BUDGET SUMMARY

The City of West Des Moines utilizes the following guidelines in developing its annual budget. These guidelines represent a number of practices utilized over the last ten years that have helped the City maintain its financial stability, while not jeopardizing the high level of service provided to citizens of West Des Moines.

Property Tax Rate & Other Revenues

The City's property tax rate should be comparable to cities of similar size, and should provide enough revenue to pay for City services deemed necessary by the City Council. The City will also attempt to maintain a diversified and stable revenue system that will serve as a shelter from fluctuations in any one revenue source. In addition, fees and other service charges should be reviewed annually to ensure their rate keeps pace with the cost of providing the service.

General Fund Reserves

The General Fund balance goal should be set at a level equal to or slightly exceeding 25% of operating expenditures.

Debt Management

The City has established three benchmarks in regard to the issuance of debt. First, the City would like to limit the amount of general obligation debt issued to one-half of the constitutionally allowed limit. Secondly, the City would like bonded debt per capita not to exceed $1,000. Finally, the City has stated that a non-voted debt issuance itself should not necessitate an increase in the property tax rate. All of the above benchmarks have met the test of time and have been reviewed, and endorsed, by Moody's Investors Service and Standard & Poor's, who have given the City Aa1 and AAA ratings respectively, this is the second highest rating issued by Moody's and the highest rating issued by Standard & Poor's.

Capital Improvement Program

Annually, the City will assemble a Citizens Advisory Committee on Capital Planning. The purpose of this committee will be to develop a multi-year plan for capital improvements. To adequately finance the plan, the City will use a number of sources including fee revenue, general fund operating funds, general obligation bonds, grants, road use tax and tax increment financing.

Capital Equipment Reserve Fund

The City will maintain a capital equipment reserve fund that will provide for the timely replacement of vehicles and heavy equipment that are no longer cost effective to maintain.

Utility Rates

The City will adopt utility rates that generate adequate revenues to cover operating expenses, meet the legal requirements of bond covenants, and allow for the timely replacement/upgrading of capital equipment and facilities.

The FY 2007-08 Budget was drafted under guidelines listed on the previous page. Below are the significant short-term assumptions and policies utilized in developing the FY 2007-08 Budget:

Revenue Assumptions

- The budget proposes a property tax rate of $12.05 per thousand of taxable valuation as compared to the current rate of $11.95 per thousand. This new rate allows for targeted operational enhancements resulting in general fund revenues equaling expenditures.Grants and other special one-time revenue sources will be pursued to provide improved services to the community.
- The City of West Des Moines will receive approximately $4.0 million dollars in Road Use Tax Funds. Approximately $2.0 million in Road Use Tax funds are being utilized for street related expenditures (pavement management and traffic signals). The remaining funds will be used for street lighting ($650,000) and for debt payments to the IDOT for work on Iowa 5 overpasses ($1,350,000). This will effectively use all of the Road Use Tax funds received from the State of Iowa.
- Transfers from the General Fund to Capital Project Funds will equal approximately 1.14% of the General Fund's operating revenues.
- There will be a need to increase solid waste collection rates either during the current FY or early in 2007-08. The amount of the increase will be determined following the City Council decision on Artistic Solid Waste's request for a fuel surcharge and after calculating the impact of Metro Waste Authority disposal rate/"Curb-It" charges for upcoming year(s).
- Similarly, ongoing sanitary sewer conveyance system improvements, and the debt the Wastewater Reclamation Authority (WRA) is issuing to pay for the same, will necessitate Council consideration of multi-year sewer fee increases. Those increases, which will be recommended to begin on July 1st, will keep West Des Moines sewer rates very comparable to most other metro-area communities.

Expenditure & Fund Balance Assumptions

- The FY 2007-2008 budget maintains minimum general fund balances, which protect the City of West Des Moines' financial integrity. The total revenues are $45,468,306 and total expenditures are $45,466,574. We project that the City's General Fund balance on June 30, 2008 will be slightly in excess of 23 percent ($9,611,630) of operating expenditures which is sufficient for meeting unexpected shortfalls in revenues or demands on future fund resources.
- The budget includes a continuation of existing employee compensation and benefit programs. As has been our practice since the 2000-01 FY inception of a pay plan for non-represented employees the budget includes a pay increase (this year 3%) for those individuals. This percentage is slightly above the rate of inflation (based on annual September CPI-W benchmarks) but equal to the increase for International Union of Operating Engineers (various Park/Recreation and Public Works personnel) bargaining unit employees. In addition to cost of living increases, a number of employees are eligible to receive step increases with the number of steps being dependent upon performance and employee classification, i.e. bargaining unit agreement or administrative position.
- The City was able to mitigate the rising cost of health insurance in prior years by systematically reducing the health insurance fund balance. During the last half of FY 04-05 and the entire 05-06 FY costs far exceeded the revenues and, in effect, reduced our June 30, 2006 fund balance to the point that we were advised, by the Iowa Insurance Division, "the plan has reported a significant deficit which must be dealt with during the current plan year". We have been proactive in dealing with this situation by raising, in 2005-06, rates by 46.5% and by 30% in 2006-

07. Those efforts appear to have been successful as we have eliminated the “deficit” in the first half of the current fiscal year with the upcoming budget reflecting a more modest 12% increase in rates.

- Directly related to rising health/medical costs is a proposed emphasis on the physical and mental health of our employees and families. The proposed budget includes $43,400 for a wellness program whereby employees would be counseled to engage in healthful lifestyle changes that will ultimately lead to reduced claims. Likewise, $100,000 is being included for employee/family membership in a fitness facility - to be determined by a bidding process - where increased physical activity and exercise would have a long term, positive impact on our costs.
- The proposed budget reflects a slight decrease in the contribution rate for the Municipal Fire and Police Retirement System of Iowa. The City’s contribution rate of covered wages for FY 07-08 will be 25.48% as compared to 27.75% for FY 06-07.
- A contingency of $150,000 will be established in the General Fund to provide for any unexpected expenditures which may occur during the year.

Distribution of Property Tax Dollars for a $1,000,000 West Des Moines Commercial Property

Polk County - WDM Schools	
School	$13.70
County	10.46
Other	0.68
City	11.95
FY 06-07 Levy	**$36.79**

Dallas County - Waukee Schools	
School	$17.80
County	6.68
Other	1.13
City	11.95
FY 06-07 Levy	**$37.56**

	Actual FY 2005-06	**Budget FY 2006-07**	**Budget FY 2007-08**
Property Tax Calculation			
Assessed Valuation	$1,000,000	$1,000,000	$1,000,000
Rollback Percentage	100.00%	99.15%	100.00%
Taxable Value	$1,000,000	$991,500	$1,000,000
City Tax Rate per $1,000	$11.73	$11.95	$12.05
Total City Property Tax	**$11,725**	**$11,848**	**$12,050**

Distribution of Property Tax Dollars for a $200,000 West Des Moines Residence

Polk County - WDM Schools	
School	$13.70
County	10.46
Other	0.68
City	11.95
FY 06-07 Levy	**$36.79**

Dallas County - Waukee Schools	
School	$17.80
County	6.68
Other	1.13
City	11.95
FY 06-07 Levy	**$37.56**

	Actual FY 2005-06	Budget FY 2006-07	Budget FY 2007-08
Property Tax Calculation			
Assessed Valuation	$200,000	$200,000	$200,000
Rollback Percentage	47.96%	45.99%	45.56%
Taxable Value	$95,920	$91,900	$91,120
City Tax Rate per $1,000	$11.73	$11.95	$12.05
Gross City Tax	$1,125	$1,099	$1,098
Less City Share of Homestead Tax Credit	($57)	($58)	($58)
Total City Property Tax	**$1,068**	**$1,041**	**$1,040**

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Project Funds	Enterprise Funds	FY 2007-08 Budget
REVENUES						
Operating Revenues						
Property Taxes	$24,841,902	$5,602,611	$7,086,410			$37,530,923
TIF Revenues		16,168,384				16,168,384
Other City Taxes	2,457,262	86,239	93,181			2,636,682
Licenses and Permits	944,000					944,000
Use of Money and Property	613,000	60,000	550,000		720,000	1,943,000
Intergovernmental	3,450,911	4,568,000		8,770,000	200,000	16,988,911
Charges for Services	2,626,200				8,850,000	11,476,200
Special Assessments				100,000		100,000
Miscellaneous	477,975	1,250,000			5,420,000	7,147,975
Sub-total Operating Revenues	**$35,411,250**	**$27,735,234**	**$7,729,591**	**$8,870,000**	**$15,190,000**	**$94,936,075**
Other Financing Sources						
Proceeds of Long Term Debt	$5,000			$6,000,000		$6,005,000
Transfers In	10,052,056	79,525	10,617,140	18,883,000		39,631,721
Sub-total Other Financing Sources	**$10,057,056**	**$79,525**	**$10,617,140**	**$24,883,000**		**$45,636,721**
TOTAL REVENUES & OTHER SOURCES	**$45,468,306**	**$27,814,759**	**$18,346,731**	**$33,753,000**	**$15,190,000**	**$140,572,796**
EXPENDITURES						
Operating Expenditures						
Personal Services	$30,303,337	$2,048,211			$842,420	$33,193,968
Supplies and Services	7,630,865	545,864			11,176,735	19,353,464
Universal Commodities	2,247,348	653,300			127,500	3,028,148
Non-Recurring/Non-Capital	396,888	249,500			70,000	716,388
Capital	720,968	464,500			661,757	1,847,225
Sub-total Operating Expenditures	**$41,299,406**	**$3,961,375**			**$12,878,412**	**$58,139,193**
Lease/Purchase or Installment Contract Expenditures	**$87,612**					**$87,612**
Total Operating Expenditures	**$41,387,018**	**$3,961,375**			**$12,878,412**	**$58,226,805**
Debt Service Expenditures		**$3,465,576**	**$17,034,985**			**$20,500,561**
Capital Improvement Expenditures				**$26,365,300**	**$3,915,000**	**$30,280,300**
Total Expenditures	**$41,387,018**	**$7,426,951**	**$17,034,985**	**$26,365,300**	**$16,793,412**	**$109,007,666**
Transfers Out	**$4,079,556**	**$26,002,165**		**$5,435,000**	**$4,115,000**	**$39,631,721**
TOTAL EXPENDITURES/TRANSFERS OUT	**$45,466,574**	**$33,429,116**	**$17,034,985**	**$31,800,300**	**$20,908,412**	**$148,639,387**
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	**$1,732**	**($5,614,357)**	**$1,311,746**	**$1,952,700**	**($5,718,412)**	**($8,066,591)**
BEGINNING FUND BALANCE	**$9,609,898**	**$11,858,286**	**$5,216,287**	**$18,132,153**	**$21,600,760**	**$66,417,384**
ENDING FUND BALANCE	**$9,611,630**	**$6,243,929**	**$6,528,033**	**$20,084,853**	**$15,882,348**	**$58,350,793**
FUND BALANCE % OF EXPENDITURES	**23.64%**	**84.07%**	**38.32%**	**76.18%**	**97.57%**	**53.53%**

Revenues & Expenditures by Category

	ACTUAL FY 2004-05	ACTUAL FY 2005-06	REVISED BUDGET FY 2006-07	BUDGET FY 2007-08	INC(DEC) FY 2007-08 OVER FY 2006-07	% INC (DEC)
REVENUES						
Operating Revenues						
Property Taxes	$29,554,188	$30,634,936	$34,606,504	$37,530,923	$2,924,419	8.45%
TIF Revenues	9,942,369	10,089,944	14,165,000	16,168,384	2,003,384	14.14%
Other City Taxes	2,459,928	2,756,013	2,530,336	2,636,682	106,346	4.20%
Licenses and Permits	1,320,158	973,262	981,700	944,000	(37,700)	(3.84%)
Use of Money and Property	2,931,436	4,134,120	2,348,500	1,943,000	(405,500)	(17.27%)
Intergovernmental	14,204,794	8,859,318	12,419,610	16,988,911	4,569,301	36.79%
Charges for Services	9,876,256	9,814,549	9,936,000	11,476,200	1,540,200	15.50%
Special Assessments	607,377	389,576	100,000	100,000		
Miscellaneous	4,366,120	5,964,985	6,319,500	7,147,975	828,475	13.11%
Sub-total Operating Revenues	**$75,262,626**	**$73,616,703**	**$83,407,150**	**$94,936,075**	**$11,528,925**	**13.82%**
Other Financing Sources						
Proceeds of Long Term Debt	$3,121,506	$6,339,846	$6,425,000	$6,005,000	($420,000)	(6.54%)
Transfers In	68,181,707	34,267,411	35,406,254	39,631,721	4,225,467	11.93%
Sub-total Other Financing Sources	**$71,303,213**	**$40,607,257**	**$41,831,254**	**$45,636,721**	**$3,805,467**	**9.10%**
TOTAL REVENUES & OTHER SOURCES	**$146,565,839**	**$114,223,961**	**$125,238,404**	**$140,572,796**	**$15,334,392**	**12.24%**
EXPENDITURES						
Operating Expenditures						
Personal Services	$24,329,495	$26,134,337	$30,227,747	$33,193,968	$2,966,221	9.81%
Supplies and Services	15,424,754	16,413,667	18,392,758	19,353,464	960,706	5.22%
Universal Commodities	2,472,183	2,716,837	2,802,765	3,028,148	225,383	8.04%
Non-Recurring/Non-Capital	719,439	435,760	884,812	716,388	(168,424)	(19.04%)
Capital	2,152,992	2,355,423	2,708,899	1,847,225	(861,674)	(31.81%)
Sub-total Operating Expenditures	**$45,098,864**	**$48,056,024**	**$55,016,981**	**$58,139,193**	**$3,122,212**	**5.67%**
Lease/Purchase or Installment Contract Expenditures	**$71,567**	**$77,905**	**$88,663**	**$87,612**	**($1,051)**	**(1.19%)**
Total Operating Expenditures	**$45,170,431**	**$48,133,929**	**$55,105,644**	**$58,226,805**	**$3,121,161**	**5.66%**
Debt Service Expenditures	**$24,597,390**	**$19,476,031**	**$20,134,146**	**$20,500,561**	**$366,415**	**1.82%**
Capital Improvement Expenditures	**$39,369,452**	**$15,556,172**	**$17,821,630**	**$30,280,300**	**$12,458,670**	**69.91%**
Total Expenditures	**$109,137,272**	**$83,166,132**	**$93,061,420**	**$109,007,666**	**$15,946,246**	**17.14%**
Transfers Out	**$68,181,708**	**$34,267,411**	**$35,406,254**	**$39,631,721**	**$4,225,467**	**11.93%**
TOTAL EXPENDITURES/TRANSFERS OUT	**$177,318,980**	**$117,433,545**	**$128,467,674**	**$148,639,387**	**$20,171,713**	**15.70%**
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	**($30,753,141)**	**($3,209,584)**	**($2,949,272)**	**($8,066,591)**	**($4,837,321)**	**149.80%**
BEGINNING FUND BALANCE	**$103,329,381**	**$72,576,240**	**$69,366,656**	**$66,417,384**	**($2,949,272)**	**n/a**
ENDING FUND BALANCE	**$72,576,240**	**$69,366,656**	**$66,417,384**	**$58,350,793**	**($8,066,591)**	**n/a**
FUND BALANCE % OF EXPENDITURES	**66.50%**	**83.41%**	**71.37%**	**53.53%**		

Revenues & Expenditures by Fund

	ACTUAL FY 2004-05	ACTUAL FY 2005-06	REVISED BUDGET FY 2006-07	BUDGET FY 2007-08	INC(DEC) FY 2007-08 OVER FY 2006-07	% INC (DEC)
REVENUES						
Fund Revenues						
General Funds	$37,055,927	$38,785,195	$42,086,105	$45,468,306	$3,382,201	8.04%
Special Revenue Funds	18,889,049	18,386,903	25,706,891	27,814,759	2,107,868	8.20%
Debt Service Funds	18,560,678	15,379,818	16,989,115	18,346,731	1,357,616	7.99%
Capital Project Funds	56,501,154	24,039,236	21,369,000	33,753,000	12,384,000	57.95%
Enterprise Funds	15,559,030	17,632,808	19,367,293	15,190,000	(4,177,293)	(21.57%)
Total Fund Revenues	**$149,565,839**	**$114,223,961**	**$125,238,404**	**$140,572,796**	**$15,334,392**	**12.24%**
EXPENDITURES						
Fund Expenditures						
General Funds	$36,536,145	$38,324,065	$42,019,245	$45,466,574	$3,447,329	8.20%
Special Revenue Funds	24,488,649	17,111,987	25,615,997	33,429,116	7,813,119	30.50%
Debt Service Funds	19,112,387	16,917,825	16,486,260	17,034,985	548,725	3.33%
Capital Project Funds	80,534,661	27,783,334	23,404,846	31,800,300	8,395,454	35.88%
Enterprise Funds	16,647,137	17,296,335	20,941,326	20,908,412	(32,914)	(0.16%)
Total Fund Expenditures	**$177,318,980**	**$117,433,545**	**$128,467,674**	**$148,639,387**	**$20,171,713**	**15.70%**
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	**($30,753,141)**	**($3,209,584)**	**($2,949,272)**	**($8,066,591)**	**($4,837,321)**	**n/a**
BEGINNING FUND BALANCE	**$103,329,381**	**$72,576,240**	**$69,366,656**	**$66,417,384**	**($2,949,272)**	**n/a**
ENDING FUND BALANCE	**$72,576,240**	**$69,366,656**	**$66,417,384**	**$58,350,793**	**($8,066,591)**	**n/a**
FUND BALANCE % OF EXPENDITURES	**66.50%**	**83.41%**	**71.37%**	**53.53%**		

Comparison of Amended Budget to Actual

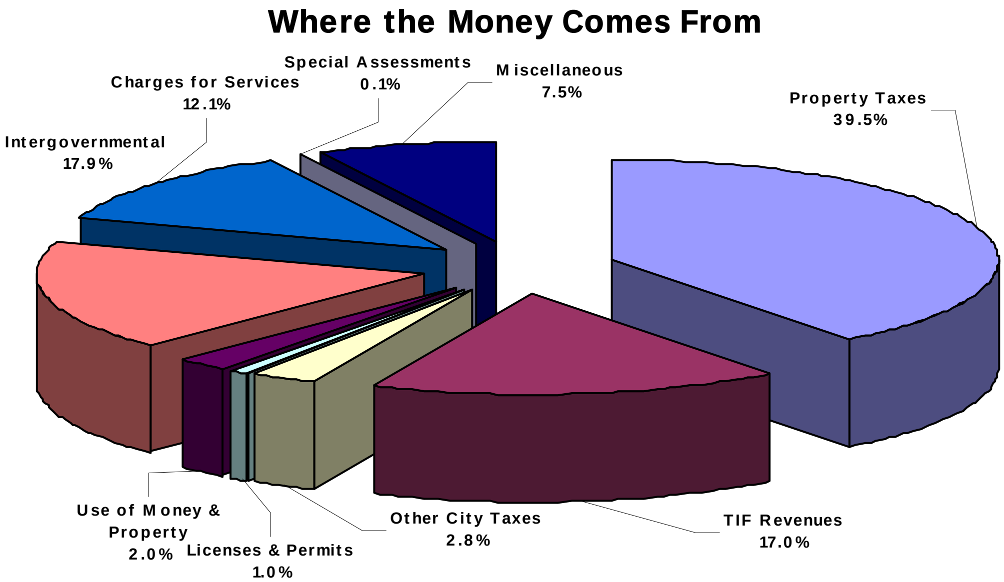
	Amended Budget FY 2004-05	Actual FY 2004-05	Variance Favorable (Unfavorable)	Amended Budget FY 2005-06	Actual FY 2005-06	Variance Favorable (Unfavorable)
REVENUES						
Revenues						
Property Taxes	$29,597,214	$29,554,188	($43,026)	$30,883,977	$30,634,936	($249,041)
TIF Revenues	9,222,926	9,942,370	719,444	10,060,000	10,089,944	29,944
Other City Taxes	2,426,680	2,459,928	33,248	2,577,502	2,756,013	178,511
Licenses and Permits	1,148,230	1,320,158	171,928	967,500	973,262	5,762
Use of Money and Property	2,023,773	2,931,435	907,662	2,888,550	4,134,120	1,245,570
Intergovernmental	7,573,751	14,204,794	6,631,042	7,583,522	8,859,318	1,275,796
Charges for Services	8,983,110	9,876,256	893,146	9,553,900	9,814,549	260,649
Special Assessments	100,000	607,377	507,377	100,000	389,576	289,576
Miscellaneous	4,056,675	4,366,120	$309,445	4,480,700	5,964,985	1,484,285
Total Revenues	**$65,132,359**	**$75,262,626**	**$10,130,267**	**$69,095,651**	**$73,616,703**	**$4,521,052**
EXPENDITURES						
Expenditures						
Public Safety	$14,831,641	$15,263,402	($431,761)	$16,269,511	$16,684,916	($415,405)
Public Works	6,402,927	6,544,182	(141,255)	7,191,020	6,740,461	450,559
Health and Social Services	897,231	806,975	90,256	896,996	881,171	15,825
Culture and Recreation	5,037,385	5,012,591	24,794	5,604,831	5,677,963	(73,132)
Community and Economic Development	4,796,436	4,656,694	139,742	3,937,943	3,609,890	328,053
General Government	4,093,556	3,999,185	94,371	4,677,301	4,114,285	563,016
Debt Service	23,743,198	23,620,841	122,357	18,078,975	17,938,911	140,064
Capital Outlay	57,722,495	37,990,283	19,732,212	18,658,000	14,906,924	3,751,076
Business Type	12,761,084	11,243,119	1,517,965	10,891,567	12,611,613	(1,720,046)
Total Expenditures	**$130,285,953**	**$109,137,272**	**$21,148,681**	**$86,206,144**	**$83,166,132**	**$3,040,010**
Excess (Deficiency) of Revenues Over Expenditures	**($65,153,594)**	**($33,874,646)**	**($11,018,414)**	**($17,110,493)**	**($9,549,429)**	**$1,481,042**
Other Financing Sources, Net	**$9,089,812**	**$3,121,506**	**($5,968,306)**	**$6,091,920**	**$6,339,846**	**$247,926**
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	**($56,063,782)**	**($30,753,140)**	**($16,986,720)**	**($11,018,573)**	**($3,209,583)**	**$1,728,968**

FY 2007-08 Expenditures Stated on a Program Basis

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Project Funds	Enterprise Funds	FY 2007-08 Budget
Expenditures and Other Financing Uses						
Public Safety	$18,086,137	$2,646,850				$20,732,987
Public Works	7,322,030	650,000				7,972,030
Health and Social Services	786,342	174,525				960,867
Culture and Recreation	5,991,769	145,000				6,136,769
Community and Economic Development	3,346,601	245,000				3,591,601
General Government	5,766,527	100,000				5,866,527
Debt Service Funds	87,612	3,465,576	17,034,985			20,588,173
Capital Project Funds				26,365,300		26,365,300
Total Government Activities	**$41,387,018**	**$7,426,951**	**$17,034,985**	**$26,365,300**		**$92,214,254**
Business-type/Enterprise Funds					$16,793,412	$16,793,412
Total Business-type/Enterprise					**$16,793,412**	**$16,793,412**
Total Expenditures	**$41,387,018**	**$7,426,951**	**$17,034,985**	**$26,365,300**	**$16,793,412**	**$109,007,666**

Revenue Highlights

The City of West Des Moines continues to build on its reputation as a growing city suburban to Des Moines, Iowa. A strong commercial base, coupled with a growing residential market, makes West Des Moines a desirable place to both live and work. In FY 2007-08 revenues are projected to increase by approximately 12.24% over budget FY 2006-07. Property tax revenues, which account for approximately 39.53% of the City's total revenues, are projected to increase by approximately 8.45%.



Property Taxes

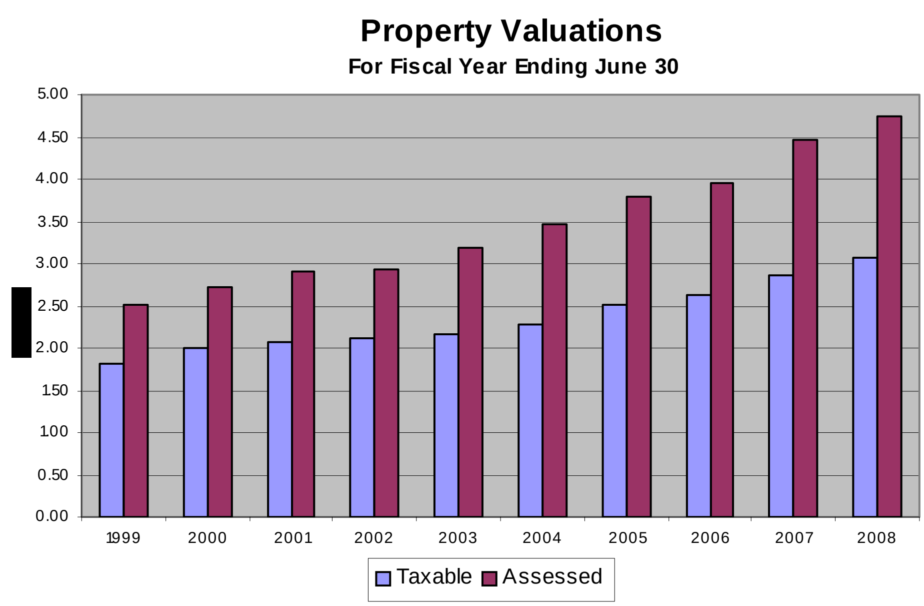
The budget proposes a property tax rate of $12.05/$1,000 of taxable valuation as compared to the current rate of $11.95/$1,000. This new rate allows for targeted operational enhancements resulting in general fund revenues equaling expenditures. The proposed ad valorem taxes levied against real and personal property in FY 2007-08 should generate approximately $37,530,923 which accounts for approximately 39.53% of the total revenue budgeted for the City. This projection, which is based on actual taxable valuations for January 1, 2006 as supplied by the Polk, Dallas and Warren County Auditors. As in past years, property taxes continue to be, not only the main revenue source for the City, but also one of the most stable. However, this stability is continually challenged by the erosion of the City's tax base due to state mandated rollbacks on commercial and residential property.

Property Taxes (Continued)

Residential Rollbacks

Taxable property in Iowa is categorized into distinct classes such as residential, commercial, industrial, or agricultural with each category having different procedures for assessing value for taxing purposes. To reduce the opportunity for dramatic tax shifts between classes from year to year, a statutory limit of 4% a year has been imposed commonly called the growth limitation. For example if statewide growth in any one class of property in any year exceeds 4%, the taxable value is reduced by a percentage so that growth of taxable valuation is at the 4% ceiling. This percentage is called the “rollback.” Furthermore, residential property is subject to an additional restriction in which the state-wide growth in residential property cannot exceed the growth in agricultural property. In other words, the taxable growth of residential property is either 4% or equal to the growth in agricultural property, whichever is lower. Since the growth in agricultural property has been stagnant for several years (less than 1% a year), taxable residential property valuations have been artificially suppressed. This has brought to light one of the major limitations of the rollback formula in that it does not recognize the unique valuation characteristics present in different regions of the state. Because of this fact, economic development in some communities has been stifled and has resulted in the shifting of tax burdens from residential properties to other classes of property.

In spite of the budgetary constraints posed by the state rollbacks West Des Moines, through a combination of favorable economic conditions and judicious management over the past ten years, has experienced sustained increases of three to fifteen percent per year in the City’s tax base. These increases have been invaluable in defraying the effects of the rollback. While it can be clearly seen from the chart below actual property valuations in FY 2007-08 have nearly doubled since FY 98-99, the effects of the state mandated rollbacks can also be seen. In FY 98-99, the City was able to generate revenues from 72% of its tax base. However ten years later, in FY 07-08, the City will only be able to generate revenue on 65% of its tax base.



Property Taxes (Continued)

In FY 2007-08, the taxable value of residential properties will decrease from 45.99% to 45.56% and the taxable value of commercial property will increase from 99.15% to 100.00%. The enclosed table is a ten-year history of the commercial and residential rollbacks in Iowa. It is important to note that in just ten years the taxable percentage of residential properties has decreased from 54.91% in FY 98-99, to 45.56% in FY 07-08. In other words, the City has lost the ability to generate taxes on over 9% of its residential property in just ten years. West Des Moines has experienced significant increases in its property tax base over the last ten years. The City's population has increased by 31% and the square miles covered by the City have more than doubled. As a result of the mandated rollback, it becomes a question as to whether the additional revenues from an artificially suppressed tax base are enough to meet the service level expectations of the citizens of West Des Moines.

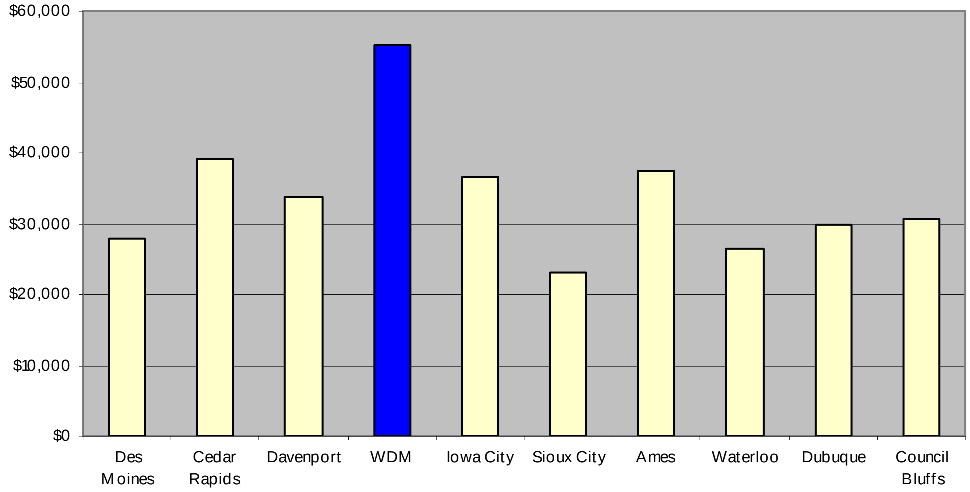
Fiscal Year	Residential	Commercial
1998-99	54.91%	97.36%
1990-00	56.48%	100.00%
2000-01	54.85%	98.35%
2001-02	56.27%	100.00%
2002-03	51.67%	97.77%
2003-04	51.39%	100.00%
2004-05	48.46%	99.26%
2005-06	47.96%	100.00%
2006-07	45.99%	99.15%
2007-08	45.56%	100.00%

Rollback Effect in Comparable Cities

While the rollbacks have had a significant budgetary impact on the City of West Des Moines, they have not been as devastating as in other cities that rely heavily on the residential tax base to support City services. The precipitous decline of residential tax bases has forced most Iowa cities to increase rates just to support existing services. Nearly two-thirds of Iowa's cities are at the maximum levy rates for the general fund. Even at maximum rates, nearly 300 Iowa cities are facing declining revenues since actual residential growth cannot make up for rollback losses. West Des Moines is fortunate in having a strong commercial tax base, and is not subject to erratic swings in property tax revenues as some communities. In fact, West Des Moines is one of the few communities in the state where Commercial/Industrial property generates more tax revenues than residential property. This is further evidenced when you compare taxable property valuations per capita of Iowa's ten largest cites. West Des Moines' taxable valuation per capita not only is the highest of any of Iowa's ten largest cities, in some cases is more than double the per capita valuation of some cities with a greater population.

Comparison of Taxable Property Valuations per Capita For Iowa's Ten Largest Cities

Based on January 1, 2005 Valuations

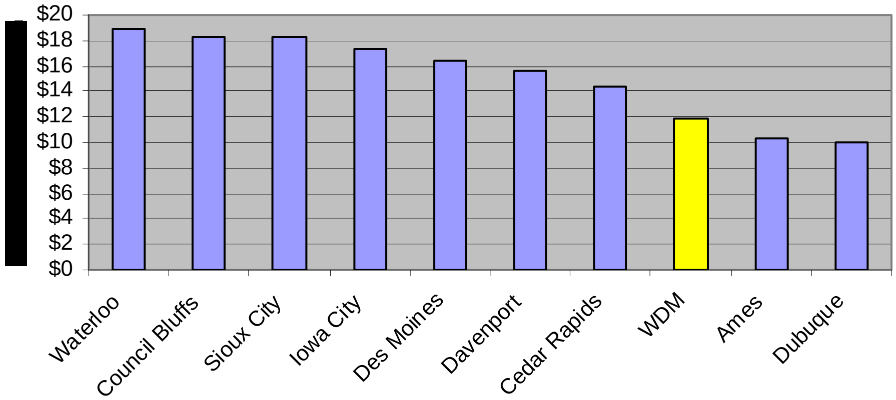


Long Term Forecast

Some experts predict that, over the next ten years, the residential rollback could decrease two to three percentage points a year. It is clear that the City must continue to build and improve its economic base in order to replace property tax dollars lost that may be lost from the residential rollback.

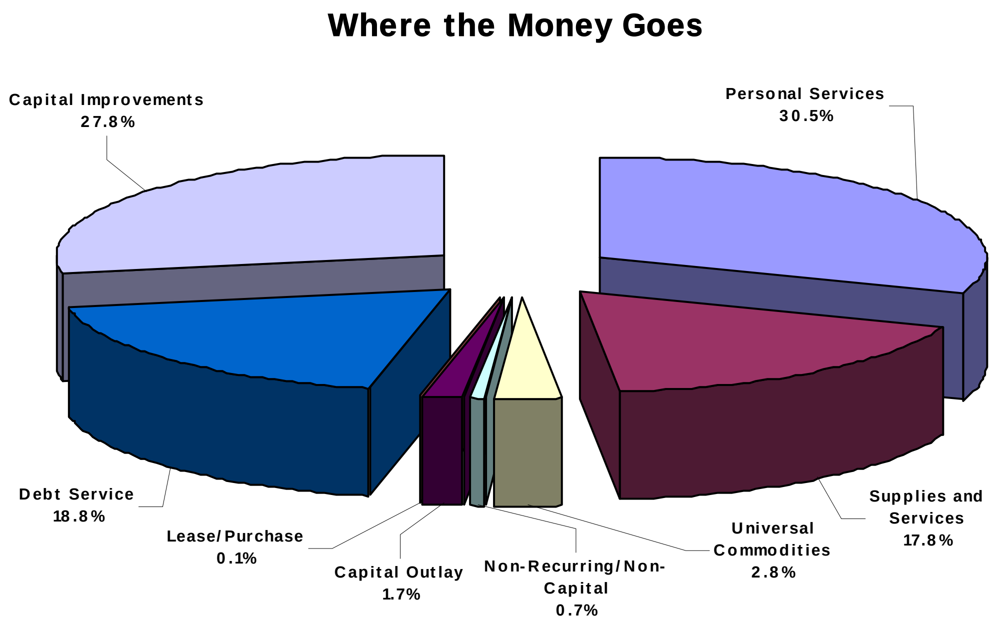
Presently the City's economic base could be classified as strong and diversified with no major employer or type of business in a dominating role. However, the City must be cautious and realize there are many factors that could directly and indirectly influence its tax base. International issues such as the consumption of oil, consumer demands for products, regional entertainment patterns, increased competition from neighboring communities, changes in federal policies, and foremost, unfunded state mandates, can restrict tax collections in any given year.

Property Tax Rates of Iowa's Ten Largest Cities
FY 2006-07



Expenditure Highlights

Total expenditures for FY 2007-08 are projected to increase by 17.14% when compared to budget FY 2006-07. This increase is primarily due to a decrease in the City's extensive Capital Improvement Program. The City's operating budget denotes an increase of 5.66% over budget FY 2006-07, which is primarily due to increased personnel expenditures.



Personnel

The City measures both full and regular part-time positions based on full-time equivalents (FTE), which is the total estimated annual person hours required to fill a position for all or a portion of a year, divided by 2,080. It should be noted that, due to the seasonal nature of employment, temporary and volunteer workers are not included in this calculation. In FY 2007-08 FTE(s) are proposed to increase by 5.75 positions bringing the City's total to 361.10 full-time equivalent positions. This represents an increase in FTE(s) of 1.62% over FY 06-07, and roughly a 38% increase since FY 1998-99. Proposed personnel additions for FY 07-08 are listed on the following page.

New/Additional Employees for FY 07-08

Department	New/Additional Position	Number of Positions	Reasoning Behind Proposal	Budgetary Impact
Human Resources	HR Administrator	0.00	Additional Hours for Urbandale	$10,000
Information Services	CAD Administrator	1.00	WestCom Technical Support	88,990
Information Services	GIS Analyst	1.00	WestCom Technical Support	76,300
Public Works	Storm Water Coordinator	1.00	Storm Water Management	97,550
Public Works	Engineering Technician	1.00	Storm Water Database Management	84,150
EMS	CPR Trainer	0.00	CPR Classes	20,000
Parks & Recreation	Park Planner	1.00	Assist with Capital Improvement Projects	58,804
Parks & Recreation	Teen Center Staff	0.75	Rex Mathes Teen Center	37,000
Totals		**5.75**		**$472,794**

City of West Des Moines Personnel by Cluster and Department

POSITIONS STATED IN FULL-TIME EQUIVALENTS (FTE)	ACTUAL FY 2004-05	ACTUAL FY 2005-06	BUDGET FY 2006-07	BUDGET FY 2007-08	CHANGE FROM FY 2006-07
Authorized Personnel by Department					
Community Enrichment					
Human Services	12.00	12.00	12.00	12.00	0.00
Library	23.60	23.60	23.60	23.60	0.00
Parks & Recreation	23.75	23.75	23.75	25.50	1.75
Sub-total Community Enrichment	**59.35**	**59.35**	**59.35**	**61.10**	**1.75**
Public Safety					
Emergency Medical Services	16.00	16.00	19.00	19.00	0.00
Fire Department	39.00	39.00	51.00	51.00	0.00
Police Department	81.75	82.75	82.75	82.75	0.00
WestCom	18.25	18.25	20.25	20.25	0.00
Sub-total Public Safety	**155.00**	**156.00**	**173.00**	**173.00**	**0.00**
Public Services					
Community Development	22.00	22.00	23.00	23.00	0.00
Public Works	68.00	71.00	72.00	74.00	2.00
Sub-total Public Services	**90.00**	**93.00**	**95.00**	**97.00**	**2.00**
Support Services					
Administrative Services	9.25	9.25	9.50	9.50	0.00
City Manager's Office	3.50	4.50	4.00	4.00	0.00
Human Resources	4.00	4.00	4.50	4.50	0.00
Information Services	7.00	7.00	7.00	9.00	2.00
Legal	3.00	3.00	3.00	3.00	0.00
Sub-total Support Services	**26.75**	**27.75**	**28.00**	**30.00**	**2.00**
Total Authorized Personnel	**331.10**	**336.10**	**355.35**	**361.10**	**5.75**
Authorized Personnel by Fund					
General Funds	328.10	330.10	349.35	353.10	3.75
Enterprise Funds	3.00	6.00	6.00	8.00	2.00
Total Authorized Personnel	**331.10**	**336.10**	**355.35**	**361.10**	**5.75**

Key Assumptions for FY 2007-08

Salary Increases

The budget includes a continuation of existing employee benefits. Included in the document is a 3 percent pay increase for non-represented employees. While this amount is slightly below the rate of inflation, it is equal to or less than cost of living increases for bargaining unit (Union) employees. In addition to the cost of living increases, many employees will receive step increases. The number of steps is dependent upon employee classification, i.e. bargaining unit agreement or administrative position.

Medical Insurance Rates

Medical insurance rates are projected to increase by 6%. The family rate for health insurance is projected to be $1,368 per month, with the City's share at $1,217.52. Single coverage for City employees is projected to be $496.11 per month with the City paying $486.19. Dental insurance is projected to be $27.32 per month for single coverage and $88.06 for family coverage, with the City's share at $27.32.

Pension and Retirement Benefits

The projected City contribution rates for FY 07-08 are as follows:

- 25.48% for sworn police officers and fire personnel (MFPRSI).
- 6.05% for full and regular part-time personnel (IPERS).
- 9.23% for paid-on-call firefighters (IPERS).

Other Pay

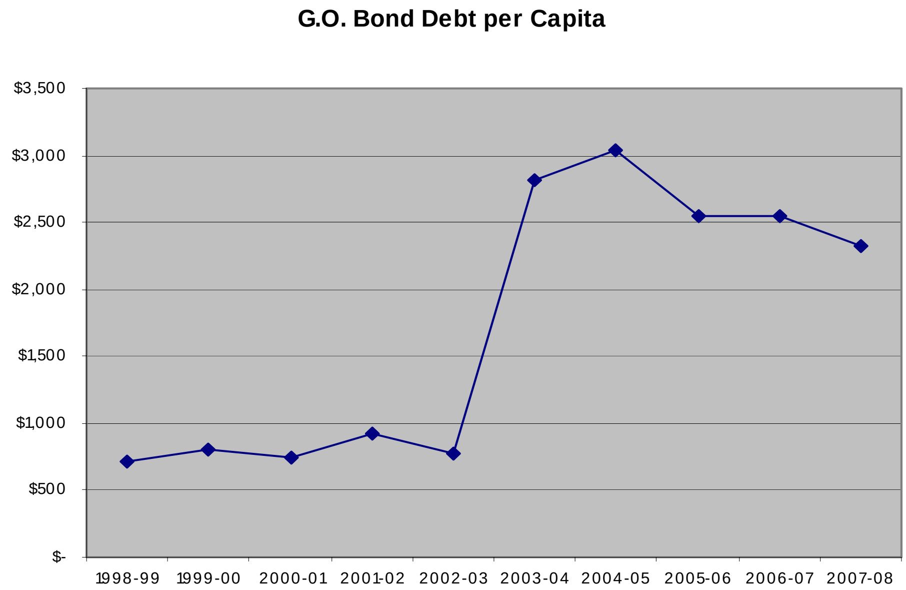
This category includes the City's deferred compensation plan, longevity pay, life insurance, and other miscellaneous pay categories.

Description of Long Term Debt Obligations

The City of West Des Moines has experienced tremendous amount of growth in recent years. Since 1990, the population of West Des Moines has increased by 38.73%, and the square miles of the City have more than doubled, both of which created an unprecedented demand in West Des Moines for infrastructure and capital projects. For instance, as a city expands its citizens will need more parks, roads, bridges, and public safety facilities, just to name a few. This demand for public sector investment has made the issuance of debt an increasingly important component in City programs. The City of West Des Moines utilizes two basic forms of long-term debt; general obligation bonds and revenue bonds. The difference between these two types of bonds is that general obligation bonds are backed by the full faith and credit (i.e.taxes) of the City. Revenue bonds, in contrast, are not fully guaranteed by a governmental entity; rather, they are guaranteed only from the revenue source(s) designated in the bond resolution.

Debt Management

The planning, development, and implementation of debt management is an important component in a local government's overall capital program. A decision to borrow money can bind a city to a stream of debt service payments that can last twenty years or more. Therefore, it is imperative that cities develop and abide by a debt management policy. The City Council agreed that debt issuance should not require the City's overall property tax rate to exceed $12.05/$1,000 of valuation. Before the issuance of debt, the City Council listens to the recommendation of a citizens committee which annually reviews and prioritizes the capital needs of the City. The Council then determines, as a part of the annual budget, the amount of debt to be issued. It is important to note the increase in General Obligation bond debt per capita in FY 03-04 is related to the City's very aggressive Capital Improvement Program. Moody's Investors Services and Standard & Poor's rating agencies have issued ratings of Aa1 and AAA respectively, the second highest rating issued by Moody's and the highest issued by Standard & Poor's. These high ratings result in a more attractive bidding environment and, therefore, a more favorable interest rate for the City when bonds are sold. Traditionally the City issues twelve (17) year bonds, except for the case of municipal buildings where bonds are issued with a nineteen (19) year term. Sales of general obligation bonds are usually prepared on a level debt formula which means that the total amount of principal and interest due each year is roughly the same.



Long Term Debt Schedule

	Estimated Balance June 30, 2007	FY 2007-08 Additions	FY 2007-08 Reductions	Estimated Balance June 30, 2008
Debt Subject to Constitutional Limitation				
General Obligation Debt	$125,840,000	$6,500,000	$11,955,000	$120,385,000
Tax Increment Financing Bonds	7,705,000		1,815,000	5,890,000
Rise Loans/IDOT	299,048		78,127	220,921
Lease Purchase/Other Debt	432,344		249,324	183,020
Sub-total Debt Subject to Limitation	**$134,276,392**	**$6,500,000**	**$14,097,454**	**$126,678,941**
Revenue Bonds & Capital Loan Notes				
WRA Debt	$2,334,998		$336,860	$1,998,138
Sewer Debt	3,567,000		655,000	2,912,000
Sub-total Revenue Bonds & Capital Loan Notes	**$5,901,998**		**$991,860**	**$4,910,138**
Total Long-Term Debt	**$140,178,390**	**$6,500,000**	**$15,089,314**	**$131,589,079**

Municipal Debt Capacity

Article IX, Section 3 of the Iowa Constitution limits the indebtedness of any governmental entity to not more than five percent (5%) of the valuation of the property located within the jurisdiction. The restriction applies to general obligation bonds, lease purchases, certain long-term borrowing, and T.I.F. debt. With the valuation of all property in West Des Moines in excess of five billion dollars, the City's constitutional debt limit is $263,464,811. The City estimates its direct debt or debt that is subject to the limitation will be $126,678,941 at June 30, 2008. This leaves an available margin of $136,785,870 with approximately 48.08% of the available statutory debt limit being obligated.

Actual Property Valuation	
January 1, 2006	$5,269,296,213
Statutory Percentage	5.00%
Statutory Debt Limit	**$263,464,811**
Estimated Direct Debt at June 30, 2008	
General Obligation Bonds	$120,385,000
Tax Increment Financing Bonds	5,890,000
Rise Loans/IDOT	220,921
Lease Purchase/Other Debt	183,020
Total Outstanding Direct Debt	**$126,678,941**
Available Debt Margin	**$136,785,870**
Percentage Obligated	**48.08%**