

the city budget

It is a shame that the City of Cheyenne has reached such a desperate need for money to, basically, "stay afloat" and, as a result, a mayor who had no role in causing the problem will be held accountable for the solution. It will not be an easy fix and it will be an unpleasant correction. Rick has become the shovel man behind the elephant in the parade.

It should never have reached this point.

This financial disaster was predicted by me here since 2002 and even earlier on a radio call-in program well before the Cheyenne Herald was established.

Instead of fiscal conservatism promised by Jack Spiker in the campaign of 2000 for mayor, as he had practiced as a city councilman, his administration tried, and largely succeeded, to spend every penny in the city coffers at the time he took office and every penny they could scrounge up over the next eight years.

At the end of the fiscal year Jack inherited (FY2001), there was \$16.5 million in reserves. Spending was at a pace of about \$28.6 million a year and the reserves at that point were sufficient to operate the City for well over half a year - even if not a nickel of additional money came in, which would never happen. In addition to the sizable reserves Jack inherited, there was another \$15 million in excess 5th penny sales tax collections for previous 4 year cycles and more accumulating every year. There was also \$2.5 million that had been set aside for the Heritage Fleet of rail cars that the City was trying to attract from Omaha. When the UP announced that the cars would be home-based in Council Bluff, Iowa, that money was added back to the kitty.

Then, by the time Jack had taken office in January of 2001, the State of Wyoming announced a contribution of ~\$7.5 million from their Rainy Day funds. The City could use that money for any project they wanted and they could have spent the money over a period of years because there was no guarantee that annual donations would be forthcoming.

Jack was simply not strong enough to hold off the likes of uber spenders Patrick Collins and Tom Segrave who had told voters in the 2000 campaign that they would spend all of the City's money, they would not save it. When I tried to convince the new mayor to spread the spending of that \$7.5 million over the next few years, he told me he had to spend it all in his first budget or "those guys" (Pat and Tom) would want to use it for their pet projects which included the highly unpopular North Cheyenne Park soccer fields. Jack asked each department head to propose what projects they would like to fund with the one-time payment and the wish list far exceeded \$7.5 million.

So, from the first spending actions of the Spiker administration in 2001 until the approval in 2009 to double permit fees for children selling soft drinks and snacks along the CFD parade route to generate revenue, obscene spending led to the deep hole the City finds itself in and Rick Kaysen now must extricate us from.

It will be unfortunate if city employees who were led to believe over the past eight years that the money supply would never slow or dry up - that there was a "money tree" - will now pay what they consider to be a huge penalty for being supportive to an administration that deceived them. But there is no way out of this hole.

The city treasurer has told the Casper Star-Tribune the trouble is even worse than has been reported in Cheyenne.

Year after year after year, city employees were given 5% annual raises. And more. For most Christmases, no matter how other local employers were struggling just to keep their group employed, the City was giving employees \$250 or \$500 Christmas gifts. And, instead of adjusting the wages of many in the sanitation and streets and alleys as Spiker and I had agreed upon, he made a 77¢ an hour pay adjustment to every city employee - including those with low evaluations, those who had just received a raise - even an abnormal "bump" in pay - and those making \$50,000 a year or more.

While that 77¢ an hour raise doesn't sound like a lot, when you give it to over 500 employees, it adds up to real change. Even the higher paid, salaried city employees had to appreciate the unexpected \$1,601.60 additional amount in their pay envelopes. And, of course, it was a gift that kept giving.

For those employed by the city when Jack was sworn in and still on board after his eight years, that 77¢ an hour raise brought them \$15,293.84 over eight years - compounded with the annual 5% increase employees received. That one-time adjustment did not affect the annual 5% raises. Employees still received those. Sit down for this. The poorly thought-out 77¢ "adjustment" has cost taxpayers \$7,646,920 (if all 500 employees there in 2001 are still with the City) - in addition to base wages and 5% annual raises compounded for 8 years.

When I challenged Jack about doing that instead of using more money for those who were getting their CDL's based on city training and then leaving for better paying jobs, I asked him if he understood how much that raise was going to cost the city every year. He told me that HR had calculated it and told him. But they told him what it would cost for the balance of that fiscal year - not what it would cost for an entire year. Jack did not know any better. He did not catch the deliberate deception. Math is not a strength.

Every proposal Rick comes up with will generate opposition from one group or another. The firefighters have collective bargaining rights and taking something away from them is like taking a bone away from a pit bull. The police department will have the public behind them if they claim that public safety would be compromised if they work fewer hours or lose their overtime or have to accept a reduction in pay. Every office in the city feels the same way.

But, if Rick doesn't tackle a reduction in force head-on, he cannot make an appreciable gain on the shortfall he faces. And likely will continue to face as the economy slowly recovers. Wyoming's economy is as dependent on the national economy as any other. Our natural resources are in demand in times of plenty, not so much so in dire times.

Most action taken will be slow in coming. There will be a lot of elected officials on bended knee, praying that somehow the revenue stream improves or that Wyoming legislators grant more money to cities, towns and counties and go without on the state level. That will not happen.

A symbolic reduction by city council members and the mayor might look good but it won't help much. This correction will have to be shared pain. One quick revenue source is to increase employees contributions to their health insurance premium by \$75.00 - \$100.00 a month.

Cost of the city audit with two CPA's on staff

Having two CPA's in the City treasurer's office hasn't reduced the cost of the City audit. In fact, it's gone up considerably.

Shockingly, since the time when there was no CPA in the treasurer's office in 2000, the annual cost for the audit has tripled. The audit agreement with the Casper auditing firm of Porter, Muirhead called for charges of \$18,500 for FY2000, and \$19,000 for FY2001 and FY2002, a three year contract for \$56,500. The deputy city treasurer, whose part-time arrangement recently caused much controversy, was an auditor for Porter, Muirhead during that time period.

The City switched to local CPA firm McGee, Hearne & Paiz LLP for the latest three completed fiscal years. How much experience they had in municipal audits is unknown. Porter, Muirhead was always considered the Wyoming leader for those audits. Contract No. 5083, dated June 11, 2007, called for a three year audit agreement for \$167,500 - \$52,500 for FY2007, \$56,400 for FY2008, and \$58,600 for FY2009. The latest audited financial statements were delivered to the City just before Christmas.

A comment in the file with the McGee contract stated "between auditing services to be provided for the City and BOPU, the proposed contract would result in approximately \$70,000 in savings."

Because the auditing contract is for professional services, it could have been negotiated. Based on what the County paid Porter, Muirhead for their latest audit, it is obvious that their charges have skyrocketed. The interesting thing is that having two CPA's on staff did not help the City keep the costs more stable. But money was no object during the aughts and this is one more expense that grew unchecked and unmanaged.

City of Cheyenne Elements of Financial Statements Compared				-- FY1998 through FY2009	
Period ended	Revenue	Spending/Transfers	Surplus/(Deficit)	Fund Balance	State Remittance to City
FY1998 (June 30, 1998)	\$26,482,543	\$24,694,882	\$1,887,661	\$ 7,244,135	\$14,414,290
FY1999 (June 30, 1999)	\$26,516,052	\$25,719,299	\$ 796,753	\$ 8,040,888	\$13,956,752
FY2000 (June 30, 2000)	\$30,012,313	\$26,768,032	\$3,244,281	\$12,472,873	\$16,044,595
FY2001 (June 30, 2001)	\$34,428,970	\$30,390,031	\$4,038,939	\$16,511,812	\$19,056,857
FY2002 (June 30, 2002)	\$37,043,160	\$39,629,157	(\$2,997,386)	\$13,514,426 (1)	\$21,362,665
FY2003 (June 30, 2003)	\$34,708,255 (2)	\$36,350,478 (3)	(\$1,642,229)	\$11,358,059	\$16,890,615
FY2004 (June 30, 2004)	\$36,166,485	\$39,472,350 (4)	(\$3,305,865)	\$ 8,052,194 (4)	\$17,653,379
FY2005 (June 30, 2005)	\$41,179,804	\$40,613,311	\$ 566,482	\$ 8,618,676	\$20,516,321
FY2006 (June 30, 2006)	\$45,227,716	\$45,514,884	(\$287,168)	\$ 8,331,508	\$22,987,244
FY2007 (June 30, 2007)	\$46,730,307	\$46,186,487	\$ 543,820		
		Add: Prior period adjustment	\$1,254,110	\$10,129,110	Did not access
FY2008 (June 30, 2008)	\$49,862,052	\$49,501,480	\$ 360,751	\$10,490,189	\$26,280,387
FY2009 (June 30, 2009)	\$50,171,109	\$52,040,784	(\$1,869,512)	\$ 8,620,677	\$26,046,249
FY2010 Budget	\$51,663,463 (5)	\$51,663,463 (6)	TBD	TBD	\$25,409,095 (7)

(1) The following year's audit changed this figure to \$13,901,950
 (2) Revenues showed \$1,128,210 related to the parking garage, which was a bond issue - subtracted here for comparisons
 (3) Expenditures showed \$9,576,697 related to the parking garage, which was a bond issue - subtracted here for comparisons
 (4) Mingling of funds for the parking garage creates much financial confusion for two years - the fund balance is right
 (5) FY2010 Budget has pencil adjustments in margin, no corrected copy was run. These numbers are incorrect but how much??
 (6) Same as (5) plus there are no Transfers out that usually adds \$1,500,000 - \$2,000,000 to need for revenue
 (7) State payment to City was changed downward by \$640,832 from original budget. Sales tax revenue was unadjusted.

Source: Annual audited financial statements. These audited figures do not agree with the figures used for budgeting purposes.