

CITY OF LARAMIE, WYOMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

The City's discussion and analysis is based on the City's financial activities for the fiscal year ended June 30, 2009. The narrative is designed to (1) assist the reader in focusing on significant financial issues (2) provide an overview of the City's financial activity (3) identify any changes in financial position (4) identify any material changes and deviations from the adopted budget and (5) identify any major fund concerns.

Financial Highlights

- The City's net assets exceed liabilities by \$159.2 million. There is \$36.3 million in unrestricted net assets (\$20.5 in Governmental Activities and \$15.8 in Business-type Activities) which can be used to meet government's on-going obligations and commitments to citizens and creditors in accordance with the City's fiscal policies.
- In FY09, the City's governmental activities net assets increased (\$9.9 million while the business-type activities net assets increased \$1.9 million compared to FY08. The City's total net assets increased by \$11.9 million for the current fiscal year.
- At fiscal year-end the City's total governmental funds, combined, ending fund balances reported were \$45.1 million. There remains \$9.0 million for payment of debt bond issuance for bonded capital projects within the Specific Purpose tax fund and \$10.6 million for Non-Major funds such as E911 and Recreation Center. The Debt Service fund has a restricted balance of \$8.5 million which is monies to be used to pay for Wyoming Territorial Park debt. The General fund balance is \$17.0 million. There is \$18.1 million of unrestricted fund balance in the General and Special Revenue funds which can be spent at City discretion or used to maintain operating reserve levels.
- While the State Legislature once again provided a two-year commitment, 2009 and 2010, for one-time over the cap severance tax monies, it did not give additional local governments a raise in tax portions above the caps set for state shared revenue to cities. In 2009, the City received funding of \$5,654,007 which was used to address key capital projects, purchase equipment and supplement operations.
- The City's debt decreased in total by \$2.6 million. In the governmental funds, debt decreased by \$1.7 million. Two leases were added this year totaling \$1,000,905. The majority of debt reduction was from Specific Purpose tax debt payments totaling \$2.0 million which is funded by additional sales tax penny collections. The Business-Type funds decreased in total by \$.9 million. A \$2,040,000 loan for Laramie North financed by Wyoming Water Development Commission (WWDC) was

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refinanced with water bonding to reduce the interest rate. In addition, the Main Lift Station project requested additional loan dollars from WWDC for \$234,918. There was one small landfill dozer lease addition for \$338,865.

City Highlights

- FY09, the Recreation Center had 3,780 active recreation center memberships at the end of the fiscal year which includes annual, six month and multiple pass memberships (2,569 individual and household annual memberships, 267 six month memberships, and 944 multiple passes). A total of 176,230 individuals used the recreation center facility over the past year, which is an average of 491 visits per day. While the annual and six month memberships have decreased from the previous fiscal year, the daily visits have increased by 16,643 over the same time period. The Recreation Center is supported by a \$2.2 million dollar recreation endowment where interest earned is used to support operations.
- The City created a new position in the Community Development Division of Water Resource Specialist. The City previously adopted the Casper Aquifer Protection Plan (CAPP). The purpose of the CAPP is to protect the recharge area of the Casper Aquifer which supplies all of the water to approximately 400 rural residences in Albany County and on an annual basis approximately 60% of Laramie's water supply. The CAPP is being implemented through the Aquifer Protection Plan Overlay (APO) zoning district, which was adopted by an ordinance. The APO establishes additional development standards and criteria for new projects located within the aquifer protection area to minimize risks and potential impacts from new development. The Water Resource Specialist will implement the APO standards.
- Community Development Planning Department finalized work on the Unified Development Code. The City continues to work on the Unified Development Code (UDC) to update the existing Laramie Municipal Code Titles (pertaining to development and zoning) into a single land development and zoning code. Many titles have become outdated, with conflicting regulations, and had been overly amended. As part of this effort, the City has established a special committee, the Zoning Advisory Committee (ZAC). The ZAC is intended to represent a cross section of the development community and will be comprised of with several Planning Commissioners and other Laramie residents.
- The design and initial construction of Laramie Fire Station #3 has been a prominent project for the City of Laramie during the past year. The Fire Station #3 is a 17,000 square foot facility is designed to notably improve emergency response times in the service area. This multi-purpose station will service not only the Fire/EMS divisions but also serve the County's

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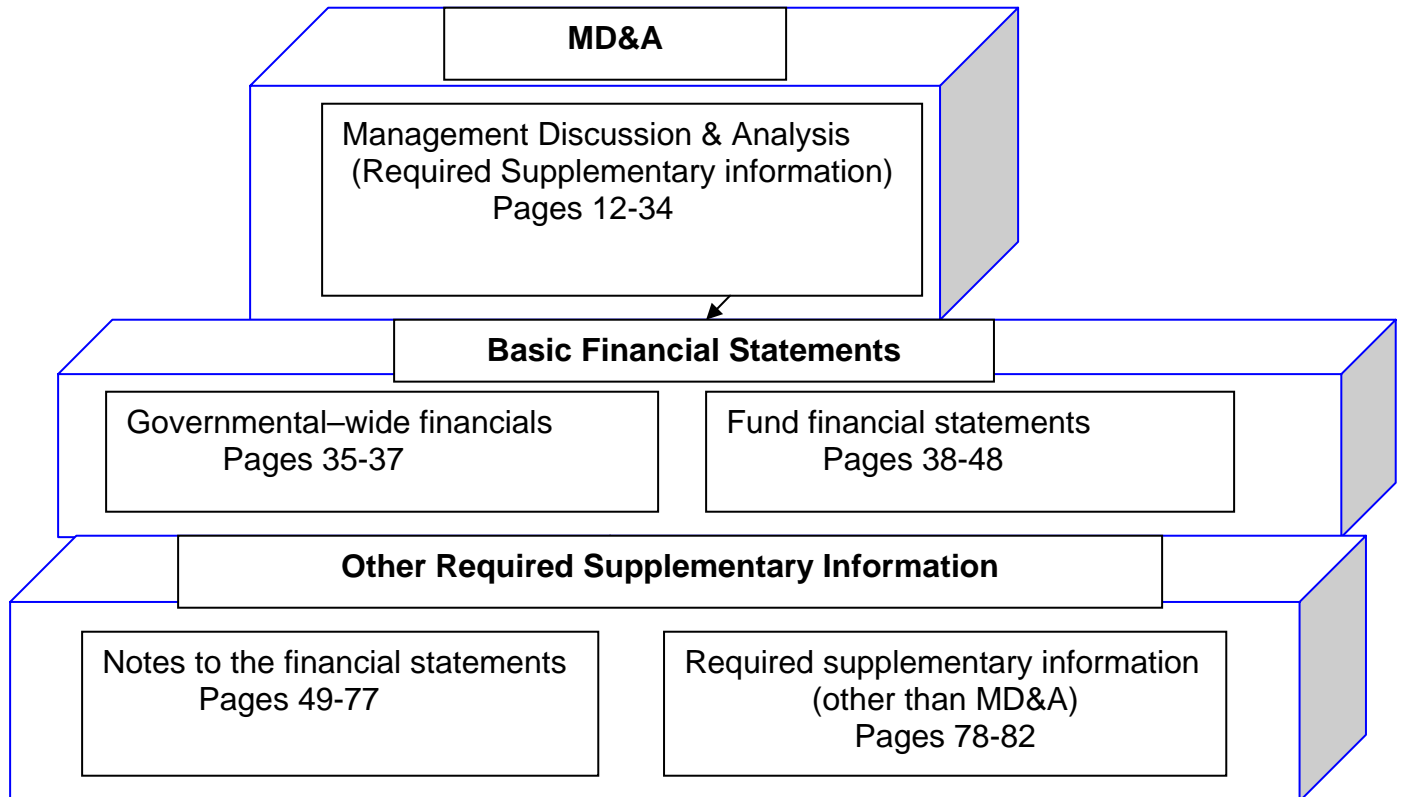
rural fire district. The station also has a community room for meetings and a basement area for the future development of an Emergency Operation Center (EOC). Design and construction of Fire Station #3 and the Emergency Operation Center is substantially funded through Wyoming State Land & Investment Board grants, We received \$3.2 million for the Station and \$300,000 for the Emergency Operation Center.

- In late 2008 the City of Laramie enlisted the Wyoming Survey & Analysis Center (WYSAC) to conduct the second iteration of the City of Laramie Survey. This mail survey was first conducted in 2006, and the Survey Research Center (SRC) of WYSAC fielded the current iteration of the survey during the final months of 2008, with data collection concluding in early January 2009. The purpose of this community survey is to assess levels of citizen satisfaction with services provided by the City, as well as to gather citizen perceptions, preferences, and attitudes about various issues relevant to the City of Laramie
- One concern frequently expressed by the City of Laramie Citizen's was keeping up with outdated City infrastructure. Based on the results of the Citizen survey, City of Laramie Council Members voted to hire independent water and waste water consulting firm to review infrastructure future needs as well as provide a rate analysis, cost allocation model and overall financial evaluation and model for the Water and Wastewater Funds. Red Oak Consultants from Denver, Colorado were selected to complete the task. Red Oak held public stakeholder committee meetings that represented and indentified a 10 year capital plan to aggressively replace infrastructure needs (water \$96M, waste water \$36M.) This included priority one water and sewer line replacements.
- In FY09, eligibility for Wyoming Water Development Commission (WWDC) loan and grant program changed statewide, requiring municipalities to provide a method of billing customers to promote water conservation. The City of Laramie responded by researching a rate structure that encourages water conservation for residential users. In light of this requirement, and in combination with the Red Oak rate study and recommendations, tiered rates or step rates based on water consumption are under consideration. Other user rates under consideration are based on Red Oak's analysis by user type; rates will be increased in these funds based on cost of service for the City of Laramie to provide services to individual user types as opposed to one flat fee for water flow as the City of Laramie has historically charged. Red Oak based the rates on the type of customer and water/sewer usage needs for each customer class; user classes include irrigation, commercial, multi-unit residential as well as other classes. The data used to establish and analyze these rates was provided by the City of Laramie Utility Billing system, in the form of actual

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usage and history from City of Laramie customers.

Overview of Financial Statements



The City's financial statements are comprised of three components: 1) government-wide financial statements 2) fund financial statements and 3) notes to the financial statements. The new focus of financial statements is based on the City as a whole (government wide financials) and the major individual funds. This allows for a broader comparison and enhanced accountability for the City's financials.

Government-wide financials

The government-wide financial statements (see pages 35-37) are designed similar to business or private sector statements in that the reporting of Governmental and business-type activities is consolidated into columns which total for the Primary Government. Government-wide statements consist of a statement of net changes and a statement of activities which are prepared to present the financial position and changes in balances for the entire government (except fiduciary funds) on a single measurement and modified accrual basis of accounting. This method measures cash and other financial assets that can be converted to cash. In the Statement of Net Assets and the Statement of

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Activities, the City services are reported into three kinds of activities:

- Governmental activities – This includes most of the City Services including police, fire, streets, parks & recreation, public works, and administrative and general administration. Most of these services are funded by Sales and Use taxes, property tax, franchise fees, and state and federal grants.
- Business-type services – The City charges a fee to the customer to help cover all or most of the cost of services it provides. City services such as water, sewer, and solid waste are reported here.
- Component Units – The City included one separate legal entity within its report – the Downtown Development Authority. Although legally separated, a component unit is important because the City is financially accountable for them.

The Statement of Net Assets reports all assets, including capital assets (land, buildings, and equipment) and infrastructure (roads, bridges, etc.) and all liabilities. The statement encourages reporting assets and liabilities in order of liquidity. The difference between assets and liabilities is reported as net assets subdivided into three categories:

- Investment in capital assets, net of related debt
- Restricted
- Unrestricted

The Statement of Activities is presented using a net cost format designed to highlight a portion of each functional activity (general government, public safety, etc.) that must be financed from general revenues of the government. The Statement of Activities reports all expenses (including depreciation) associated with a functional activity. Program revenues (charges for services, grants and contributions) are deducted to arrive at the program's net cost to the government. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g. uncollected taxes or franchise fees and earned but unused compensated absences).

The government-wide statements improve the financial reporting by aiding the users of financial statements by assessing the finances of the government as a whole. The reports determine whether the government's overall financial position has improved or deteriorated.

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Fund Financial Statements

The readers of governmental financial statements will find the Fund Financial statements are more familiar except the focus is on major funds rather than fund types. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific purposes or objectives. The City, like other governmental agencies, use fund accounting to demonstrate compliance with finance-related legal requirements. All of the funds for the City are categorized by either governmental funds, proprietary funds, or fiduciary funds. Major fund types only apply to the Governmental and Enterprise funds. All other non-major funds are aggregated into one column.

Governmental Funds

Governmental funds are used to account for the same activities reported in the Governmental-wide financial statements. However, unlike the Governmental statements, the government funds focus on current sources, uses of spendable resources, and balances of spendable resources available at year-end. This information is useful in evaluating the City's short-term financing requirements. Required governmental fund statements are a balance sheet and a statement of revenues, expenditures, and changes in fund balances. Required proprietary fund statements are a statement of net assets; a statement of revenues, expenses, and changes in fund net assets; and a statement of cash flows. To allow users to assess the relationship between fund and government-wide financial statements, financials have presented a summary reconciliation to the government-wide financial statements (see pages 39 and 41).

Each of the fund statements should report separate columns for the general fund and for other major governmental and enterprise funds. Major funds are funds whose revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all governmental or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds. Any other fund may be reported as a major fund if the government's officials believe that fund is particularly important to financial statement users. Non-major funds should be reported in the aggregate in a separate column. Internal service funds also should be reported in the aggregate in a separate column on the proprietary fund statements.

The City of Laramie maintains nine governmental funds. These are presented in Major Categories: General, Specific Purpose Tax, and All Non-Major Funds. Individual fund data for each of the non-major funds is provided on a separate financial statement.

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Proprietary Funds

Proprietary funds are used when the City charges for the services it provides either to an outside customer or to other units within the City. The proprietary funds are reported similarly in that all activities are reported in the Statement of Net Assets and Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide additional information including cash flows for propriety funds. The City uses enterprise funds for water, sewer, and solid waste. These are all considered major funds.

Proprietary fund statements of revenues, expenses, and changes in fund net assets should distinguish between operating and non-operating revenues and expenses. These statements should also report capital contributions, contributions to permanent and term endowments, special and extraordinary items, and transfers separately at the bottom of the statement to arrive at the all-inclusive change in fund net assets. Cash flow statements should be prepared using the direct method.

Internal service funds (the other component of proprietary funds) are used to accumulate costs and services for other City programs and services – such as the City's Health Insurance Fund.

Fiduciary Funds

Fiduciary funds should be used to report assets that are held in a trustee or agency capacity for others and cannot be used to support the government's own programs. Required fiduciary fund statements are a statement of fiduciary net assets and a statement of changes in fiduciary net assets. Since the resources of these funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements. The accounting used for fiduciary funds is similar to that used for proprietary funds. The City has one fiduciary fund which is the Cemetery Trust Fund.

Note Disclosures

The notes to the basic financial statements are to provide a statement of significant accounting policies and a full understanding of the data within the financial statements. The notes also provide disclosures for such items as capital assets and long term liabilities.

Supplementary Information

Besides the financial statements and accompanying notes, the annual report requires supplementary information on pension benefits and budgetary comparisons. In addition, management must now prepare the Management's Discussion and Analysis (MD&A).

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Infrastructure Assets

The City of Laramie was required to implement the major model of GASB Statement #34. Historically, the City's largest group of assets (infrastructure – roads, bridges, and traffic signals) have not been reported nor depreciated in governmental financial statements. The new statement requires that these assets be valued and reported within the Governmental column of the Government-Wide Statements. These assets must be depreciated over the estimated useful life unless the government chooses the "modified approach". The City of Laramie chooses to depreciate over useful life.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets compared to the prior year.

Table 1
Statement of Net Assets
(In Thousands)

	<u>Governmental Activities</u>		<u>Business -Type Activities</u>		<u>Total Primary Government</u>	
	<u>FY09</u>	<u>FY08</u>	<u>FY09</u>	<u>FY08</u>	<u>FY09</u>	<u>FY08</u>
				\$		
Current and other assets	\$ 53,433	\$ 52,275	\$ 19,568	19,379	\$ 73,001	\$ 71,654
Capital assets	63,110	54,619	68,027	66,660	131,137	121,279
Total assets	116,543	106,894	87,595	86,039	204,138	192,933
Long-term liabilities	20,547	22,227	18,052	18,384	38,599	40,611
Other liabilities	5,038	3,641	1,350	1,408	6,388	5,049
Total liabilities	25,585	25,868	19,402	19,792	44,987	45,660
Net assets:						
Investment in capital assets (net of related debt)	43,392	33,152	52,083	48,455	95,475	81,607
Restricted	27,050	26,639	317	-	27,367	26,639
Unrestricted	20,517	21,235	15,792	17,792	36,309	39,027
Total net assets	\$ 90,959	\$ 81,026	\$ 68,192	\$ 66,247	\$ 159,151	\$ 147,273

The City's combined net assets totaled \$159.2 million as of June 30, 2009. The governmental activities net assets were \$91.0 million and business-type activities net assets were \$68.2 million. The two tables present net assets (Table 1) and changes in general revenues (Table 2) which include significant expenses by function of the City's governmental and business-type activities. A large portion of the City's net assets are capital assets (e.g. land, building, and equipment) less any debt used to acquire the assets. These assets are used to sustain current services and are not available for future spending.

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Approximately 17% of the City's net assets represent resources that are restricted and may not be used. Another \$95.4 million or 60% is used for investment in capital assets. A balance of \$36.3 million is unrestricted and may be used to meet obligations to creditors or citizens.

Table 2
Changes in Net Assets
(In Thousands)

	<u>Governmental</u> <u>Activities</u>		<u>Business -Type</u> <u>Activities</u>		<u>Total Primary</u> <u>Government</u>	
	<u>FY09</u>	<u>FY08</u>	<u>FY09</u>	<u>FY08</u>	<u>FY09</u>	<u>FY08</u>
REVENUES						
Program revenues:						
Charges for Services	\$ 5,344	\$ 4,966	\$ 11,996	\$ 12,687	\$ 17,340	\$ 17,653
Operating grants and contributions	1,235	1,248	-	-	1,235	1,248
Capital grants and contributions	2,591	2,199	1,562	3,875	4,153	6,074
General revenues:						
Property Tax	2,092	2,037	-	-	2,092	2,037
Sales, Use and Gas Tax	13,796	14,630	-	-	13,796	14,630
Other Taxes	8,910	9,265	-	-	8,910	9,265
Investments Income	1,336	2,184	(212)	604	1,124	2,788
Miscellaneous	2,503	2,769	-	-	2,503	2,769
Total revenues	37,807	39,298	\$ 13,346	\$ 17,166	\$ 51,153	\$ 56,464
EXPENSES						
Program Activities						
Primary Government:						
Governmental Activities:						
General Administration	\$ 451	\$ 349	\$ -	\$ -	\$ 451	\$ 349
Administrative Services	1,707	1,614	-	-	1,707	1,614
Judicial and Legal	602	553	-	-	602	553
General Government	1,393	5,639	-	-	1,393	5,639
Police	7,165	6,686	-	-	7,165	6,686
Fire	4,902	4,478	-	-	4,902	4,478
Engineering	1,020	1,125	-	-	1,020	1,125
Highways & Streets	5,563	4,759	-	-	5,563	4,759
Animal Control	378	369	-	-	378	369
Mosquito Control	284	268	-	-	284	268
Parks & Recreation	4,099	4,040	-	-	4,099	4,040
Cemetery	273	232	-	-	273	232
Interest Costs	389	533	-	-	389	533
Unallocated Depreciation	-	-	-	-	-	-

(Continued)

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Table 2
Changes in Net Assets
(Continued)
(In Thousands)

	<u>Governmental</u>		<u>Business -Type</u>		<u>Total Primary</u>	
	<u>Activities</u>		<u>Activities</u>		<u>Government</u>	
	<u>FY09</u>	<u>FY08</u>	<u>FY09</u>	<u>FY08</u>	<u>FY09</u>	<u>FY08</u>
Business-type Activities:						
Water	-	-	5,392	5,134	5,392	5,134
Waste Water	-	-	3,349	2,420	3,349	2,420
Solid Waste	-	-	2,307	1,802	2,307	1,802
Total expenses	\$ 28,226	\$ 30,645	\$ 11,048	\$ 9,356	\$ 39,274	\$ 40,001
Increase in net assets before transfers	9,581	8,653	2,298	7,810	11,879	16,463
Transfers	352	(83)	(352)	83	-	-
Change in net assets	9,933	8,570	1,946	7,893	11,879	16,463
Net asset beginning – (Restated)	81,026	72,456	66,247	58,354	147,273	130,810
Net asset ending	\$ 90,959	\$ 81,026	\$ 68,193	\$ 66,247	\$ 159,152	\$ 147,273

Governmental activities increased the City's net assets by approximately \$9.9 million. This was primarily the result using additional fund balance, grant monies, and Specific Purpose tax to complete projects which have been funded. Many of these projects were fully funded by the State Business Council Ready grant dollars, such as, Trihyrdo and Laramie Technical Buildings (\$4.1 million) which were built to support economic growth. In addition, the City received sales tax revenue from the additional penny supporting Specific Purpose Tax projects (SPT) (See disclosure note). The Adams Street project funded by SPT tax was completed totaling \$3.1 million.

Business-type activities increased the City's net assets by \$1.9 million. Rate increases in the water and water line replacement have been implemented to increase program revenue to fund operating and maintenance costs as well as to build capacity for either cash or debt funded infrastructure projects. In addition, the City received \$1.6 million in grant funding for water and wastewater projects. The monies received were from the State Land and Investment Board and Wyoming Water Development Commission for the Mainlift station and Adam street sewer line and Raw water pipeline projects.

Normal Impacts

The factors described below can impact the City's revenues and expenses.

Revenues:

Economic Condition – A City's declining, stable, or increasing economic growth and development can have a substantial impact on the collection of sales, property, gas or

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other tax revenue as well as public spending habits on charges for services including consumption and elective user fees.

Changes in Enterprise Rates & Fees – The City Council has authority to increase, decrease or maintain rates. This includes enterprise funds such as water, waste water and solid waste. They can also change user fees such as permits, recreation costs, or police security.

Changes in Grant Funding & Intergovernmental Revenues – Certain intergovernmental revenues may be more predictable and recurring, (e.g. county sharing programs and block grants) whereas many one time funding sources can significantly change and are less predictable which can distort yearly comparisons.

State Impact on Distribution Methods – The State of Wyoming has significant impact based on yearly legislation regarding distribution methods and capping of certain taxes including severance and mineral royalties.

Market Rate Impact of Investment Income – The City's investment portfolio uses treasuries, bonds, Certificates of Deposits and Wyoming pools. These instruments are subject to market condition and fluctuations and can cause income to rise or fall.

Expenses:

Program Management – Within each functional area of expense, categories within the City's (e.g. Police, Fire, Public Works, etc.) individual programs may be added or deleted. In addition, the level of program service may rise or fall to meet the changing needs of the community.

Personnel Changes – Changes in level of services, community needs or financial condition may cause Council to increase/decrease authorized staffing.

Salary Increases – The City may choose to give cost of living, merit, or market adjustment salary increases. This is to attract and retain the City's best asset, its employees. The City strives to match similar competitive salary ranges in the marketplace.

Inflation – Overall inflation appears reasonably modest but the City is a major consumer and some functions may experience unusual commodity-specific increases. Health insurance and worker's compensation continue to rise within the City and impact overall expenses.

THE CITY FUNDS

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources.

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The City's governmental funds (presented on the balance sheets, see page xx) reported a combined fund balance of \$45.1 million, which is approximately 2% decrease in comparison with the prior year. Approximately 40% or \$18.1 million constitutes unreserved fund balance which is available for spending at the City's discretion. The remainder of the fund balance \$27.0 million is reserved to indicate that it is not available for new spending because it has already been committed to pay for capital construction projects, recreation center endowment and scholarship programs, and debt service payment for the Wyoming Territorial Prison.

The general fund serves as the main operating fund for the City. Included in the general fund statement is the specific purpose tax fund, the source of which is the additional penny that taxpayers approved to pay for construction of several capital projects that benefit the community. The Governmental fund also includes non-major funds which are detailed on pages (83-86).

At fiscal year end, the unreserved fund balance for the general fund was \$16.7 million, while the total governmental fund balance was \$18.1 million. This additional unreserved fund balance contributes to the special revenue funds which includes E911 and economic development.

The City continues to benefit from revenues received for projects funded through the specific purpose tax. In 2009, the expenditures were spent for the waterline and reconstruction of Adams Street. Other non-bonded projects included Downtown Streetscape phase 2. All projects for the specific purpose tax have been completed as of the end of fiscal year 2009.

In Fiscal year 08-09, The City gave a 3.0% cost of living raise to general employees and negotiated with the fire union 2.5% raises. The CIP index for the southeast Wyoming economy in second quarter 2008 was 6.9% and reduced in the fourth quarter to 1.8%. The second quarter in 2009, lowered to .2% for the southeast region.

This year the Community Development Department continues to meet extensively with Council and the public to implement a "unified development code." The intent of a new unified development code is to create a single document that is easy to read, follow, understand and address incompatible land uses within the City. The new unified development code will also codify and implement several concepts identified in the 2007 Laramie Comprehensive Plan, such as enhanced development standards. The Unified development code is now projected to be completed in summer of 2010.

The City decided to add two positions; a street maintenance worker was hired for Public Works to help complete major street projects and a Water Resource Specialist was hired to lead in the Aquifer Protection plan under Community Development. In addition, part time support was converted to a benefited half time position in Human Resources and a part time converted to a full time benefited position for a new Fleet Tech.

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The General fund balance decreased approximately \$1.0 million from Fiscal Year 2008 to Fiscal Year 2009. Some balances had an increase. The key factors for the changes are as follows:

- Cash & Cash equivalents for Specific Purpose Tax for trust accounts in receipt of the one cent tax totaled approximately \$3.7M. However, payments were made to complete unbonded projects and debt service for a total of \$6.5M. This reduced the fund balance by \$2.8M.
- A restricted investment (zero coupon bond) increased amortization totaling \$638,700 for the Wyoming Territorial Park service date payment due in 2014.
- The Emergency E911 fund had an additional \$78,591 in fund balance as they received a Public Safety Commission grant from Homeland Security for \$217,000 for the payment of the radio console project. In addition the fund received capital lease proceeds totaling \$794,375 to complete the radio console project.
- Many capital projects move forward, The West Laramie Fire Station made good progress and the first phase of downtown electrical code compliance is completed. However, many projects are still in pre-design phase including West Laramie Drainage plan, greenbelt path, spring creek channel and Aquifer to name a few. The General fund transferred approximately \$3.4M to provide match dollars with grants or other funding sources. The fund balance increased due to slower progress of projects totaling \$1.8M.
- The West Laramie project fund transferred \$400,000 to Capital Project fund to supplement funding of the West Laramie Fire Station project to complete paving of streets in front of the station location.
- The Park and Recreation fund uses Recreation Mill dollars collected from 1% mill levy. This fund had an increase in fund balance by \$104,757. This is due to timing of Recreation Mill projects such as Harbon Park playground equipment and Undine Park splash pad.
- The Recreation Center had a slight decrease of \$104,677 in fund balance. This is due to allowing fund balance to be used to offset operations to transfer less money from the General fund. The Fund had a three month reserve to assist with using fund balance to meet operations.
- The Economic Development Fund had a slight increase in fund balance of \$27,997. The City received the final balloon payment for the economic development loan for the Snowy Range Ski area.
- The General fund had a slight decrease in fund balance totaling \$277,438. The City policy in fund balance is to have at least three month cash reserves to assist in operation and debt and meet cash flow demands. At the end of the fiscal year, the City received approximately \$567,000 less dollars than projected in sales tax revenue. Part of this was offset by collecting more in property and auto tax of

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\$260,000. Overall, the City was proactive on this slight sales tax turn by asking departments not to spend unnecessary operating dollars. This allowed us to maintain the fund balance necessary to have a stable environment.

Table 3 represents the cost of the City's largest programs as well as the net cost (total cost less revenues generated by the activities). The net cost represents the financial burden placed on the City's taxpayers by each of these functions.

Table 3
Governmental Activities
(In Thousands)

Programs:	Total Cost of Services		Net Cost of Services	
	FY09	FY08	FY09	FY08
Police Department	\$ 7,165	\$ 6,686	\$ 5,145	\$ 5,068
Fire	4,902	4,478	2,979	3,059
Highways and Streets	5,561	4,759	5,527	4,759
Parks & Recreation	4,100	4,040	2,460	2,358
Administrative				
Services	1,706	1,614	1,706	1,614
General Government	1,394	5,639	(813)	3,625
Engineering	1,020	1,126	83	(145)
Other	2,378	2,303	1,969	1,894
Totals	\$ 28,226	\$ 30,645	\$ 19,056	\$ 22,232

Business-Type Funds

Operating revenues for the Business-Type activities were \$11.5 million and expenses for the City's Business-Type activities were \$10.5 million. There was an increase in net assets of \$1.9 million after non-operating and transfer adjustments. This was due to rate increases and additional grants received for capital projects, such as, Mainlift station and replacement lines.

The City's business funds (presented on the statement of net assets pages 42-43) reported a combined net asset balance of \$68.2 million. The net assets by fund were: water \$45.3 million, waste water \$20.3 million and solid waste \$2.6 million. Unrestricted net assets for the propriety funds were \$15.8 million. The unrestricted-by-fund amounts were water \$6.9 million, waste water \$7.4 million and solid waste \$1.5 million.

As with the governmental funds, the propriety funds received a cost of living increase of 3.5% in Fiscal year 2008.

Many challenges continue to face the propriety funds including deteriorating infrastructure, water and sewer line replacements, and landfill reclamation. This year there continues to be a heavy emphasis on capital projects.

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In FY09 rates were increased in the Water Fund in order to keep up with inflationary needs. Meter charges for base fees are assessed by meter size varying from \$13.67 to \$727.94 per month. Previously the monthly fee for a three quarter inch meter was \$13.14 per month, which increased to \$13.67 per month or a monthly increase of \$0.53. The average residential meter for a three-quarter inch meter utilized for most residential locations is \$13.67 per month. Flow rates for water usage increased to \$2.30 per thousand gallons (in city rates) for all user types or a per 1,000 gallon increase of \$0.09. Flow rates for water usage increased to \$2.87 per thousand gallons (outside city limits) for all user types.

The line replacement fee, a specific fee utilized only for water line replacement, was increased from \$4.08 per month to \$4.24 per month for all user types, or a monthly increase of \$0.16. The line replacement fee is a flat fee charged monthly regardless of meter size.

Many Water fund projects were underway and completed in FY09. Projects are paid for through multiple funding sources in combination with user rates. Projects include the Laramie Transmission Line or Raw Water Pipeline, the on-site chlorine generation facility at City Springs (which also disinfects the water supply without need to store chlorine), and completion of the valve flushing project throughout the City of Laramie. Water projects generally are not completed in one year but span several years throughout the lifetime of the project. The design was completed for the raw water pipeline to provide piped flows from the Laramie River to the Water Treatment plant. This project received level 11 funding for design for Wyoming Water Development Commission (WWDC) assistance where WWDC provides grant and loan monies towards projects. The Public Works department is submitted for level 111 funding to begin construction of the pipeline.

Many necessary sanitary sewer projects were in process in FY09. The Adams Street Lift Station, which is 90% funded through SLIB, is nearing completion and will be a tremendous upgrade to systems which rely on this facility. There is also a 27 inch line abandonment project underway which is an environmental requirement of lines which the city abandons. The South Laramie Sewer Study was also completed and is ready to be implemented. The Garfield Sewer line replacement was constructed in FY09 as well. Aeration Basin cleaning and VFD replacements, Air Diffusers and Orifice replacement were all completed at the Wastewater Treatment Plant such that the overall performance of the existing facility was restored.

The Wastewater fund remains stable and rates were not increased for the Wastewater Fund. The base rate for all users is \$9.83 per month. The residential flow rate is \$2.22 per 1,000 gallons as determined by a winter sewer low averaging method that varies from user to user based on winter water flow (water consumption) at each location. The water flow from the months of January, February and March are averaged for most residential users and factor into the formula for the winter sewer low at each customer's location. Commercial sewer flow is directly linked to the customer's water consumption

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from month to month. If a commercial user uses ten units (1,000 gallons per unit) of water, the customer is charged for ten units of sewer (1,000 gallons per unit) for that particular billing period. The commercial flow rate is \$0.063/25mg/1 (milligrams per liter) in excess of 200/mg/1. The structure of commercial rates is based on the business type and the type of waste produced by business type above residential strength. Commercial accounts have a unique class code based on business type such as restaurants, office buildings and schools to name a few classifications.

A pilot composting program has been initiated at the landfill; this program removes all green-waste, such as branches and grass clippings and blends them with bio-solids from the wastewater treatment facility into a beneficial product that will be safely applied as a soil amendment. An automated trash pickup program was initiated in two areas of the city; a total of approximately 2000 accounts have been converted to the use of plastic poly-carts that are mechanically emptied into the first of the city's new automated trucks. The construction of a Household Hazardous Waste facility was completed and now allows a secure and centralized drop-off and temporary storage location for these waste products prior to ultimate disposal by a contractor.

The Solid Waste fund remains steady and had no rate increases in FY09 in either Landfill or Disposal funds. The rate for Collection for residential customers is \$10.17 per month and for Disposal is \$3.11 per month. This rate is assessed per kitchen unit in a residential location. Any location with three kitchen units or less must be assessed a collection and disposal fee per Laramie Municipal Code. FY09 Solid Waste Management began to place automated trash carts at residential locations in the City of Laramie. The phasing of automated carts will be ongoing for the next three years. Residential customers that have not been provided automated carts will remain on can services until their area is phased into the new program.

Commercial locations can choose to have the City of Laramie collect their waste or a private hauler. Commercial dumpster services are charged according to the size of the dumpster and the amount of collections requested per week. The City of Laramie provides dumpsters in 3 varieties of sizes. Commercial dumpster services remain strong in the City of Laramie.

Wyoming Department of Environmental Quality did a ground water study based on EPA regulations that determined some Wyoming landfills are leaking. To properly monitor potential leaking and groundwater contamination, ground water monitoring wells were installed at the Laramie landfill. Landfills are facing EPA federal regulations to reline with leachate collection and treatment. The City of Laramie will have to comply to liner requirements in the near future.

Budgetary Highlights

The following is a brief review of the budgeting changes from the original budget to the final budget for the general fund (please see budget to actual comparison on pages 80 to 81).

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The difference between the original budget and the final amended budget fund balance was \$484,243 for the General Fund. This included a General Fund transfer between divisions totaling \$27,481. The fire department was awarded a public safety commission grant, the Police was awarded a grant from WASCOP (Wyoming Association of Chief of Police) for alcohol compliance and Wyoming Highway Safety program. Both grants was awarded after the budget totaling \$274,980 and was amended in the budget including both additional revenue and expenses.

General Fund:

- Administrative Services/Legal & Judicial: General fund appropriations transfer was funded out of Information Technology (-\$27,481) to Finance (+26,277) (within Administrative Services) and to Judicial (+\$626) and to Other Government - Fleet (+\$578) to provide for license and maintenance cost as initial set up fee for Application Service provider (ASP) which reallocated monies not needed for server replacement because provider will now take on hardware support for Administration.
- Other Governmental: Two Outside agencies requested additional funding in fiscal year 2009. The Lincoln Community Center requested a total of (\$26,000) to pay for City code building permit and licensing fees to assist for the rehabilitation of the Lincoln Community Center rehabilitation project. In addition, the University of Wyoming Art department requested (\$5,000) to provide matching money for a grant to sponsor community art projects.

The Laramie Downtown Development Authority requested (\$25,000) for professional services rendered to enhance and attract downtown business and activities.

The Safety division received a grant from WARM (Wyoming Associations of Risk Management) for \$10,000 to purchase safety supplies (\$7,000) and training supplies (\$3,000).

- Fire: The fire department allocated \$248,000 from the P.S.C.C. (Public Safety Commission) homeland security grant for radio purchases for city divisions including fire, police, city hall, public works, utilities, solid waste, and parks and recreation.
- Police: The police department applied for and was awarded two police grants after the budget was adopted. The first grant awarded was from WASCOP Wyoming Association of Chief of Police for alcohol compliance and Wyoming Highway Safety program for a simulated impaired driving experience (SIDNE) training package. The total expenditures were offset by grant revenues totaling (\$26,980).

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The fleet advisory committee recommended funding for two new patrol cars (\$63,984). Both vehicles, totaled during the line of duty, will be reimbursed by insurance claims through (W.A.R.M) Wyoming Association of Risk Management.

- Highways and Street: Staff requested an amendment to the budget for the Street department for a road grader lease payment totaling (\$79,279) that was due July 1st 2009 but payment needed to occur in June to meet payment deadlines.

Some of the significant variances were caused by requesting departments not to spend operating dollars to assist in shortfall of revenues and maintain fund balances. Significant variances between budget and actual activity are summarized as follows:

- The Fire department under expended its budget by \$970,935. There were cardiac defibrillators for (\$180,000) and unexpended budget for communication equipment (\$375,000) which were delayed due to the timing of grants that would be used to supplement the purchase. Other operation accounts were under including repair and maintenance for buildings and equipment.
- The Street division under Public Works delayed overlay street work. Therefore, their budget was unexpended by over \$1.2M.
- The Police department was under expended by \$470,795. There were savings in new vehicle and equipment accounts and unexpended budget on a building addition for approximately \$108,000. The majority of accounts were under budget including salary and benefit savings from turnover and new hires and contracted services and supplies.
- The Engineering and Code divisions were under expended by \$878,601. This was mainly caused by the shared concrete program in which the program was under spent by \$381,000. This program is still in the development stage and is to assist citizens in sharing the price (50/50) program in replacement for sidewalks. In addition, there was turnover within engineering which caused significant salary savings. The Code division had another delay in purchasing and implementing a new software permitting process. There was also an unfilled Inspector position in Code administration and some part time salaries savings.
- The Other governmental funds consist of many divisions and were unexpended by \$778,953. The main savings were caused by salary savings from turnover and not hiring frozen positions. Also, projects and other operations costs were delayed or not spent. Departments were told in the later part of the fiscal year to curb spending to assist with low sales tax dollars.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of the year, the City had \$131.1 (net of accumulated depreciation) million invested in a variety of capital assets, as reflected in the following schedule. This

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represents a net increase (addition, deductions, and depreciation) of \$9.8 million or 8.1% from the end of last year.

Table 4
Capital Assets
(Net of Depreciation, In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	FY09	FY08	FY09	FY08	FY09	FY08
Land	\$ 1,613	\$ 1,267	\$ 3,358	\$ 3,358	\$ 4,971	\$ 4,625
Water Rights	-	-	88	88	88	88
Building	23,552	19,912	16,135	16,028	39,687	35,940
Improvements other than buildings	2,977	2,804	42,350	41,989	45,327	44,793
Furniture & Equipment	4,677	3,609	4,049	3,947	8,726	7,556
Infrastructure	28,517	26,581	1,458	-	29,975	26,581
Construction in Progress	1,773	446	589	1,250	2,362	1,696
Total	\$ 63,109	\$ 54,619	\$ 68,027	\$ 66,660	\$ 131,136	\$ 121,279

This year major additions include projects still under (CIP) Construction in Progress (in thousands)

- Adams Street & Sewer line reconstruction \$3,074
- Laramie Technical Building \$2,523
- Trihydro Building \$1,523
- Chlorine Generation Building \$1,182
- Springcreek Sewer Outfall \$ 673
- Sand Seal Trap Project \$ 532
- Fire Engine \$ 503
- Wastewater A-Line Outfall \$ 447
- Purchase land Coughlin Pole Detention Pond \$ 346
- Greenbelt Grand Ave bike path \$ 205
- Street Sweeper \$ 181
- West Laramie Fire Station/EOC (CIP) \$ 771
- Downtown Lighting Upgrade (CIP) \$ 489
- Street Reconstructions (CIP) \$ 273

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- Raw Water Pipeline (CIP) \$ 174
- West Laramie block design/paving (CIP) \$ 115
- Banner Road Sewer project (CIP) \$ 103
- Adams/Cottonwood Pump Station (CIP) \$ 65

More detailed information about the City's capital assets is presented in Note 3.D. of the financial statements.

Debt Outstanding

At year-end the City had \$35.6 million in bonds, notes, and lease obligations compared to \$38.2 million last year. This is a 6.8% decrease – as shown in Table 5. In the Governmental funds \$7.7 million in debt pertained to capital projects, which are funded with the additional penny specific purpose tax.

Table 5
Outstanding Debt at Year End
(In Millions)

	Governmental Activities		Business-Type Activities		Total	
	FY09	FY08	FY09	FY08	FY09	FY08
Revenue bonds and notes (backed by Specific purpose tax, fee revenues and zero coupon)	\$ -	\$ -	\$ 4.6	\$ 2.9	\$ 4.6	\$ 2.9
Capital lease Obligations	9.6	11.3	.8	1.0	10.4	12.3
Contractual Obligations	10.1	10.1	10.5	12.9	20.6	23.0
Total	\$ 19.7	\$ 21.4	\$ 15.9	\$ 16.8	\$ 35.6	\$ 38.2

In the Governmental funds the City incurred two additional equipment leases. This included leasing two dump trucks and E911 emergency consoles. The lease for the dump trucks is for three years with a 3.62% interest rate. The E911 consoles are being paid from the E911 fund. The lease is a six year term with an interest rate from 3.10% to 4.25%.

Other major leases include 27 leased police patrol cars and the Laramie Animal Shelter. The police cars lease has a current year-end lease obligation of \$525,167. The semi-annual lease payment is \$93,819, including interest rate at 4.04%, to March 2012. The Laramie Animal Shelter has a current year-end lease obligation of \$309,239. The semi-annual lease payment ranges from \$56,079 to \$56,854, including an interest rate at 5.15% to June 2012.

The debt from specific purpose tax lease purchases and issuance for capital projects was reduced by payments totaling \$2.0 million in governmental funds by the one cent

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collections. These leases included bonded projects for City Hall, Recreation Center, Ice Rink and East Side Tank. Total governmental activities debt decreased by approximately \$1.7 million.

The business-type funds include several water and waste water treatment plant loans from Wyoming Water Development Commission (WWDC) or Wyoming State Land and Investment Board which totals at year-end an obligation of \$10.5 million.

The City of Laramie refinanced using Water refunding bonds, the Laramie North project, to reduce the interest rate from 7.25% down to 2.90% to 4.65%. The total project cost was \$2.0 million as there were additional monies funded toward this project from WWDC. The current rating by Standard and Poor's for water refunding bonds is A+. The City has another revenue bond with a balance of \$2.6 million.

WWDC (Wyoming Water Development Commission) provided an additional \$234,918 for the Main Lift Station project. This additional money was needed to complete the project. This loan is within the business-type funds and is a 2.5% secured WWDC loan with a new loan balance of \$759,600.

The Solid Waste department completed a new lease on a landfill dozer and ripper with a balance of \$298,237. This lease is a three year term with an interest rate of 4.15%.

In addition, a lease purchase agreement balance of \$520,447 remains for the lease for radio-read meters used by City utilities. This lease purchase agreement is being paid off by registering low flow water consumption and is scheduled to be paid off in November 2009.

More detailed information about the City's long-term debt is presented in Note 3.F on pages 66 to 70 of the basic financial statements.

ECONOMIC FACTORS

The State of Wyoming, by constitution, does not have a state personal income tax and therefore the state operates primarily using sales, gasoline, severance and mineral royalty taxes. The City primarily relies on sales tax and a limited array of permitted other taxes (property, gasoline, severance, and cigarette) and fees (franchise, business licenses) for other governmental services. There are a limited number of recurring and non-recurring grants from both the state and federal governments.

For Business-Type services and certain governmental activities (permits, utilities, mosquito control, recreation programs, etc.) the user (of services) pays a related fee (or charge) associated with the activity.

The biggest effect to the local economy resulted from the National recession and decline in the Wyoming energy sector. As Wyoming followed behind the nation in the recession, the 2nd quarter of 2009 found Wyoming's total personal income increased to \$48,608 compared personal income for the Rocky Mountain region which dropped to \$38,275 during the same period. Additionally the national personal income dropped to

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\$40,208 annually. Overall the State of Wyoming per capita is a gain and this has a trickle down effect on the Laramie and Albany county region. The University of Wyoming, located in Laramie, has a direct effect on its growth and development. The median home value is \$207,900. Home appreciation dropped 10.80% over the last year. Renters make up 49.09% of the population. Approximately, 5.11% of houses and apartments are unoccupied.

The southeast region of Wyoming (where Laramie is located) consumer price index for 2009 was 0.0 percent which was the lowest regional inflation rate in the state but was higher than the national CPI index rate of 1.4 percent.

The Wyoming Comparative Cost of Living Index for 2009 put Laramie at a 97 percent indices. This places Laramie (within Albany County) slightly below for a comparative cost of living within the state.

Although the recession hit hard in the construction industry in other parts of the state, Laramie had several projects that were finalized in FY2009. The City expansion accommodated the rapid growth of construction that came to a pinnacle in late FY 2008. This development was both residential and commercial, with three new hotels, new restaurants, a convention center at the University of Wyoming hotel and retail center, and the residential Turner Tract housing developed. As a result of the development in construction in FY2008 in Albany County, receipts in FY 2009 from the 4% Lodging Tax were up by 7 percent from one year ago. These gains can be attributed to the addition of 700 new hotel rooms over the past 18 months to the existing motel/hotel base of 1,800 rooms.

Unemployment in Wyoming increased 6.8% by the second quarter of 2009 but remained below the national unemployment rate of 9.8 percent. Commercial and new construction had dropped slightly in FY2009 due to the economy. General construction maintained its level due to a tornado that came through town a year ago which generated roofing permits and general residential construction

In the 2009 fiscal year, the State legislature provided additional funding of \$5.6 million to Laramie. These monies from the State continue to fund capital projects and maintain the level of services but do not assist with long-term funding issues.

Future job growth in Laramie, over the next ten years, is predicted to be 8.56%. Sales tax rate is 6.00%. Income tax is 0.00%. The income per capita is \$24,339, which includes all adults and children. The median household income is \$31,436. Compared to the rest of the country, Laramie's cost of living is 12.43% lower than the U.S. average.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a certificate of achievement for excellence in financial reporting to the City of Laramie for its Comprehensive Annual Financial Report for the fiscal year ended

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June 30, 2008. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Statement whose contents conform to program standards. Such Comprehensive Annual Financial Reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only.

The City of Laramie has received the Certificate of Achievement for the last 32 consecutive years (fiscal years 1977-2008).

FINANCIAL CONTACT

The City's financial reports are designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the financial reports or statements and need additional financial information, contact the City's Chief Financial Officer at City Hall, PO Box C, Laramie, Wyoming 82073.