

# Executive

executive  
overview





THE CITY OF  
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'AAA'  
Credit Rating from  
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January 25, 2014

Honorable Mayor and Council:

I respectfully present the proposed budget for the City of West Des Moines for the fiscal year beginning July 1, 2014. As the City's financial and spending plan for the year, the adoption of the budget is the single-most important action taken by the City's elected officials each year. The adopted budget authorizes resources and sets the direction for our programs and services for the coming year.

As you review the FY 14-15 budget, it is the Staff's belief that the budget format enhances the citizens of West Des Moines' understanding of the budget process and the services delivered.

It is vital that the City's policy makers are provided with information needed to ensure that the budget document reflects the public interest. It is our intent the budget document serves as an effective policy document, financial planning tool, operational tool, and communication device.

***Recent Accomplishments in Financial Management***

As we move into the second half of the FY 13-14, we are pleased to note two accomplishments in the management of the City's financial resources.

- ◆ 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 West Des Moines for its comprehensive annual financial report for the fiscal year ended June 30, 2012. This is the twentieth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

- ◆ In July 2013, the City’s bond rating on outstanding general obligation debt was reaffirmed by Standard & Poor’s at AAA. AAA is the highest rating that can be achieved and West Des Moines is the only Standard & Poor’s AAA rated city in the state of Iowa. In their published rating report, Standard & Poor’s notes “The City’s financial position remains very strong, in our view, as demonstrated by very strong reserves and operating surpluses in five of the past six fiscal years.” Standard & Poor’s reaffirmation follows Moody’s Investors Service April 2012 Aaa rating which cited “well-managed finances characterized by solid reserves and strong fiscal management.”

### ***FY 14-15 Budget Highlights***

- ◆ The proposed budget maintains the current property tax rate of \$12.05 per thousand dollars of taxable valuation.
- ◆ Thirteen new positions are being recommended in the proposed budget as well as the upgrade of two existing positions. The City Forester would start July 1, 2014 and the City Planner would start no earlier than January 1, 2015 all other new positions would be expected to start no earlier than October 1, 2014, and are described as follows:
  - The Fire Department will add six firefighters to allow for the initial 24/7 staffing at Public Safety Station #19.
  - Westcom will add two dispatchers due to increased volume. The cost of these dispatchers will be shared with the cities of Clive, Norwalk, and Urbandale.
  - The Police Department will add a Non-Sworn Records Supervisor to allow the department to run more efficiently.
  - The Police Department will upgrade a Senior Patrol Officer to Sergeant to handle special emergency management assignments.
  - The Parks & Recreation Department will add a City Forester to handle the impending Emerald Ash Borer infestation.
  - The Development Services Department will add a Building Inspector and a City Planner as the City continues to see increases in development and building activity. Development Services will also be upgrading an Engineer to Principal Engineer.
  - Information Technology Services department will adding an IT Specialist to specialize in user-based Applications as the City moves to that efficiency-driven platform.
- ◆ The management team has continued to focus on long-term financial planning. About four years ago three teams were formed to assist in making projections and recommendations: the Revenue Estimating Team, Personnel Expenditure Estimating Team and the Position Review Team. The Revenue Estimating Team’s function is to project taxable valuation and other major revenue components such as hotel/motel taxes, building permits and interest income. The Personnel Expenditure Estimating Team’s function is to project costs associated with personnel, such as wages, health/medical insurance and pension contributions. The Position Review Team’s function is to examine vacant positions and make a recommendation to the City Manager regarding the future of the position. Recommendations may include filling the position, merging the position and duties with another position, changing the position title/pay grade, leaving the position vacant for a specified amount of time, or eliminating the position. Implementation of recommendations from the Position Review Team has saved the

City nearly \$1,300,000 in reoccurring operational costs. Given the success of these teams and processes, we will continue the initiative.

- ◆ Employee compensation will follow past practice and consider that we have in place or are negotiating bargaining unit contracts for 228 union employees. The proposed compensation will also address 131 full time non-union employees. New full time employees continue to be enrolled in the two City's health plans added in July 2010 and pension benefits are under the purview of the State.

Specific bargaining unit employees will receive 2.00% cost-of-living adjustments agreement with the terms of their respective contracts. The Library, Public Works/Parks, and the new AFSCME bargaining units are currently in contract negotiations. In addition to cost of living increases, bargaining unit employees are eligible to receive step increases with the number of steps being dependent upon performance and employee classification.

Non-union employees who have not yet reached their maximum pay level may be eligible to receive an increase based upon job performance. In addition, it is proposed that the City's deferred compensation match for non-union management staff members will increase from a maximum of \$1,000 per year to \$1,300 (\$50 per pay period). This would represent the first change in this benefit level since the mid 1980s.

- ◆ The City of West Des Moines will receive approximately \$5.43 million dollars in Road Use Tax Funds. Approximately \$4.49 million in Road Use Tax funds are being utilized for street related expenditures (CIP and operating). The remaining funds will be used for street lighting.
- ◆ The proposed budget reflects a small increase in the contribution rate for the Municipal Fire and Police Retirement System of Iowa (MFPRSI). The City's contribution rate of covered wages for FY 14-15 will be 30.41% as compared to 30.12% for the FY 13-14. The increased rate amounts to an additional \$115,000 in annual pension costs. The proposed budget also reflects no change in the contribution rate for Iowa Public Employees Retirement System (IPERS); the City's contribution rate will remain at 8.93% in FY 14-15.
- ◆ During FY 14-15 staff will need to examine the adequacy of current residential solid waste collection fees, last modified in 2007. While the contracted services provided by Metro Waste Authority for residential solid waste and recycling have been beneficial to the City, those vendor-specific contracts have escalator clauses which should ultimately be passed on to the users.
- ◆ In 2013 the City Council approved multi-year adjustments to the City's sanitary sewer fees, this enterprise fund should be able to meet Wastewater Reclamation Authority (WRA) operating expenses and debt payments associated with necessary conveyance system improvements.
- ◆ Continuing with the City's preference to be proactive on enterprise fund revenues rather than reactive, the City Council in 2010 approved actions indexing both sanitary sewer capital charges as well as sanitary sewer connection fee district per acre charges.
- ◆ During FY 14-15, or shortly thereafter, the City should initiate an analysis of stormwater

management fees and if those rates, initially effective in 2005, meet known or expected stormwater expenses.

- ◆ The proposed budget reflects the carryover of cash to ensure the FY 14-2015 budget maintains prudent general fund balances, which protect the City of West Des Moines' financial integrity. The General Fund total revenues are \$60,359,074 and total expenditures are \$65,411,276. The projected General Fund composite balance on June 30, 2015, will be slightly over 28 percent (\$15,654,498) of annual operating expenditures which is sufficient for meeting unexpected shortfalls in revenues or demands on future fund resources.

### ***Outlook for FY 14-15 and Beyond***

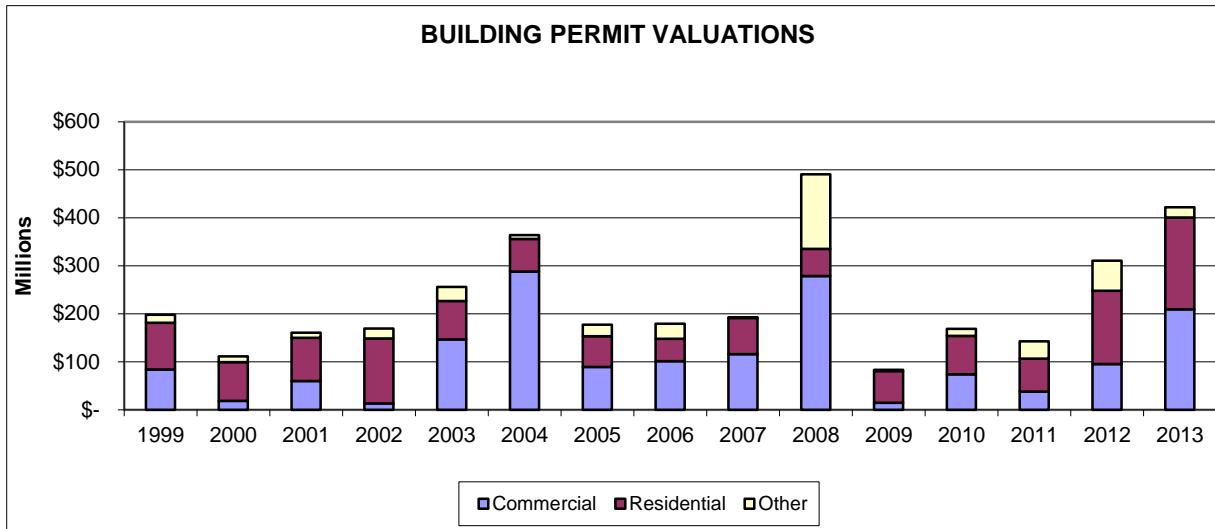
West Des Moines met the budget challenges due to the recession of 2008-09, through a reduction in staffing and discretionary spending, while maintaining core services. Going forward we have continued a philosophy of conservative budgeting. We have analyzed revenues and expenditures to ensure adequate funding of services will be available in the following budget cycles. The starting point for all projections was to deliver comparable high level of service to our residents and to utilize responsible revenue assumptions. In addition the City Council has indicated that maintaining the tax rate and avoiding employee layoffs is the highest priority. Examples of variables that the budget team is most concerned with include: taxable development, earnings rate on investments, costs of mandated pension contributions, health insurance, and the residential rollback. Also, we are reacting to, and monitoring, the effects of state approved modifications to calculating commercial and residential property taxes as well as changes to laws concerning Tax Increment Financing. The City of West Des Moines also advocates at the state level for alternative revenue(s) sources, such as individual jurisdiction referendums on Local Option Sales Tax and Hotel/Motel fees, to decrease the reliance on property taxes.

Additionally, staff is looking at the FY 14-15 budget at a "macro level", by focusing on key assumptions and projected expenditures as part of a draft second year financial plan.

### ***Local Economy/Development Activity Highlights***

The City of West Des Moines continues to be one of fastest growing cities in the State of Iowa. As of the 2010 census we had 56,609 residents, which is a 78.9 percent increase in population since 1990 and 22 percent since 2000. As of January 1, 2014, staff estimates the City's population to be 59,296. In calendar year 2013, the total building permit valuation was \$421.7 million. This was an increase of 35.8% from 2012, and the increase in development activity is a strong indicator of the renewed strength of our regional economy. Staff will continue to monitor the economy and make budget recommendations and adjustments as necessary.





**BUDGET IN BRIEF**

**Revenues**

The City of West Des Moines continues to experience significant growth. However, much of the recent commercial growth will not translate into additional funding for operating budgets. The two hospitals are tax exempt and the Athene office building tax revenues will be used to pay for the surrounding infrastructure for several years to come. The City has built a strong base in commercial property including two regional malls and extensive office and medical clinics along Westtown Parkway. There are a declining number of vacant parcels along Mills Civic Parkway and Jordan Creek Parkway that will enable further commercial growth as well as a significant area along yet to be constructed 105<sup>th</sup> Street and the new I-80 interchange that are both anticipated to be completed in late 2015.

In FY 14-15, General fund operating revenues of \$49,287,268 are projected to increase by 4.76% compared to FY 13-14. Several factors contributed to the increase in property tax revenue including the increased percentage of the residential roll back from 52.8166% to 54.4002%, and new residential and commercial development. Even with the residential rollback increasing, the city’s taxable valuation subject to operating levies increased by 1.01%, however, that is less than previous years when West Des Moines annual increases were in excess of 4%.

The budget reflects a proposed use of cash reserves in the amount of \$3.87 million for “one-time” capital projects, \$830,000 for a recommended 2015 special census and \$370,000 for a yet to be defined program intended to combat the Emerald Ash Borer infestation. When factoring in those components the strictly “operating” part of the projected FY 14-15 General Fund will reflect a slight surplus of revenues over expenditures of \$17,898.

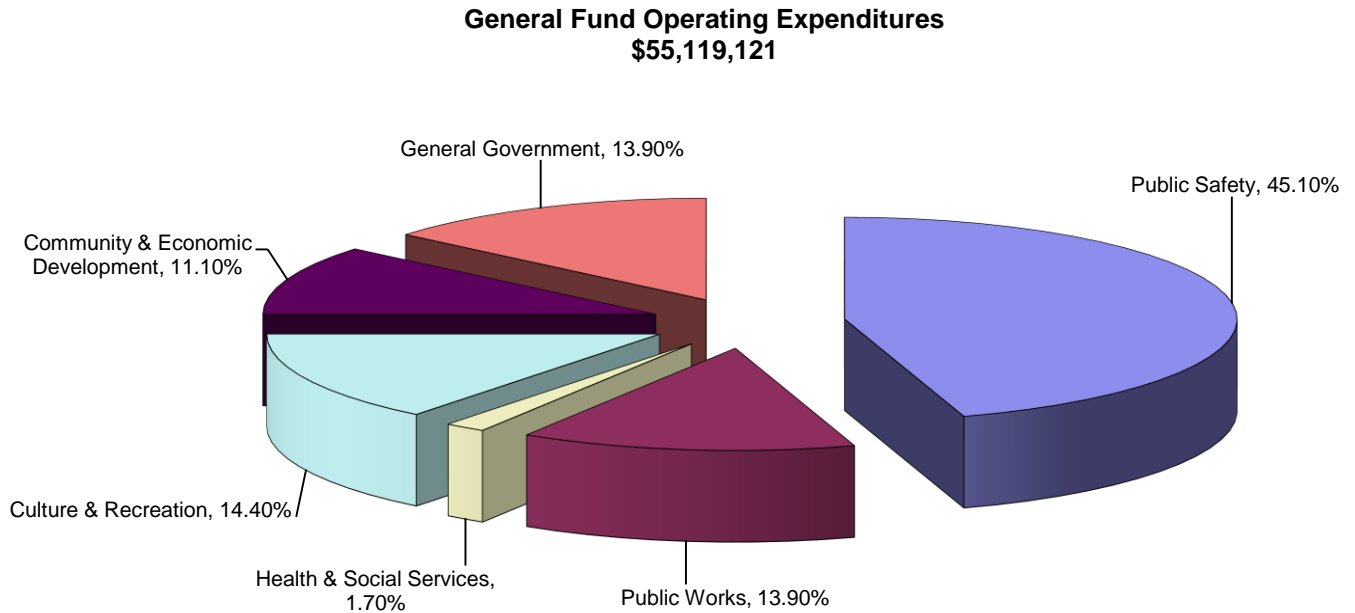
One previously significant general fund revenue source is projected to remain at a low level for FY 14-15 as interest earnings are projected to be \$44,500 which is \$4,500 more than the amount budgeted in FY 13-14. Conversely building permit related revenues are projected to be at \$800,000 as compared to \$1,000,000 for the 2013-14 revised budgets.

It is important to note that in excess of \$363,000,000 in taxable value remains included in the

City's Tax Increment Finance (TIF) Districts. This amount equates to \$3,658,000 (estimated) in tax dollars that is excluded from general fund resources. Much of these TIF funds are dedicated to public infrastructure projects such as, public safety facilities, bridges, roads and utility systems.

West Des Moines' taxable valuation per capita of over \$77,000 remains the highest of Iowa's ten largest cities.

### ***Expenditures***



The City's General Fund operating expenditures total \$55,119,121. This represents an increase of \$3,475,789 (+6.73%) over FY 13-14. The largest percent of expenditures continues to be in the Public Safety program area which encompasses 45.1% of the General Fund.

Police and Fire pension costs are accounted for outside the General Fund but do utilize a property tax levy for funding. Due to the increases in taxable valuations and the City's desire to keep funding for these contributions the same as FY 13-14, the tax levy for Police and Fire Pension system reflected a \$0.06 increase. In response, other tax levies were decreased and the tax capacity of the General Fund was decreased.

The City of West Des Moines' total number of full time equivalents (FTE's) will be 385.50 which is a net increase of 12.00 (13 additional positions and 1 position eliminated through attrition from the level approved for the FY 13-14. The impact of accelerating personnel costs must be closely evaluated and monitored as there are a number of new position requests that were not included in this budget due to financial constraints. Self-insured healthcare costs are projected to increase by 10%.

### ***Capital Improvement Plan***

As previously agreed to by the Mayor and City Council, the City did not convene a citizen committee, this year, to develop and present a Capital Improvement Plan. Due to the

committee's diligent work in prior years and the extraordinary large number of priority projects competing for limited funding, staff prepared the proposed plan identifying definitive funding for projects over the next two years. The proposed CIP honors previous commitments and continues to adhere to the \$2.00/\$1,000 debt service rate limitation. Proposed projects are identified for the ensuing fiscal year, but the funding is tentative or listed as "to-be-determined".

There are two basic approaches to funding capital projects: Pay-as-you-go and Pay-as-you-use. Pay-as-you-go means paying for the capital project out of current revenues at the time of expenditure. Pay-as-you-use means borrowing to finance the expenditure with debt service payments being made from revenues generated throughout the useful life of the project. West Des Moines uses a mix of finance approaches to finance capital projects. Capital projects are financed through bonds, reserves, grants, developer contributions and other governmental sources.

In addition to our efforts to extend infrastructure improvements to our developing areas we will continue present efforts in our established neighborhoods. The CIP commits substantial resources to resolve stormwater, sanitary sewer and paving issues in the community. Additionally, the following major projects are recommended for funding in FY 14-15:

- Construction of the 105<sup>th</sup> Street/Alice's Road/I-80 Interchange and related 105<sup>th</sup> Street interconnection to Mills Civic Parkway
- Construction of 39<sup>th</sup> Street northerly of E P True Parkway
- Reconstruction of Grand Avenue from South 35<sup>th</sup> Street to South 50<sup>th</sup> Street
- In conjunction with Clive and Urbandale, construction of a basic Animal Shelter
- Construction of Ashworth Road Recreational Trail
- Continued Phasing of the Valley Junction Alley Program
- HVAC Improvements at Various City Building Facilities
- Fairmeadows Park Renovation
- Phase 1 Construction of Woodland Hills Park
- Another segment of "intelligent" traffic system enhancements
- Trail renovations
- Various intersection improvements
- Renovation of the Holiday Park Baseball Complex – part of a multiyear plan

### ***Strategic Planning/Quality Improvement Process/Clusters/Goal Setting***

The City of West Des Moines Mayor, City Council and staff have pursued a number of initiatives to define the direction for the city organization and community. Annually, the Mayor and City Council with the Management Team conduct a five year strategic planning process. Goals and Objectives have been established with an Implementation Plan. The City also completes a citizen satisfaction survey every two years, and incorporates priorities into a Balanced Scorecard Strategic Planning process.

The City staff has committed to enhancing the level of the services provided to our residents through the quality team process. This has involved extensive training of city personnel in quality tools and techniques. City employees have formed a number of teams that are examining and making recommendations on a wide range of city-wide and departmental issues. The quality team process is guided by a group of city employees representing all city departments.



In order to improve communications and break down departmental barriers the concept of organizational clusters was introduced several years ago. Four clusters within the City organization have been formed with each of the clusters being comprised of similar departments that are closely related in function and common issues.

**Community Enrichment Cluster:** Parks and Recreation, Human Services, Library

**Public Safety Cluster:** Fire, EMS, Police, WestCom

**Public Services Cluster:** Public Works, Development Services, Community and Economic Development, Water Works

**Support Services Cluster:** City Manager's Office, Finance, City Attorney's Office, Human Resources, and Information Technology Services

Better relationships, synergies, and efficiencies have been established through the increased interactions of the departments. Departments have become more strategic partners as they embrace long-term issues and address strategic planning issues. The organizational clusters are a natural complement to the City's quality process as the City organization continually looks to improve.

### ***Hotel/Motel Revenues***

Hotel/Motel Tax, authorized by West Des Moines voters in 1984, is expected to generate \$3,150,000 in the upcoming year. Of those revenues 2/7<sup>th</sup> will automatically go to the Greater Des Moines Convention and Visitors Bureau, 2/7<sup>th</sup> will flow (per agreement) to BRAVO, 2/7<sup>th</sup> (subject to City Council approval), will be used for city park/recreation/tourist activities and the remaining 1/7<sup>th</sup> will be available for distribution to other City Council designated entities. For FY 14-15, the contribution to metropolitan-based organizations will exceed \$2,000,000. City Council action designated discretionary revenues in excess of total fund revenues of \$2,550,000 are to be channeled towards a public arts program.

### ***Regional Cooperation***

The City of West Des Moines continues to support programs that improve the quality of life for all residents of the metro area. Besides direct financial support, the City of West Des Moines contributes to the Metro in many ways, including:

- ◆ Westcom Public Safety dispatch center – West Des Moines, Clive, Urbandale, and Norwalk.
- ◆ Wastewater Reclamation Authority
- ◆ Metropolitan Tomorrow Planning Organization
  - Tomorrow Plan
- ◆ West Des Moines and Clive jointly share a Fire/EMS facility
- ◆ Capitol Crossroads – Regional Collaboration
- ◆ West Des Moines, Clive, and Urbandale have moved toward a common program of animal control licensing and enforcement.
- ◆ The West Des Moines Police Department is involved in many metro-based activities, ranging from traffic task forces to narcotic trafficking.
- ◆ The City has committed \$1,300,000, over a multi-year period, to the Iowa Events Center.
- ◆ The City of West Des Moines, along with the Cities of Ankeny, Altoona, Clive, Grimes, Johnston, Pleasant Hill, Polk City, Urbandale and Windsor Heights have formed Metro

Home Improvement Program, a multi-jurisdictional housing rehabilitation entity. This program is a collaborative effort of nine metro cities with the purpose of preserving affordable housing stock in these communities.

- ◆ During 2008, the City entered into an agreement with UnityPoint Health to provide administration and operation of emergency medical services. The resulting public-private partnership, Iowa EMS Alliance, avoids duplication of services while maintaining high quality care for the citizens of West Des Moines and the patients of Iowa Health.

### ***Conclusion***

The City of West Des Moines' budget accomplished the primary objectives of maintaining services, committing capital funds to the 105<sup>th</sup> Street/Alice's Road/I-80 interchange project, while maintaining tax rates. In addition, City departments have identified supplemental services/projects which are included in the proposed budget document for review by the Mayor and City Council. A number of high priority staffing issues are addressed in the budget including minimum staffing at Public Safety Station 19, through the addition of 6 Fire Fighters. However, staffing issues continue to exist in a number of areas particularly in Development Services and Public Works. The Management Team will continue to assess the staffing in these departments and offer the City Council alternatives prior to FY 15-16.

In order to assure that the City's human and physical infrastructure keeps pace with the City's growth, additional user-fee revenue enhancements, strategic expenditure reductions and potential restructuring will continue in future. Current service demands and limited revenue growth will necessitate a thorough and on-going review of all aspects of our financial plan.

I must express my personal thanks to members of the City staff for their diligent efforts to develop budgets that continue to provide high quality services to our residents.

I would also like to give a special note of thanks and appreciation to the members of the Finance Department staff for their excellent performance in gathering, analyzing, and presenting information clearly and accurately. The budget preparation team, composed of Deputy City Manager Jody Smith, Finance Director Tim Stiles, Budget Analyst Chris Hamlett, and me, worked collaboratively and effectively with the Department Directors in developing the proposed FY 14-15 budget. This budget could not have been completed without the combined efforts of all those involved.

I would also like to thank the City's elected officials for your continued support in planning and directing the financial operations of the city in a responsible and progressive manner. The West Des Moines community has benefited greatly from your leadership and commitment.

Respectfully submitted,



Greg L. Sparks  
City Manager

