May 26, 2026

MEMO TO: Honorable Mayor Pacheco, Members of the City Council, and Residents of Casper

FROM: Janine Jordan, City Manager

SUBJECT: Budget Message for Fiscal Year 2027

Pursuant to the City Council's direction and as required by State law, the proposed Fiscal Year 2027 budget is hereby submitted for review. The budget is a strategic spending plan that enacts the adopted goals of the governing body and sustains the municipal services relied upon by residents and the local economy. Formal adoption of the budget must occur no later than June 16th for Fiscal Year 27 (FY 27), which begins on July 1, 2026. This proposed budget strives to minimize financial burden on taxpayers, whether residents or visitors, and to maximize the return on the public's pooled investments through careful financial stewardship.

Summary Overview

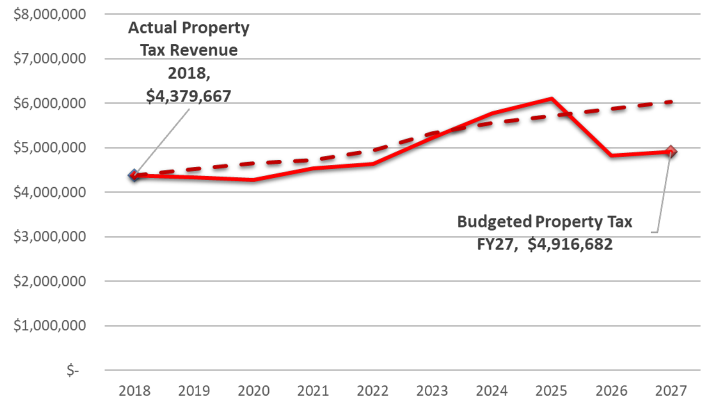
The FY 27 budget for all city funds is $196.4 M, including a capital investment of $ 33.3 M. The year-over-year budget increase, excluding capital, is 4.5%.

The City's operating General Fund budget for FY 27 is $58.9 M for non-utility municipal services and systems, such as policing, fire/EMS, streets, parks and recreation, and information technology. This amount represents a change of 4.9% over the original FY 26 budget or 3% over the FY 26 final revised budget.

Revenues

Sales Tax & Property Tax

Casper's non-utility services and systems are primarily funded by property and sales tax. Sales taxes comprise the largest revenue source, $25.0 M (42.6%) of all General Fund revenue. While FY 26 sales tax receipts are likely to remain largely unchanged from the prior year, the Wyoming Consensus Revenue Estimating Group (CREG) forecasts a statewide return to growth in FY 27. Natrona County/Casper employment declined by 700 jobs between January 2025 and 2026, driven by declining employment in the federal government (-14.3%), hospitality (-8.5%), mining/construction (-4%), and manufacturing (-5%) sectors. These declines were partially offset by increasing employment in financial activities (+5.3%) and transportation/utilities (+4.3%). [1] Balancing the CREG's projections with local economic indicators and inflation, modest growth of 2.7% is projected for sales tax receipts in FY 27. The budget includes the final 6 months of collection of the local 5th Cent 1% General Purpose Sales Tax to be spent almost entirely on approved capital projects once the funds are received. This local penny tax will be before the voters for renewal in November 2026.



Legislatively enacted property tax exemptions occurring in 2025 have eroded the second-largest source of funding underpinning city services. During the 2026 Legislative session, no new exemptions were added. While the sunset of the 50% Long Term Homeowner Exemption was removed, all other exemptions were kept in place from the prior year. The consequence for property tax receipts was immediate and sizeable, with a realized single-year decline of 21% (-$1.3 M) from FY 25 to FY 26. The FY 27 budget holds property tax flat, other than new property growth of 2%. The Property Tax ballot initiative on the November 2026 ballot would permanently eliminate an *additional* $1.2 M in property tax revenue, but it will not affect FY 27. Management is currently evaluating the service reductions that will be necessary in FY 28 should the property tax ballot initiative be approved.

Utility Rate Adjustments

The City adjusted rates recently for all utility funds. Effective January 1, 2026, the water utility rate increased 8%, the sewer utility rate increased 34%, along with a 3% increase to both residential and commercial trash collection.

The water rate increase of 8% provides for the replacement of water mains based on a 100-year replacement cycle, in line with the recommendations of the American Water Works Association and the Environmental Protection Agency. Even with this increase, Casper's rates will remain lower than the average and median water rates of the 11 other Wyoming municipalities that were compared. Financial projections anticipate that rates will need to increase 8% per year over the next three (3) years to maintain the replacement cycle and avoid escalating costs from deferred maintenance and failing infrastructure. At that time, Casper's water charges will be close to today's average water charges in the other Wyoming cities.

The sewer rate increase of 34% provides for the replacement of sewer mains, also on a 100-year replacement cycle. Previous capital planning did not fully account for increasing construction costs, system expansion, or long-term replacement needs. Although past rate structures helped keep monthly bills low and more affordable to residents, they also increased the overall cost of operating the system and shifted these higher costs to future utility customers. Unlike the water utility, which has sufficient fund balance to buffer increased investment needs to meet the 100-year cycle, the sewer utility does not have the same financial cushion. To responsibly move toward the industry-recommended replacement level, a phased approach has been recommended. This strategy began with the adoption of a 200-year replacement cycle in FY 26 that will transition to a 150-year cycle in FY 28 and achieve the 100-year replacement cycle beginning in FY 30. Accordingly, the scheduled rate increase for 2027 is 18% with successive yearly rate increases through 2036. These rate assumptions also reflect the end of the 1% funding for sewer capital projects.

The approved annual refuse rate increase of 3% for both residential and commercial trash keeps up with inflation and the growth of operations. The FY 27 rate change will take effect on January 1, 2027.

Operating Expense

The year-over-year operating budget increase of 4.5% corresponds with inflationary and economic conditions in the state and region. The cost of operating city systems and services is subject to the same economic forces and pricing pressures faced by all businesses, whether engaged in private, for-profit activity or governmental work. For the U.S. Western region, the Consumer Price Index advanced 3.5% for the 12 months ending in April, with energy prices rising 16.6%. [2] Planned adjustments were made to ensure sufficient budget for fuel and energy expenses, considering increases in gasoline and electricity prices.

Personnel, Salary and Wage Adjustments

Adjustments recommended by the compensation analyst were to be implemented partially in both FY 25 and FY 26. However, unexpected reductions in property taxes during the 2025 General Legislative Session prevented the wage gap from being fully addressed as the City had planned. The FY 27 budget proposes implementing the remaining recommended wage adjustment with a 1.25% market increase for general employees and a 1% increase for police. Graves Consulting also recommends a 2.75% merit increase opportunity for general employees and annual step increases for police. Adjustments already approved in the Collective Bargaining Agreement for Fire personnel include market adjustment and annual step increases. Maintaining a competitive pay structure is foundational to the city's ability to attract and retain skilled workers and minimizes the cost of training and onboarding over time. An adjustment at this time is important given the inflation that has occurred in the intervening 18-month period since the compensation program was evaluated.

Turning from wages to benefit costs, the contribution rates for the various Wyoming Retirement System (WRS) pension plans are set by state statutes. Both the Public Employee and Law Enforcement Pension Plan rates will change as of July 1, 2026, with the employer contribution for the Public Employee Pension increasing from 9.37% to 9.621%. Similarly, the employer rate for the Law Enforcement Pension plan will increase from 10.4% to 11.30%. The City has been purposefully absorbing a portion of certain employee contributions since 2020 as a strategic recruitment and retention tool. The City currently pays 5.9% of the employee contribution for both sworn Police and PSCC employees; the proposed budget includes an additional 1.8% beyond what is required by law, leaving the police employee contribution at 4.5%.

Local government operations are a service industry that requires people to serve Casper residents and those who visit our community. Personnel costs for wages and benefits comprise 35% of city expenses across all funds, and, for governmental operations accounted for in the General Fund, $39.7 M (67%) is planned for FY 27. The budget provides for three position reclassifications, natural progressions, and seven new positions, amounting to $514,648 in salary and benefits across the City. Departments requested 54 new positions, which certainly reflects management's concern that workload exceeds staffing capacity. The original request has been narrowed to include a select few positions that address critical, immediate needs; this conservative stance on staffing change is absolutely necessary given the uncertain and volatile revenue future the City faces with respect to property and sales taxes.

Debt Service

FY 27 anticipates issuing debt for the new police station. Council directed staff to explore issuing Certificates of Participation (COPs) for Phase 3 of the Casper Business Center Remodel in an estimated amount of $15 M. Phase 3 is expected to start in the fall of 2026 and debt will need to be issued to cover the anticipated costs of construction. The debt service budget increased $251,613 or 9% over FY 26 to cover the first payment on the COPs.

Capital

Casper's infrastructure needs far outweigh the revenue available. Much of the City's infrastructure was built in the 70s and 80s after the initial one-cent tax was passed in 1974. That infrastructure is coming to the end of its functional life and poses a concern for the ongoing reliability of essential water, street, and sewer system services.

Council has determined that infrastructure is a priority for the City in the FY 27 budget year. To close the $7M streets funding gap, the FY 27 budget adds a position to increase capacity for maintenance (chip seal, patching and street repairs), but there is also a 73% increase from the FY 26 original budget in materials (asphalt) to improve roadways that do not need to be fully reconstructed. In addition to street repair, the FY 27 budget includes 14th Street, Conwell Street 2nd to 5th, Downtown Alley Repairs, and WYDOT Yellowstone and 1st Street Improvements for a total of $2.0M in capital needed capital investment. For efficiency, whenever the City reconstructs a street, utilities beneath the pavement are also evaluated for repair/replacement in an effort to contain mobilization/demobilization expenses and ensure the maximum dollar-for-dollar construction value.

The Wastewater Treatment Plant has required emergency repairs, which the City has been able to supplement with federal grants. However, a $57 M capital funding gap remains for this utility. The plant must receive timely building and plant rehabilitation, as well as upgrades to ensure nutrient & selenium removal benchmarks. The recent rate adjustment has allowed for increased capital investment in FY 27, which will help to decrease the gap in funding, but this rate change alone is not a panacea. The future rate increases discussed by Council in December 2025 will be necessary if plant operations are to remain viable, reliable, and cost-effective into the future.

The prominent "elephant in the room" as we contemplate City utility systems is the stormwater system, of course. It is well known that the majority of Wyoming cities, including Casper, have never had a dedicated source of funding for routine maintenance and operation of the stormwater system. Casper has an estimated $78 M backlog of repair work and pipe improvements. Consistent with past years, the FY 27 budget provides what monies are available, amounting to $40K for a few critical repair and maintenance efforts. The solution to this problem exists not in Casper but in Cheyenne at the Capitol. The City will continue its historical, now multiyear, effort to work with State Legislators to rectify statutes and grant Wyoming municipalities the same financing tools for flood prevention systems as are common and widely used throughout the United States.

Conclusion

The City of Casper is financially stable. The organization, however, continues to face an uncertain future as we receive additional demands for service in the midst of an unpredictable revenue picture. As is Casper's standard practice, the FY 27 budget seeks to be fiscally conservative, holds the line where feasible, and increases efficiency at every opportunity.

The management team of the City of Casper has done a tremendous job of making recommendations for developing the proposed budget. In particular, the careful and diligent work of the Finance Division to compile, consolidate, and analyze departmental requests and financial information has been beyond admirable. I deeply appreciated the opportunity to witness the enormous care, concern, and heart the City's professional staff have for the Casper community as we worked our way through the budget development process.

On behalf of your team of dedicated public servants, we look forward to reviewing the budget with our elected leadership of the City Council.

Respectfully Submitted for Governing Body Consideration,

Janine Jordan, ICMA-CM, MPA
City Manager

[1] *U.S. Bureau of Labor Statistics (Reported by the WY Administration & Information, Economic Analysis Division)*
[2] *Consumer Price Index, West Region — April 2026, U.S. Bureau of Labor Statistics*