



CITY OF STOCKTON

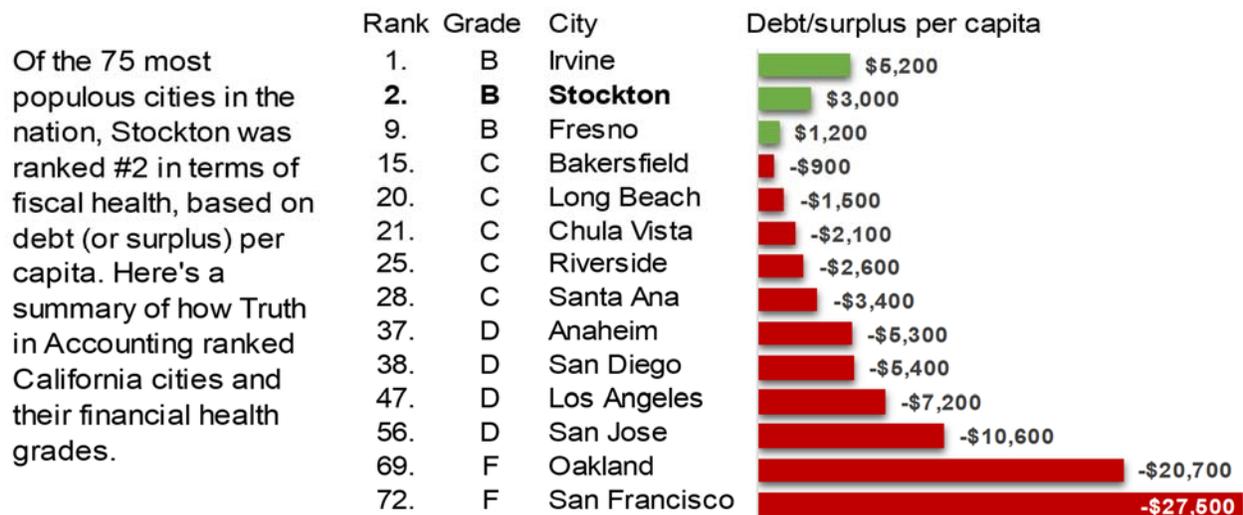
May 15, 2018

BUDGET MESSAGE

On behalf of a dedicated team of municipal finance professionals, I am pleased to present the City of Stockton proposed budget for Fiscal Year (FY) 2018-19. As the costs of doing business continue to rise, even maintaining existing levels of service is becoming much more expensive. Beyond the legal obligations for the budget to be balanced for the proposed 12-month period, Stockton’s history imposes an additional, ethical obligation for the budget to be balanced in the long-term as a testament to having learned valuable lessons from the past. In addition to the probability of a future market correction, this is particularly important because we have a series of anticipated cost increases that will cause expenditures to temporarily exceed revenues in the future. I’m pleased that this budget meets both the legal and ethical standards that have redefined our budgeting process and reflects both the lessons and frustrations of the past.

The global foresight and fiscal discipline demonstrated by the Mayor and City Council in recent years have situated the City in a strong financial position. By making so many tough spending decisions in recent years, the City has traded short-term discomfort for the long-term stability that ensures against ever returning to the unbearable consequences of myopic budgeting. The non-profit *Truth in Accounting* acknowledged these practices when it evaluated the fiscal health of the largest (by population) 75 cities in the United States and ranked Stockton as #2, beating out every major city in the country with the exception of one.

FISCAL HEALTH OF CALIFORNIA CITIES



"Financial State of the Cities: an annual report by Truth in Accounting" Truth in Accounting. www.statedatalab.org

Sforza, Teri. "Irvine is ranked the No. 1 city in the nation for good fiscal health, report says." The Orange County Register 23 January 2018, <https://www.ocregister.com/2018/01/23/ca-city-finances-many-are-broke-and-not-telling-you-about-it/>

CITY OF STOCKTON

In recognition of the constrained nature of this budget, the Mayor and City Council conducted a strategic planning session to establish priorities for the year. This process, combined with additional input collected throughout the year from public hearings, citizen boards and commissions, neighborhood meetings, and public comments provided guidance for the compilation of this document. The proposed budget is aligned with those priorities to the extent possible.

Solvency can be measured a number of ways. Budget, cash flow, and long-term solvency are measurements that received the highest priority as Stockton recovered. Service-level solvency, however, remains an issue worthy of time and attention. Finding ways to increase the level of service for Stockton citizens, while not compromising the other solvency measurements, is a constant struggle. Not only have we not recovered the workforce losses of the Great Recession (up to 43% for non-public safety workers), the population we serve has grown since that time. This places strenuous demands on front-line staff who provide basic services. This struggle to balance different types of solvency is the reason so many pressing needs remain unfunded in this proposed budget. The Mayor and Council’s commitment to in-depth consideration of the long-term fiscal implications of decisions can sometimes be unpopular but is necessary if the City intends to keep its fiscal promises. Budgets are statements of values, and this budget says Stockton values fiscal discipline with measured growth in service-levels for Stockton citizens.

BUDGET OVERVIEW

The proposed expense budget totals \$709.4 million for all programs, funds, and departments of the City, which is an increase of \$83.1 million or 13% from the FY 2017-18 adopted budget. The components of the increase are \$35.9 million more for operations, \$12.1 million for debt service, and \$35.1 million more in capital purchases for projects and equipment. The \$35.9 million increase for operations is primarily due to public safety and utilities cost increases, debt, and the additional recreation and library services funding provided by the voter-approved Strong Communities initiative.

An infusion of roadway and transportation funding by federal, state and local governments and the initial phase of the wastewater plant modification project are the primary drivers of increased appropriations for capital projects. The City is taking advantage of every opportunity to maintain and improve its facilities and infrastructure and is vigilant in identifying alternatives to general purpose funding.

The table below summarizes the proposed FY 2018-19 Annual Budget by major fund or program:

City-wide Expenditure Budget	2017-18	2018-19	
All Funds	Budget	Proposed	Change
General Fund	\$ 217,054,403	\$ 220,615,124	\$ 3,560,721
Utilities	126,973,490	135,684,217	8,710,727
Other Community Programs	70,384,477	90,367,015	19,982,538
Capital/Street Maintenance	37,530,287	60,712,662	23,182,375
Debt Service	13,798,456	22,429,736	8,631,280
Housing Grant Funds	9,510,653	8,992,934	(517,719)
Special Districts/Special Funds	6,182,566	6,879,067	696,501
Low & Mod. Income Housing	2,673,620	3,427,242	753,622
Internal Services	142,246,030	160,311,238	18,065,208
	<u>\$ 626,353,982</u>	<u>\$ 709,419,235</u>	<u>\$ 83,065,253</u>

CITY OF STOCKTON

Citywide estimated revenues, including internal service fund charges, are \$630.9 million for FY 2018-19 for all City programs, funds and departments, which is an increase of \$25.5 million. The major operating components of that revenue increase are comprised of \$5.8 million from increased tax revenues, \$4.9 million in utility fees, \$5.6 million for street and capital project funding, and \$3.9 million for development and fire permits, fees, and inspections. With transfers between City funds, total sources of funding are \$678.5 million. The balance of funding for the FY 2018-19 expenditures of \$30.9 million is from available balances in the various city funds.

The overall health of the City's various funds is promising as progress is being made toward reserve targets, liabilities for claims are nearly fully funded, and our comprehensive financial planning efforts continue to use realistic and fiscally conservative projections. Each budget cycle is a balance between maintaining the City's financial health and addressing needs for services, equipment, and facility upkeep. While Stockton has become more financially healthy, there continue to be needs in excess of \$1.3 billion for facility and infrastructure projects throughout the City.

Citywide workload demands continue to exceed available resources. Labor and materials costs continue to rise, calls for Police and Fire service have grown, Public Works is challenged to deliver projects made possible by new transportation revenues, and the value of permits already processed by the Community Development Department this year surpassed total activity for FY 2016-17. The FY 2018-19 budget incorporates 17 additional full-time positions (5 Community Development, 6 Public Works, 4 Fire Prevention and 2 Fire Emergency Communications), fifteen of which will have no impact on the General Fund, with the remaining two fire telecommunicator positions partially funded by contracts with surrounding communities.

Pension costs are increasing in a manner consistent with what we expected and have planned for in the Long-Range Financial Plan (L-RFP). The City contracts with the CalPERS to administer retirement benefits of City employees. As the largest fund of its kind, CalPERS enlists a legion of actuaries and investment professionals to manage over \$350 billion worth of assets for 1.9 million state, county, and local government employees. The CalPERS Board of Trustees recently adopted a change in the expected investment rate of return (discount rate) because the most recent recession was deeper and more prolonged than the historical norm. The CalPERS Board reduced the assumed long-term discount rate from 7.5% to 7.0% which strengthens the fund in the long-term but raises our costs in the short-term.

To further reduce risk and improve its ability to provide promised benefits, the CalPERS Board also reduced the unfunded liability amortization period from 30 years to 20 years. The reduced period further increases the City's pension costs. To put this change into perspective, the City's unfunded liability portion of our CalPERS payment was \$25 million in FY 2017-18 and will increase to \$30 million in FY 2018-19. The payment continues to increase approximately \$5 million each year, topping out at \$60 million per year between 2030 and 2036. This unfunded liability payment is separate from the normal cost that is paid by the City and our employees. In 2018, the Mayor and City Council took action to save for these annual increases by setting aside over \$21.2 million in a separate IRS Section 115 plan to improve earnings and maintain flexibility to meet these increasing costs. This is precisely the type of prudent planning that is securing our financial future amid a changing fiscal environment.

Influencing Factors and Significant Trends

Four constraining factors significantly influence the decisions made in this budget: cost increases to existing service levels, deferred maintenance and aging equipment, revenue shifts, and the City's optimization of its resources.

Cost Increases to Existing Service Levels

The cost of doing business continues to increase and the regulatory environment in which we provide services continues to demand more resources. The City incorporated long-range cost increase assumptions in its Long-Range Financial Plan (L-RFP), which also assumes a consistent service output. While these assumptions have largely proven to be accurate, the increase in some areas have exceeded expectations. The assumptions have mitigated the impacts, but the impacts still need to be addressed.

Parks maintenance – Costs increased by approximately \$1.0 million to maintain turf, restrooms and parking lots at parks throughout the City. These areas are utilized by many residents for recreation and leisure and would be very expensive to rehabilitate if allowed to deteriorate. Traditionally, cost increases in providing a service are addressed by decreasing the level of service in order to match the cost with the available funding. In this case, the item is complicated by the passage of the Strong Communities Initiative by Stockton voters. Without the initiative, the service-level would be decreased to match available resources. Instead, the passage of the measure is creating a new General Fund burden in order to meet expectations.

Utility costs – The City provides water service to the majority of Stockton, however, a separate company provides service to a portion of the Stockton area. Water rate increases from the California Water Service Company, which provides water at several of the larger parks increased 24% in 2017 and 7% in 2018, which exceed previous long-term expectations. The parks utility budget has also been impacted by the City's utility increases in the last two years to a lesser extent.

Animal shelter – Following a period of underperforming live-release rates at the animal shelter, the San Francisco SPCA donated major resources to assist us in improving outcomes for animals while living within our financial means. The six-year partnership with the current provider of animal shelter medical services ends on June 30, 2018, and another service provider is prepared to continue the same work but at a much higher cost. Maintaining some level of improved outcomes for the animals in the absence of assistance from the San Francisco SPCA will require substantially more money. Additionally, those better outcomes correspond to increases in costs for medicine and supplies for the treatment of the animals.

General liability claims costs – As a result of exiting bankruptcy protection, more general liability claims are being filed against the City. The City has implemented procedures to manage claims, and even though many claims may not result in settlements against the City, the costs to manage and administer the increased volume are increasing significantly.

Prevailing wage law changes – Separate from the City's Community Workforce Training Agreement, contract costs for construction, maintenance, and repair services increased significantly as a result of Senate Bill 7 (SB7). Passed in 2013 by the California Legislature, SB7 requires prevailing wages be paid in many more situations than previously required. The effect on local governments has been a significant drop in the number of bidders, a significant increase in the cost of services for construction, maintenance and repair work, and delays to acquire

qualified contractors. The economic upturn also made the construction market more competitive, resulting in higher costs.

Deferred Maintenance and Aging Equipment

Deferred facility maintenance, aging equipment, and obsolete technologies are citywide concerns, whether funded by general government taxes or user fees.

Public safety facilities – Renovations are needed for existing police and fire facilities, and as a result of the City's expanded police workforce, new police facilities are desperately needed.

Wastewater facility – As previously approved by the Mayor and City Council, the Municipal Utilities Department is embarking on a multi-year energy management modification project of its wastewater control facility estimated to cost more than \$150 million. Upgrades are necessary for the City to meet stricter treated wastewater discharge limits required by the State of California. The project's size and scope may influence the wastewater utility rates in the future.

Infrastructure projects – In 2017, the State legislature passed Senate Bill 1 - The Roadway Repair and Accountability Act (SB1) for local area roadway maintenance and repair projects. Current information from the State indicates SB1 will provide between \$5 million and \$7 million per year to the City for the next ten years. This infusion constitutes a 25% increase in funding for transportation-related capital projects.

Revenue Shifts

Revenues could be affected by both local and national trends, making the City's forecasting very important for the future. Locally, recent improvements in revenue also triggered a bankruptcy settlement provision that increases a creditor payment. The payment will share the General Fund revenue increase until the settlement provision is no longer in effect. Across the nation, changes in technologies and consumer spending have eroded traditional government utility and franchise fee revenues that telephone and cable companies historically provided. Furthermore, retail establishments are experiencing an overall decline in in-store revenue as online revenues correspondingly increase leading to a reduction in local sales tax. The changing revenue environment will require increased vigilance to ensure accurate forecasting in the future.

Leverage Resources

In FY 2017-18, the City took advantage of an opportunity to invest some of its cash in an IRS Section 115 plan that maximizes earnings and maintains greater flexibility to meet future pension obligations. This separate plan designates dollars specifically for retirement while allowing flexibility in how much, when, and what (normal cost payments or unfunded liability) the City pays to CalPERS. The plan's investments are subject to different rules than the City's operating cash, which is governed by State law, and are expected to yield more than the City's traditional investments.

In FY 2018-19, another opportunity exists for the City to pay off debt owed to third parties and save approximately \$2.0 million. Internal service fund cash reserves for claims projected to be paid more than ten years in the future could be borrowed by other City funds and used to pay off existing debt. The Parking Authority and Fleet funds would then make scheduled loan payments to the Workers' Compensation internal service fund at amounts lower than they were obligated to pay the third parties based on a 2% interest rate, which is what the City's investments have historically yielded. The FY 2018-19 budget also pays off the Civic Auditorium HVAC lease one year early to save approximately \$25,000 in interest payments. These debt restructurings provide additional operating funds in FY 2018-19 and future fiscal years.

City Council's Strategic Targets, Priorities & Goals

Over the past three years, the City has made significant progress toward fulfilling a sound strategic vision. In February 2018, Council conducted a planning workshop which culminated in an updated list of strategic targets and tiered priorities for 2018. Highlighted below, and included in the department narratives, are some of the recent accomplishments as well as plans for FY 2018-19 to keep the City on the path toward achieving your goals.

Strategic Target - Fiscal Sustainability

Accomplishments

- Set \$21.2 million aside in an IRS Section 115 retirement trust for pension funding demands, and utilize higher earning potential while maintaining control and flexibility of our investments.
- Received responses for an Enterprise Resource Planning (ERP) system, which is the start of a multi-year financial and human resources system migration project.
- Bond ratings for general obligation indebtedness improved.
- Purchased a site for a future City Hall (Waterfront Office Towers) without incurring additional debt.
- Reduced the unfunded liabilities in the Workers' Compensation internal service fund faster than anticipated.

Goals

- Adopt annual budget consistent with the L-RFP.
- Leverage resources to maximize cash efficiency.
- Provide financial updates to rating agencies for review of bond ratings.
- Develop a Community Facilities District policy for new development to pay for related services.
- Develop a long-range financial plan for the Municipal Utilities Department enterprise funds.

Strategic Target - Public Safety

Accomplishments

- Received a Homeland Security Platinum Award for best crime prevention program.
- Received grant funding for firefighting equipment.
- Received an award from the U.S. Department of Justice for officer wellness.
- Replaced many pieces of capital equipment vital for safety and medical response.

Goals

- Evaluate and improve service delivery
- Implement advanced technologies
- Develop and retain safety personnel
- Strengthen community relationships

Strategic Target – Economic Development

Accomplishments

- Hosted events to address food insecurity and to connect businesses with funding, exporting and marketing resources.
- Served 4,578 homeless people with Emergency Solutions funding.
- Received and administered Federal funding for affordable housing programs and projects.
- 11% increase in downtown venue attendance.
- Received a \$600,000 brownfields grant to assist in pollution remediation.
- Rehabilitated 176 rental units and rented to low-income households.

Goals

- Provide business programs with tools for the underserved neighborhoods.

Strategic Target - Infrastructure

Accomplishments

- Successful roll-out of electronic plan checking.
- Processed 7,097 permits, an increase of 5% from the previous year.

Goals

- Coordinate the management and relocation of City offices to the Waterfront Office Towers property.
- Complete the 24-month General Plan update project.
- Complete the document digitizing project for greater efficiency in processing plans.

Recap of Major Funds

General Fund – Summary

General Fund expenditures decrease \$7.5 million in FY 2018-19 compared to FY 2017-18 year-end projections due to the one-time \$8.8 million Waterfront Office Tower purchase. Expenditures increased nearly \$3.5 million (2%) from \$217.1 million originally adopted in FY 2017-18 to \$220.6 million proposed in FY 2018-19. The most significant cost increases are related to the rise in pension costs, but increases for water to irrigate parkland, contracts for park maintenance and the service level at the animal shelter comprise \$1.4 million alone.

Operations in the General Fund in FY 2016-17 left the City with the ability to meet three of its reserve targets; \$36.2 million for working capital, \$5.0 million for risk-based events, and \$48.2 million for anticipated cost increases such as pensions, City Hall relocation, and ERP.

As shown in the table below, the General Fund is projected to end FY 2017-18 with \$47.2 million of which \$36.8 million will be allocated to the working capital reserve based on FY 2018-19 expenditures.

CITY OF STOCKTON

<u>General Fund Budget</u>	<u>FY 2017-18 Projected</u>	<u>FY 2018-19 Proposed</u>	<u>Change</u>
Beginning Available Balance	\$ 36,183,616	\$ 47,175,313	
Revenues	225,001,691	229,605,124	4,603,433
Expenditures			
Police	116,962,807	123,460,656	6,497,849
Fire	43,954,948	44,217,062	262,114
Other Programs	67,231,381	52,937,406	(14,293,975)
	<u>228,149,136</u>	<u>220,615,124</u>	<u>(7,534,012)</u>
Prior Year Commitments*	<u>14,139,142</u>	<u>-</u>	
Ending Available Balance	\$ 47,175,313	\$ 56,165,313	

*Adjustments include encumbrance and Council approved program carryover from prior year.

The L-RFP is modified on an on-going basis to incorporate actual results and changes in expectations or events. From using this powerful tool, staff can determine that these savings will be best utilized for one-time, rather than on-going costs because the evidence does not support the ability of the General Fund to sustain on-going increases. Large-scale demands for facilities and infrastructure looming for the General Fund include the ERP project, emergency communication infrastructure, and facility repairs and remodel projects in the police station, animal shelter, and ice rink.

General Fund – Revenues

General Fund revenues in FY 2018-19 are estimated to total \$229.6 million, an increase of \$4.6 million over the current FY 2017-18 anticipated receipts.

Sales taxes, including the Measure A transaction and use tax, make up the largest segment of General Fund revenue and are estimated to be \$79.8 million in FY 2018-19. This amount is a \$1.5 million (+2%) increase from the current year. We anticipate the highest sales tax growth rates to be in the restaurant, hotel, food, pharmacy, and fuel service station categories. Retail sales based taxes for Measures A, W, and Strong Communities are also projected to increase by 1%.

Property tax revenues continue to grow due to increases in assessed values as Stockton's economic rebound trailed many other California communities. The estimated overall growth in real and personal property tax receipts is expected to be \$2.0 million (+4%).

Utility Users Taxes (UUT) makeup 15% of General Fund revenue and are projected to experience a 3% increase or \$0.9 million from rate increases in water, electricity, and gas. Cable TV tax is expected to rebound slightly while telecommunications proceeds continue to drop. It should be noted that each sector of the UUT revenues continues to be vulnerable to market conditions and industry advancements such as conservation efforts, solar energy usage, cable video alternatives, and federal laws regulating taxation of internet usage.

Franchise Tax revenues are estimated to increase 5% from increases in rates for electricity, gas and refuse removal, whereas other City revenues for licenses, taxes, fees, and investment are expected to grow by only 1%. Business license revenue from cannabis businesses is not increasing as expected for FY 2017-18. The revised current year revenue estimate is 6% lower

CITY OF STOCKTON

than anticipated and FY 2018-19 revenues are expected to yield \$300,000 more than FY 2017-18 projections.

California wildfire mutual aid response by the Stockton Fire Department resulted in Federal and State reimbursement revenue of over \$1.0 million in the current year. No wildland fire mutual aid reimbursements are assumed in the FY 2018-19 budget, as they can fluctuate and are not readily estimable, so the City records them as they are incurred. Regular annual contracts for fire services to surrounding communities will increase 7%, which forms the basis for the change from the prior year.

General Fund – Expenditures

Proposed General Fund expenditures in FY 2018-19 are \$220.6 million. The FY 2018-19 Budget includes almost \$407,000 in one-time funding for Council priorities compared to \$2.0 million in FY 2017-18 and \$3.3 million in FY 2016-17.

In addition to operating cost increases, Departments requested an additional \$26.5 million for expanded programs and services, of which the City could afford to fund \$2.2 million. These increases are summarized below.

Public Safety

General Fund public safety expenditures are increased \$1.5 million for both items with ongoing costs and one-time expenditures.

<u>Ongoing</u>	<u>One-time</u>	<u>Description</u>
	68,336	Backup generator for emergency communications and equipment for reserve engines
	23,403	Replace emergency reporting software
	45,213	Replace breathing apparatus fill station
	100,000	Animal shelter medical services contract start up
27,500		Equipment replacement, tactical medical training
345,000		Increased cost of fiber optic access for camera systems
758,485		Animal shelter contract service & medicine cost increase
100,000		Code enforcement claims litigation
<u>8,000</u>		Develop a database for the Ceasefire Program
<u>\$1,238,985</u>	<u>\$236,952</u>	Total

Economic Development

A total of \$75,000 in one-time funds is proposed for incentive programs to assist businesses with repairs and in hiring local residents.

CITY OF STOCKTON

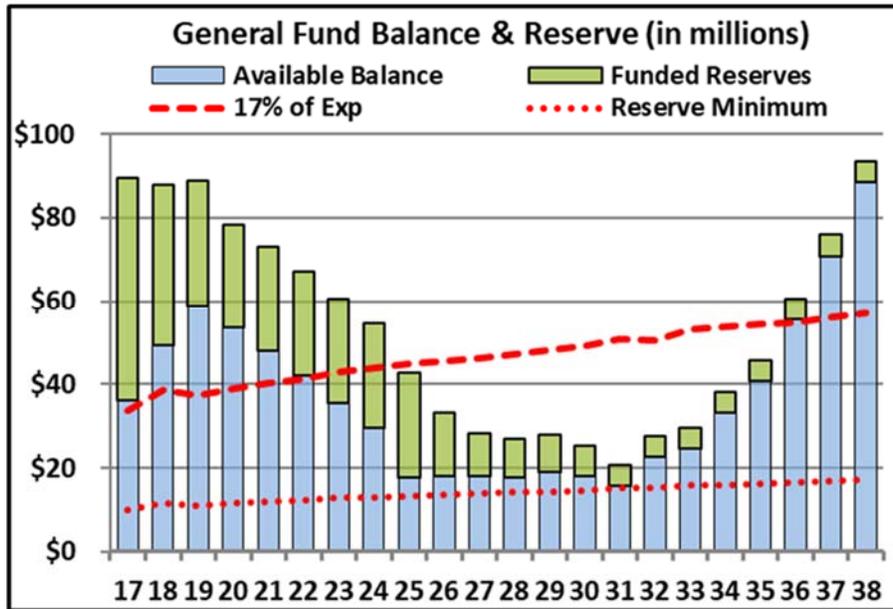
Infrastructure

Stockton has over 625 acres of parkland to irrigate and maintain. On-going cost increases in water, power, turf maintenance and restroom janitorial services exceed \$800,000 to maintain the same level of service and preserve the urban landscape. Two other one-time items for infrastructure are \$45,000 to bring the Stewart Eberhardt Building into compliance with fuel storage regulations and \$50,000 for emergency tree removals.

Long-Range Financial Plan

The General Fund L-RFP has been updated to reflect current expectations for revenue, expenditures and economic conditions as presented to Council on May 1, 2018. The L-RFP incorporates the recently approved CalPERS rate adjustments, the impact of the Strong Communities Initiative, labor agreement terms effective through June 30, 2019, and the same long-term labor rate assumptions used during the bankruptcy process. General Fund contributions to library and recreation activities are limited to the maintenance of effort (MOE) requirement contained in the Strong Communities ordinance during the years when the tax is in effect. Because the Strong Communities revenues will be used to increase services, the financial model includes a \$14.2 million General Fund increase beginning FY 2034-35 under the assumption the transaction and use tax is not renewed.

The following graph illustrates the short and long-term General Fund available balance forecast compared to the target 17% Working Capital Reserve and a 5% warning level.



The graph reflects how the General Fund available balance is anticipated to drop below the goal for a 10-year period between 2026 and 2035 before stabilizing again at or above 17% target required for normal operations. The green bars represent reserves at June 30, 2017, which have been approved by Council and would be utilized as needs within these categories occur. More information on the L-RFP can be found in the General Fund section of this document.

Utility Funds – Summary

The Municipal Utilities Department (MUD) water, wastewater, and stormwater funds present unique long-term challenges. Maintaining and improving capital facilities is an important part of the utilities' ability to comply with regulations and operate efficiently. Capital project cost of \$22.5 million are budgeted to begin in FY 2018-19. Each utility will require close observation and careful analysis to maintain the appropriate level of fiscal health and meet debt coverage ratio requirements.

The City did not increase wastewater rates in FY 2017-18 and does not plan to increase rates in FY 2018-19. A comprehensive independent rate study will be conducted in FY 2018-19 to determine the appropriate rate structure going forward.

Water consumption rebounded 12% from the 28% decline that occurred during the drought. This increase allows the City to recommend suspending the drought surcharge in FY 2018-19. Base water rates will increase 3% on July 1, 2018, consistent with the 5-year water rate plan that Council adopted in 2016.

Stormwater fund deficits are so severe that the City has delayed important capital projects for years. The City's prior attempts to increase the rates through ballot measures have all been unsuccessful. More recently, new State regulatory requirements have also increased cost pressures on the utility. The combined need to ensure adequate storm drainage and meet heightened regulatory requirements will likely necessitate a future rate increase.

Capital Improvement Program

The FY 2018-19 budget for the Capital Improvement Program is \$70.3 million, an increase of \$33.6 million or 92% from the prior year. The increase is attributed to \$7.0 million for utility projects, \$5.3 million for recreation and library facilities funded by Strong Communities, \$5.9 million from land-based district funds, and \$7.7 million of transportation and roadway projects funded by federal, state and local resources, including \$5.4 million from SB1.

General government project appropriations of \$10.2 million reflected in the Capital section of the document include \$5.3 million from the Strong Communities Initiative to make major repairs to the aquatic, soccer and softball complexes, as well as fund a Troke Library remodel. The other general government projects include curb-gutter-sidewalk repairs in open spaces, a fire station roof replacement and repairs to the very popular interactive fountain at Weber Point Events Center.

The availability of federal and state grants for transportation and roadway projects increased markedly. Stockton applied for and was awarded nearly \$13 million to accomplish safe routes to school improvements, Miner Avenue street improvements, Weston Ranch pedestrian safety improvements, bridge rehabilitations, and other repairs to local streets. The City also benefits from increased sales tax revenue at the state and local levels by receiving appropriations specifically for transportation from the general sales taxes and the special taxes levied on gasoline and fuels. To deliver projects associated with the increased funding, the budget provides for six new positions in the Public Works Department.

The Municipal Utilities Department is continuing to budget new projects in the water utility to improve systems and treatment capacity; accommodate growth in demand; and manage water well acquisitions, rehabilitations, and abandonments. The wastewater utility is preparing for the

first phase of a large modification project of the 60-year old Regional Wastewater Control Facility, while projects in the stormwater utility remain greatly constrained due to the lack of revenue generating authority. Projects are limited to the funding available and with no fee increase since 1992, very little can occur beyond annual upkeep.

CONCLUSION

The responsible approach of delayed gratification will continue to create short-term service-delivery pressures as residents seek the higher levels of service they deserve. It will also position us to withstand the impacts of the next recession without the associated loss of jobs and services that we endured the last time. As our economy benefits from being in a mature phase of the fiscal cycle, we are taking advantage of new opportunities while, simultaneously, planning for the inevitable recession that will change the availability of those opportunities and revenues. With an eyes-wide-open approach to acknowledging and tackling upcoming fiscal challenges, we are well-prepared to maintain current service-levels and make limited strategic investments to continually improve the quality of life of Stockton residents.

Respectfully submitted,



KURT O. WILSON
CITY MANAGER