



May 15, 2025

Honorable Mayor and Members of the City Council:

### **CITY MANAGER'S BUDGET MESSAGE**

It is my privilege to present the proposed Fiscal Year (FY) 2025-26 Budget for the City of Stockton. As the recently appointed Interim City Manager, one of my initial responsibilities has been to guide the City through this critical budget development process.

Like many households and businesses, the City of Stockton continues to face considerable financial pressures. Inflationary costs, particularly in insurance and operations, are straining our ability to maintain services at current levels. Unfortunately, these rising costs have not been met with proportional increases in revenue. Both sales and property tax revenues, the primary funding sources for our core public safety operations, have largely plateaued over the past three years. This can be visualized in the graph below:



# CITY OF STOCKTON

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This proposed budget reflects a sober and forward-looking response to that fiscal reality. Economic indicators suggest flat or declining revenue growth in the near term, prompting us to evaluate where we can streamline processes, enhance efficiencies, and control costs. At the same time, we recognize that change brings opportunity.

Organizational transitions within City leadership this year have created space for rethinking how we deliver services, retain talent, and advance our priorities with greater purpose.

When expense requests were submitted and compiled, they exceeded projected revenues by more than \$14 million. In response, we have initiated a strategy to begin closing this gap and move toward structural balance. A revised budget, along with a plan for achieving this balance, will be presented for public review and Council consideration during the June budget hearings.

The FY 2025-26 Proposed Budget will focus on three strategic priorities: maintaining public safety, addressing homelessness, infrastructure and maintenance. These areas reflect the direction provided by the Mayor and City Council and are of utmost importance to Stockton's residents. This budget continues to prioritize targeted investments while preserving the City's commitment to responsible fiscal management.

I extend my appreciation to the Mayor and City Council for your continued leadership, and to the department heads, finance staff, and budget team for their dedication and diligence throughout this process. Stockton has a strong foundation and is well-positioned to build a resilient and brighter future.

Respectfully submitted,



Steve Colangelo

Interim City Manager