current fee. Stanislaus County's booking fee is currently \$88.26 per arrest, and in line with State budget action, the City pays just one-half of the cost, or \$44.13. If the status quo remains, the City's

budgeted \$400,000 for booking fee payments is likely sufficient; however, if, as intended, the County adopts an increased fee, this amount will be inadequate. In that event, budget adjustments may be necessary.

Conclusion

The operating budget for FY 2006-07 continues to support the Mayor and Council's policy of maintaining a long-term sustainable budget. This budget ends several years of unplanned deficit spending and reverses a trend of budget cuts that occurred during those years. There are no budget or service level reductions in General Fund programs; however, reductions can be seen in the Storm Drain Fund to balance that fund. Though the total revenues have significantly increased, the budget is responsible and supplements financial reserves for the future.

This budget addresses many of the services and programs that make a community a home: beautiful parks, well-maintained recreational facilities and cultural activities. It continues to provide and expand funding for police and fire services to help protect the safety of the public.

We wish to thank you, residents of Modesto, for your involvement and feedback during the development of this budget. We also extend an open invitation to all citizens to continue to participate in the government process by attending City Council meetings so that your voice can be heard concerning the issues that face your community.

Accessing the Budget

Online versions of the City of Modesto's operating budget for FY2006-07 can be found at:

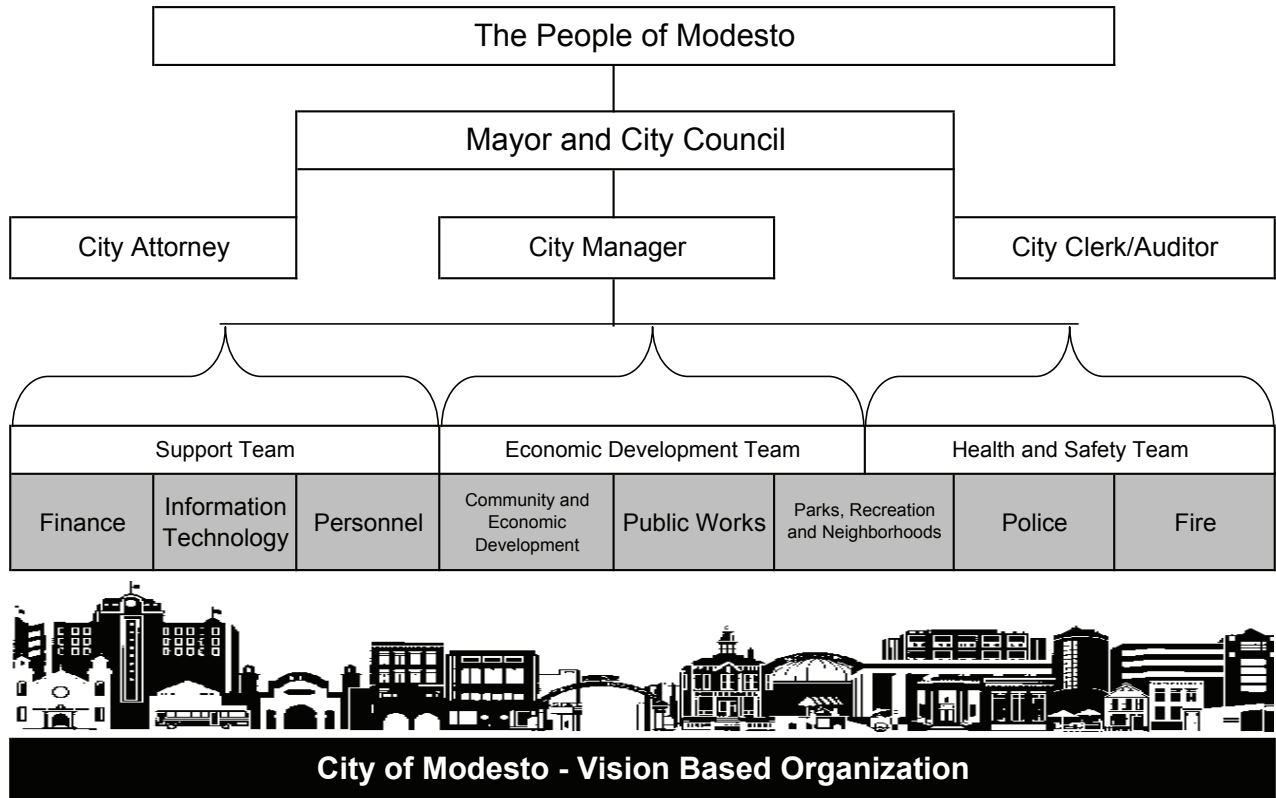
www.modestogov.com/fin.

For more information about the City budget, please contact the City's Finance Department at: (209) 577-5369.



Our Vision of Modesto:

A healthy, safe, attractive, economically vibrant, socially and culturally diverse city with a strong sense of identity and pride - a community engaged in the practice of citizenship with governance based on the principle of stewardship.



City News...

- The Virginia Corridor Rotary Centennial Junction is a 4.2-mile Class I trail system along the old Union Pacific Tidewater Southern railroad corridor. This project's total funding is \$3.76 million from various sources including the City, the five Modesto Rotary Clubs, and federal grants.
- During FY 2006-07 Sylvan Avenue from McHenry Avenue to Coffee Road will be reconstructed - \$3.8 million will be spent on this effort.
- The Tuolumne River Regional Park Gateway is a 90 acre parcel that will provide recreational opportunities, an amphimeadow, and public access to the river. The first phase of construction is estimated at \$7.5 million with full project costs at nearly \$22 million.
- Freedom Park and Sanders Park are two 7-acre

neighborhood parks in construction in northeast Modesto. The funding for these projects is more than \$4.6 million.

- The City has added 12 new fire fighter positions to the Fire Department. This translates into a \$1.25 million expenditure.
- Five new police officer positions have been added to the Police Department at a cost of \$441,000.
- The City started construction on a \$5.4 million Neighborhood Center at Marshall Park which includes a fire station and a joint Police and Parks, Recreation, & Neighborhoods Departments office facility. It is the first of its kind in Modesto and emphasizes the desire of the City of Modesto City Council and staff to provide neighborhood-based services.

BUDGET AT A GLANCE

City of Modesto 2006-07 Operating Budget

Fund (s)	Revenues	Expenditures	Difference
General Fund	\$ 119,811,989	\$ 125,822,071	\$ (\$6,010,082)*
Gas Tax Fund	\$ 9,079,845	\$ 8,887,213	\$ 192,632
Utilities	\$ 83,621,908	\$ 60,660,777	\$ 22,961,131
Internal Services	\$ 77,875,633	\$ 76,375,832	\$ 1,499,801
Debt Services	\$ 4,230,666	\$ 3,678,228	\$ 552,438
Other	\$ 30,971,681	\$ 37,833,753	\$ (6,862,072)
Total (with transfers)	\$ 313,257,874	\$ 325,591,722	\$ 12,333,848

*\$6 million from reserves was approved to help fund one-time capital expenditures for street and road maintenance projects; curb, gutter and sidewalk repairs; park infrastructure; rockwell rejuvenation; storm drain leaf collection efforts; improvements to the police training site and certain on-going expenses for public safety.

