



EXECUTIVE OVERVIEW



January 24, 2007

Honorable City Council members:

I respectfully present the proposed budget for the City of West Des Moines for the fiscal year beginning July 1, 2007. **As the City's financial and spending plan for the year, the adoption of the budget is undoubtedly the single-most important action taken by the City's elected officials each year.** The adopted budget will authorize resources and establish a direction for our programs and services for the coming year.

As you review the FY 2007-08 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 they will receive. **We are very proud that the Government Finance Officer's Association of the United States and Canada has voted to award our budget document the Distinguished Budget Presentation Award for the 2006-2007 fiscal year, the eighth consecutive year receiving this honor.**

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 hope that 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 FY 2006-07, we are pleased to make particular note of 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, 2005. This is the thirteenth 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 February 2005, the City's bond rating on outstanding general obligation debt was upgraded by Standard & Poor's from AA+ to 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 April 2006 review of the City's finances Standard & Poor's notes **"The City's financial position is strong due to the maintenance of a large general fund balance and conservative financial management."**

FY 2007-08 Budget Highlights

- 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.
- In the FY 2007-08 budget, we continue, in a conservative fashion, efforts to increase staff to meet the needs of our growing community. The proposed budget reflects the hiring of a Park Planner (general fund), a CAD Administrator and GIS Analyst (E911 revenues) plus a Stormwater Coordinator and Engineering Technician (Stormwater Utility). Additionally the proposed budget includes funds for enhanced part-time hours for the recently opened Rex Mathes Teen Center and for a Human Resources staff member that will primarily be working, under a contractual agreement, for the City of Urbandale.
- 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 proposed budget reflects the existing staffing structure of personnel assigned to the Community Development and Public Works departments. The restructuring of personnel in those departments, as approved at the January 15th City Council meeting, necessitates a number of accounting and budget changes – at no change in the bottom line of the general fund – that will be made at the time the final budget is presented or as part of an ensuing budget amendment.

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 pro-active 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.

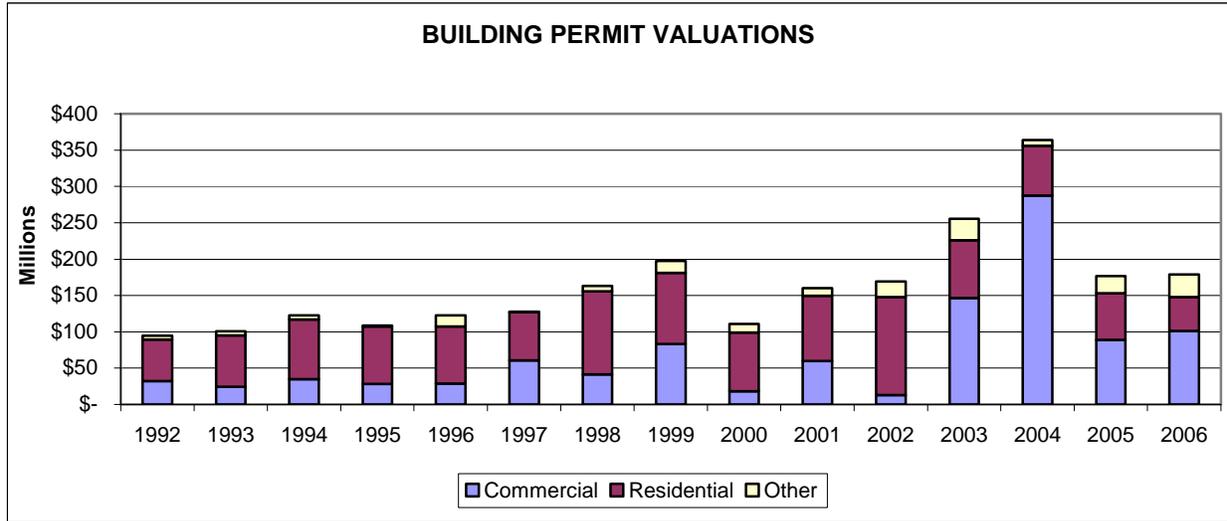
- The City of West Des Moines will receive approximately \$4.0 million dollars in Road Use Tax Funds. Approximately \$2.0 million in Road Use Tax funds are being utilized for street related expenditures (pavement management and traffic signals). The remaining funds will be used for street lighting (\$650,000) 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.
- 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.
- The City continues its support of the Youth Justice Initiative. The Police department facilitated an agreement with the West Des Moines Community School District where the school district will be responsible for 75% of program costs and the City will be responsible for 25% (approximately \$25,000).
- 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.

- As members of WestCom (consolidated dispatch services), the cities of Clive, Urbandale and West Des Moines have explored the possibility of collaboration with Polk County where the entities would join together to form a new entity called MetroCom. The proposed budget does not reflect consolidation of those services so the three entities will begin to explore alternatives to address future building/equipment improvements and/or staffing changes.
- **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.

Local Economy/Development Activity Highlights

The City of West Des Moines continues to be one of the fastest growing cities in the State of Iowa. As of the 2005 special census we had 51,744 residents, which is a 63 percent increase in population since 1990 and 11.5 percent since 2000. **In 2006, the total building permit valuation was in excess of \$179,052,330 - the fourth best performance in the history of our community.**



BUDGET IN BRIEF

Revenues

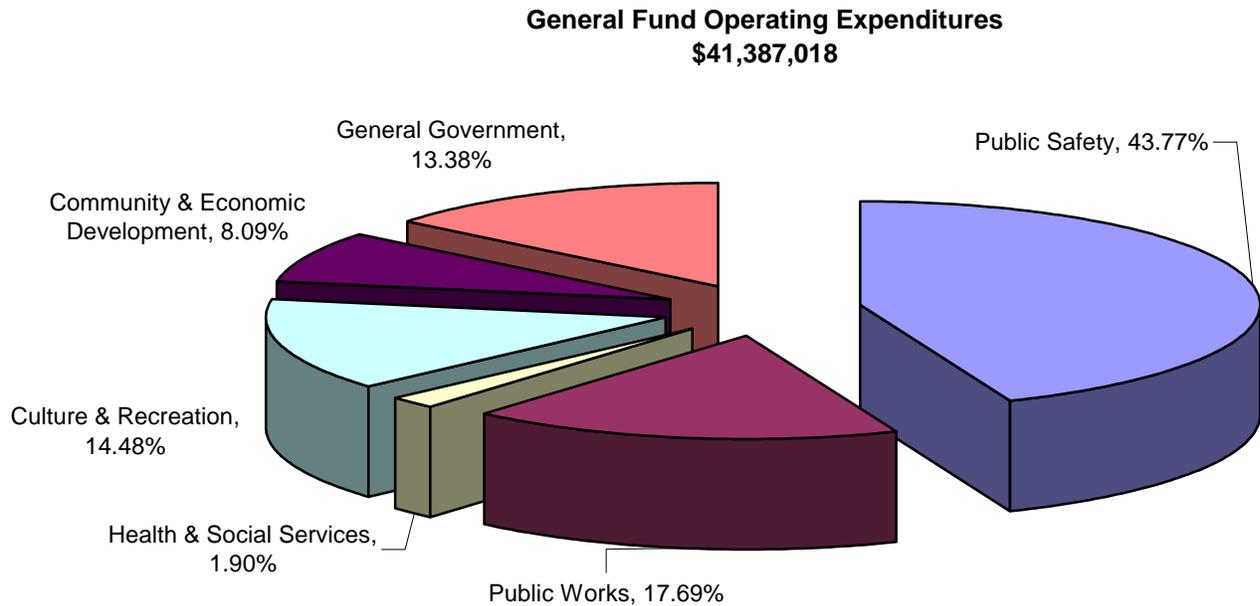
The City of West Des Moines continues to build on its reputation as one of the fastest growing cities in the State of Iowa. A strong commercial base, coupled with a growing commercial market, makes a very strong local economy.

In 2007-08, General fund operating revenues of \$35,411,250 are projected to increase by 7.33% compared to FY 2006-07. Property tax revenues, accounting for over 70 percent of the City's general fund revenue, are projected to increase by 7.09% compared to FY 2006-07.

It is important to note that in excess of \$517,187,000 in taxable value remains included in the City's four Tax Increment Finance Districts. This is over \$5,000,000 (estimated) in tax dollars that is excluded from general fund resources. Also important are the number of public infrastructure projects that have been completed with TIF dollars, projects ranging from public safety facilities to bridges to vital roads and utility systems.

West Des Moines' taxable valuation per capita of nearly \$60,000 is the highest of Iowa's ten largest cities. Based on current commercial and residential growth, we believe this trend will continue.

Expenditures



The City's General Fund operating expenditures total \$41,387,018 and denotes an increase of 7.76% (\$2,980,013) over the FY 2006-07 budget.

The City of West Des Moines' total number of full time equivalents (FTE's) is 361.10 an increase of 5.75 persons over the level approved for the 2006-07 FY. 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.

Capital Improvement Plan

The Capital Improvement Plan is presented within this document. A citizen committee developed the Capital Improvement Plan, with technical assistance from the City staff. The City's capital plan is increasingly challenging to complete due to the number of beneficial projects which need funding. There are two basic approaches to funding capital projects. These are 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 through 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 the older neighborhoods by committing up to 2.7 million dollars for street/road maintenance. This is the second highest amount spent in the history of the City of West Des Moines for road maintenance.

Strategic Planning/Quality Improvement Process/Clusters

The City of West Des Moines Mayor, City Council and staff have taken a number of initiatives to define the direction for the city organization and community. **These measures include a citizen attitude survey, employee survey, new mission statement, employee value statement and the Balanced Scorecard Strategic Planning process (see Balanced Scorecard Section).**

The City staff has committed to enhancing the level of the services provided to our customers 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 (see earlier note – the following breakdown reflects the existing structure, not the Public Services Cluster structure as revised in January-February 2007).

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

Public Safety Cluster: Fire, EMS, Police, WestCom

Public Services Cluster: Public Works, Community Development, Water Works

Support Services Cluster: City Manager's Office, Administrative Services, City Attorney's Office, Human Resources, and Information 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 \$1,800,000 in the upcoming year. Of those revenues 2/7^{ths} will automatically go to the Greater Des Moines Convention and Visitors Bureau, 2/7^{ths} will flow (per agreement) to BRAVO, 2/7^{ths} will be used for city park/recreation/tourist activities and the remaining 1/7th will be available for distribution to other City Council designated entities. For FY 2007-08, the contribution to metropolitan-based organizations will exceed \$1,000,000.

Regional Cooperation

The City of West Des Moines continues to support programs that better 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 other ways. Here are some examples:

- ◆ Choose Des Moines Communities
- ◆ Wastewater Reclamation Authority
- ◆ Metro Planning Organization
- ◆ West Des Moines, Urbandale and Clive conduct joint fire/rescue training.
- ◆ West Des Moines and Clive jointly share a Fire/EMS facility
- ◆ The City provides animal control services to the City of Clive.
- ◆ 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 Urbandale, Clive, Windsor Heights and Johnston have formed WestHelp, a multi-jurisdictional housing rehabilitation entity with several other communities now interested in joining.
- ◆ The Cities of West Des Moines, Clive and Urbandale continue discussions regarding a Western Fire District, based on the WestCom model. We expect significant discussions and progress on this opportunity for collaboration in 2007 and into the future.
- ◆ The City has cooperative agreements with West Des Moines Water Works, the City of Waukee, and WestCom to provide computer support services. The positions funded through those agreements have resulted in more timely Help Desk support for each entity.
- ◆ During 2005, the City entered into an agreement with the City of Urbandale to provide Human Resources services with those services expected to expand in 2007.
- ◆ The Cities of Clive, Urbandale, Windsor Heights and West Des Moines entered into an agreement for the consolidated Suburban Emergency Response Team (SERT). This agreement unites the Cities' part-time police tactical teams and critical incident negotiators to provide specialized tactical and crisis negotiation responses to critical incidents and high risk situations.

- ◆ Other collaborative ventures continued, including our agreement with Dallas County for West Des Moines' Emergency Medical Services Department to provide administrative and billing functions for that county's ambulance service.
- ◆ The proposed budget includes \$85,000 for participation in a Homeland Security 28E agreement whereby a number of governmental entities would assist the City of Des Moines for the substantial costs they incurred in developing and equipping a unit capable of responding to threats or actions in central Iowa.
- ◆ Recently the Metropolitan Advisory Council recommended the centralization of building related licensing and permitting out of the city of Des Moines. Due to a number of factors this document does not reflect our community participating in that program and the licensing and permitting revenues traditionally collected in West Des Moines have been included in the proposed budget.

Conclusion

The City of West Des Moines' budget is increasingly difficult to balance due to the growing number of beneficial projects, which need funding. While the overall financial health of our growing community is excellent, the needs of our departments continue to outpace available revenues. In fact, the requests of the departments exceeded available revenues by over \$2 million. The unfunded requests are included in the proposed budget document for review by the City's policy makers.

In order to assure that the City's human and physical infrastructure keeps up with the City's growth additional revenue enhancements will be necessary in the future. Current service demands and limited revenue growth will necessitate a thorough review of all aspects of our revenues and expenditures in an effort to control future tax increases.

I must express my personal thanks to members of the City staff for their diligent efforts to develop budgets that reflect the needs of their individual departments.

A special note of thanks and appreciation should go to the members of the Administrative Services staff for excellent performance in gathering, analyzing and presenting information clearly and accurately. The budget preparation team, composed of Administrative Services Director Jody Smith and Budget Analyst Jamie Schug, worked collaboratively and effectively as we reviewed and developed the 2007-08 budget. This budget could not have been developed without the combined efforts of all those involved.

I would also like to thank the City's elected officials for your interest and support in planning and conducting the financial operations of the city in a responsible and progressive manner.

Respectfully submitted,

Jeffrey A. Pomeranz
City Manager