

Executive

executive
overview





THE CITY OF
West Des Moines®
www.wdm-ia.com

City Manager

4200 Mills Civic Parkway
P.O. Box 65320
West Des Moines, IA 50265-0320

515-222-3610
FAX 515-222-3638

E-mail cityinfo@wdm-ia.com

'AAA'
Credit Rating from
Standard & Poor's

January 24, 2015

Honorable Mayor and Council:

I respectfully present the proposed budget for the City of West Des Moines for the fiscal year beginning July 1, 2015. 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 15-16 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 my intent for the budget document to serve 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 14-15, we are pleased to note two accomplishments in the management of the City's financial resources.

- ◆ In July 2014, the City's bond rating on outstanding general obligation debt was reaffirmed by Moody's Investors Services at Aaa, the highest rating that can be achieved. West Des Moines is one of only four Moody's Aaa rated city in the state of Iowa. In their published rating report, Moody's notes "The City's financial position is expected to remain strong given healthy reserve levels and conservative budgeting practices." Standard & Poor's reaffirmation follows Standard & Poor's July 2013 AAA rating which cited a financial position with "very strong reserves and operating surpluses in five of the past six fiscal years."
- ◆ The Government Finance Officers Association of the United States and Canada (GFOA) has again awarded a Certificate of Achievement for Excellence in Financial Reporting comprehensive annual financial report for the fiscal year ended June 30, 2013. This is the twenty-first consecutive year that the City has received this prestigious award.

Highlights of the FY 15-16 Budget

- ◆ The proposed budget reduces the overall City property tax rate to \$12.00 per thousand dollars of taxable valuation, down from \$12.05 which had been in place since 2007.
- ◆ No new employee positions are being recommended in the proposed budget.
- ◆ Employee compensation levels consider bargaining unit contracts for 253 union employees. Projected expenditure levels rely both on current contract information as well as estimated terms for agreements yet to be finalized, using historical trends. The proposed compensation budget will also address 149 full time non-union employees using existing pay plans and benefit packages, including health insurance plans for new employees.

Bargaining unit employees are expected to receive cost-of-living adjustments ranging from 2.25% to 2.50% in agreement with the terms of their respective contracts. Note that all of the Public Safety-related bargaining units (Fire Department, Emergency Medical Services, Police, and WestCom Dispatching) are currently in contract negotiations. In addition to cost-of-living increases, bargaining unit employees may be eligible to receive “step” increases dependent upon performance and employee classification.

Non-union employees who have not yet reached the maximum pay level for their position may be eligible to receive pay increases based solely upon job performance.

- ◆ The City will receive approximately \$6.26 million dollars in Road Use Tax funding. Approximately \$5.24 million in Road Use Tax funds are being utilized for street related expenditures (CIP and operating). Any remaining funds will be used for street lighting with the goal being to maintain a steady fund balance from year-to-year.
- ◆ The proposed budget reflects a decrease 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 15-16 will be 27.77% as compared to 30.41% for the FY 14-15. The decreased rate amounts to a reduction of \$86,000 in annual pension costs. The proposed budget also reflects no change in the contribution rate for Iowa Public Employees Retirement System (IPERS) as the City’s contribution rate will remain at 8.93% in FY 15-16.
- ◆ During FY 15-16 staff will examine the adequacy of current residential solid waste collection fees, last modified in 2007. Although the contracted services provided by Metro Waste Authority for residential solid waste and recycling currently are outpacing the rates charged to residents, a strong fund balance position allows for the rates charged to residents to remain steady.
- ◆ In 2013 the City Council approved multi-year adjustments to the City’s sanitary sewer fees and 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 15-16, 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 2015-2016 budget maintains prudent general fund balances, which protect the City of West Des Moines' financial integrity. The General Fund total revenues are \$64,938,830 and total expenditures are \$65,261,975. The projected General Fund composite balance on June 30, 2016, will be slightly over 33.4% (expected balance of \$18,884,036) of annual operating expenditures, which is sufficient for meeting unexpected shortfalls in revenues or demands on future fund resources. The Council has consistently stated its desire to maintain a cash reserve balance over 25%.

Outlook for FY 15-16 and Beyond

The recent national economic recession changed the way many cities conduct business, including West Des Moines. The City was able to meet budget challenges due to the recession through a reduction in staffing and discretionary spending, while maintaining core services. Present budgeting philosophy is very conservative budgeting to ideally ensure that funding is adequate to provide services to residents and protect the long-term viability of the organization. A starting point for projections was a goal to deliver comparable levels of service to the residents, to utilize responsible revenue assumptions, and maintain adequate reserves. In addition, the City Council has indicated that maintaining the current general fund tax rate and reducing further the Debt Service levy rate is a priority.

Major areas which staff remains concerned include: a possible reduction or elimination of the commercial tax rollback backfill from the State of Iowa, reduction in tax revenues from multi-family properties, a historical trend recently of relatively slow growth in taxable development, continued low earnings rates on investments, costs of mandated pension contributions, and escalating health insurance costs and related, mandated requirements. Also important are approved modifications to calculating commercial and residential property taxes as well as changes to laws concerning Tax Increment Financing.

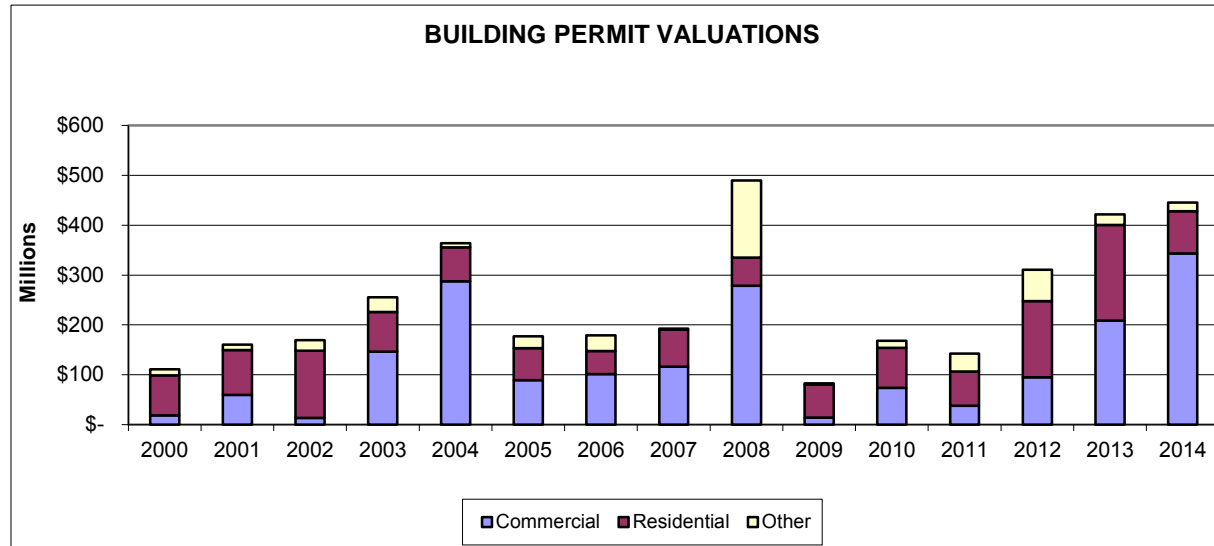
The City will continue to advocate at the state level for alternative revenue sources such as individual jurisdiction referendums on Local Option Sales Tax and Hotel/Motel fees in an attempt to decrease the reliance on property taxes.

Additionally, staff reviewed the FY 16-17 budget at a "macro level" by focusing on key assumptions and projected expenditures as part of a 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. The last official census in 2010 showed 56,609 residents which reflected growth of 79% since 1990 and 22% since 2000. The most recent US Census Bureau estimate in 2013 shows approximately 61,255, which is growth of another 8.2%. In calendar year 2014, the total

building permit valuation was \$445.4 million. This was an increase of 5.6% from 2014, 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 and Taxable Growth

The City of West Des Moines continues to experience significant development. However, much of the recent commercial growth will not translate into additional funding for operating budgets. Property tax revenues from Microsoft’s two major data center projects will be used to pay for the surrounding infrastructure over the next 10-12 years before it can be used to offset general operating fund expenses. A portion of the property tax revenues generated by the Jordan Creek Town Center area, including Athene and Wells Fargo, continue to be used similarly.

The City has a strong tax base in commercial property including two regional malls and extensive office and medical clinics along Westown Parkway. Approximately 49% of the properties are taxed commercially, which is a much higher percentage than a typical metro suburb. This has worked to the City’s advantage in the past, but recent reductions to the commercial tax rate have slowed revenue growth.

The number of vacant parcels along Mills Civic Parkway and Jordan Creek Parkway is declining, and new areas of growth will need to surface. With the completion of infrastructure projects, the properties around the Alluvion Data Center in the Iowa Highway 5 corridor in the southeast section of the city are positioned for growth, and significant opportunities for development will become available along the Grand Prairie Corridor which will benefit from the Interstate 80 connection and gateway to Waukee expected to be completed in late 2015.

In FY 15-16, General fund operating revenues of \$52,134,511 are projected to increase by 4.29% compared to FY 14-15. Several factors contributed to the increase in property tax revenue including the increased percentage of the residential roll back from 54.400% to 55.7335%, and

new residential and commercial development. Even with the residential rollback increasing, the city's taxable valuation subject to operating levies increased by 1.1%, however, that is less than previous years when West Des Moines annual increases were in excess of 4.0%. This trend is somewhat prevalent among those cities reliant on commercial properties in Iowa, as shown in the table below:

Comparison of Taxable Valuation				
FY 15-16				
Top 10 Cities in Iowa				
City	Population Per 2013 US Census Estimate	Total Taxable Valuation (\$1000's)	Change from Prior Year	Taxable Valuation Per Capita
Des Moines	207,510	7,203,453	-0.16%	34,714
Cedar Rapids	128,429	6,281,590	-0.24%	48,911
Davenport	102,157	4,169,078	0.20%	40,810
Sioux City	82,459	2,661,180	0.05%	32,273
Iowa City	71,591	3,181,774	1.43%	44,444
Waterloo	68,366	2,446,150	-0.52%	35,780
Council Bluffs	61,969	2,609,557	0.86%	42,111
Ames	61,792	2,448,665	3.91%	39,628
West Des Moines	61,255	4,403,877	0.57%	71,894
Dubuque	58,253	2,611,607	0.45%	44,832

Among communities in the Des Moines metro area, the trend is different as many of those communities are more reliant on residential growth, which has been very strong in several pockets of the metro. The older, more established communities saw near zero growth while the outer ring of cities continued to grow the tax base at a comparatively rapid pace. This data is shown in the following table:

Comparison of Taxable Valuation				
FY 15-16				
Des Metro Communities				
City	Population Per 2013 US Census Estimate	Total Taxable Valuation (\$1000's)	Change in Taxable Valuation from Prior Year	Taxable Valuation Per Capita
Des Moines	207,510	7,203,453	-0.16%	\$ 34,714
West Des Moines	61,255	4,403,877	0.57%	\$ 71,894
Ankeny	51,567	2,615,432	6.97%	\$ 50,719
Urbandale	41,776	2,707,375	3.63%	\$ 64,807
Johnston	19,798	1,292,373	3.89%	\$ 65,278
Waukee	17,077	781,526	11.02%	\$ 45,765
Clive	16,590	1,305,723	1.92%	\$ 78,705
Altoona	15,653	841,890	2.05%	\$ 53,785
Norwalk	9,639	387,621	6.32%	\$ 40,214
Grimes	9,335	544,447	5.71%	\$ 58,323
Pleasant Hill	9,082	547,335	5.55%	\$ 60,266
Windsor Heights	4,891	240,814	0.57%	\$ 49,236

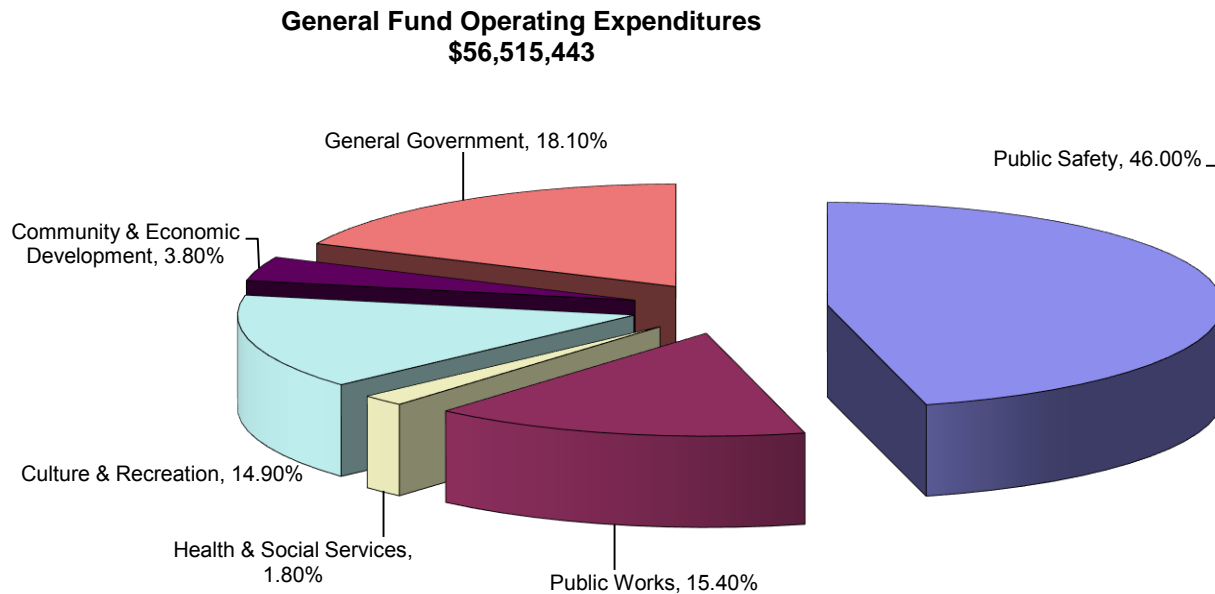
One previously significant general fund revenue source is projected to remain at a low level for FY 15-16 as interest earnings are projected to be \$71,000 which is \$26,500 more than the amount budgeted in FY 14-15. Conversely building permit related revenues are projected to be at \$800,000 as compared to \$1,100,000 for the 2014-15 revised budget.

It is important to note that \$356 million in taxable valuation remains included in the City’s Tax Increment Finance (TIF) Districts (down slightly from \$363 million from the previous year). This amount equates to \$3,584,000 (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 \$71,000 remains the highest of Iowa’s ten largest cities.

Expenditures

The City’s FY 15-16 General Fund budgeted operating expenditures total \$56,515,443, which represents a decrease of \$347,583 (-0.61%) from FY 14-15. The largest percent of expenditures continues to be in the Public Safety program area, which encompasses 46% of the General Fund.



Police and Fire employee pension costs are accounted for outside the General Fund and utilize their own portion of the overall property tax levy for funding. Due to the increases in taxable valuations and the City’s desire to keep funding for these contributions level, the tax levy rate for Police and Fire Pension system reflected a \$0.0057 increase. In response, other tax levies were decreased and it is worth noting that the tax capacity of the General Fund decreased as a result.

The FY 15-16 budget reflects a proposed use of cash reserves of \$300,000 for “one-time” capital needs related to the Community Center. When factoring in this expenditure, the strictly “operating” part of the projected FY 15-16 General Fund will reflect a slight excess of expenditures

over revenues.

The City's budgeted total number of full time equivalents (FTE's) will be 402, which is no change from the previous fiscal year. 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%, which is conservative based on historical values for the past few years, but is also cognizant of significant claims increases within the past 10 year window.

Capital Improvement Plan

The City did not convene a citizen committee this year, to develop and present a long-term Capital Improvement Plan. In lieu of this process, staff was asked to develop priorities based on previous commitments, anticipated future development, and a commitment to maintain current infrastructure and amenities. Council also provided direction with a recommendation to reduce the debt service levy rate from \$2.00 to \$1.95. Due to several recent refinancing efforts on current debt, as well as a healthy debt reserve cash balance, we are able to recommend several projects with this budget despite the constriction of available funding.

The budget shows 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, other governmental sources, and fees such as road use taxes.

In addition to infrastructure improvements to developing areas, staff will continue efforts to maintain and improve established neighborhoods. The proposed CIP budget commits substantial resources to resolve stormwater, sanitary sewer, and paving issues, as well as improve existing parks in the community. Efforts to maintain existing buildings has been renewed and clarified by using forecasting tools and analyzing long-term viability of building systems.

The following major projects are recommended for funding in FY 15-16:

- Design services to widen 50th Street between Mills Pkwy and EP True Pkwy
- Numerous intersection improvements throughout the City
- Numerous street improvements, sewer projects, and water-related projects all related to the Alluvion development (Microsoft Data Center)
- Construction of the Grand Avenue Trail between Jordan Creek and Fuller Road
- Further phases of renovation to the baseball fields at Holiday Park
- Improvements to the softball fields at Holiday Park
- Construction of Phase 2 for Woodland Hills Park
- Replacing splash pool area at Valley View Aquatic Center
- Installing basketball courts and other amenities at Valley View Park
- Conducting a study to assess future plans for the Valley Junction area
- Design and site work for the future Public Services Facility on SW 88th Street
- Continued renovation at the Law Enforcement Center including garage and storage structures

- Purchase a fully updated, state of the art dispatching system for WestCom.
- Proposed projects are identified for the ensuing fiscal year, but the funding is tentative or listed as “to-be-determined”.

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, Engineering Services, Water Works

Support Services Cluster: City Manager’s Office, Finance, City Attorney’s Office, Human Resources, City Clerk, 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

A 7% Hotel/Motel Tax, first authorized by West Des Moines voters in 1984, is expected to generate \$3,650,000 in the upcoming year. By agreement, money is allocated as follows: 2/7th of the funds are directed to the Greater Des Moines Convention and Visitors Bureau (CVB), 2/7th is directed to Bravo Greater Des Moines, 2/7th (subject to City Council approval) 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. Also, a percentage of City Council 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 but not limited to:

- Wastewater Reclamation Authority -- regional organization, facility, and systems
- WestCom Public Safety Center – West Des Moines, Clive, Urbandale, and Norwalk
- Joint Fire/EMS facility – West Des Moines and Clive
- WestPet Animal Licensing and Control – West Des Moines, Clive, and Urbandale
- Police Department remains involved with many metro-wide activities ranging from traffic task forces to narcotic trafficking
- Metro Home Improvement Program -- West Des Moines, Ankeny, Altoona, Clive, Grimes, Johnston, Pleasant Hill, Polk City, Urbandale and Windsor Heights. A multi-jurisdictional housing rehabilitation entity, Metro Home Improvement is a collaborative effort to preserve affordable housing stock
- Iowa EMS Alliance – private-public partnership with Unity Point Health where the City provides administration and operation of emergency medical services which avoids duplication of services while maintaining high quality care
- The City has committed \$1,300,000 over a multi-year period to the Iowa Events Center
- Tomorrow Planning Organization – regional visioning process
- Capitol Crossroads – regional visioning with a focus on collaboration

Conclusion

The FY 15-16 budget recommended by the City Manager and staff accomplishes the primary objectives of maintaining services, committing capital funds to maintaining infrastructure, amenities, and city facilities as well as development, while maintaining (and in this case reducing) property 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. Due to a large number of positions added during the previous fiscal year (18), coupled with relatively flat tax revenues, this budget does not accommodate additional staff positions. The Management Team will continue to assess the staffing in these departments and offer the City Council alternatives to achieve effective staffing levels across the organization.

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 likely continue. 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 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 two notes of thanks, 1) to the Finance Department staff for their excellent performance in gathering, analyzing, and presenting information clearly and accurately, and 2) the

balance of the City's departments for providing critical feedback, input, financial projections, and lists of priorities, all needed to formulate the budget. The budget preparation team composed of Finance Director Tim Stiles, Budget Analyst Chris Hamlett, and me, worked collaboratively with Department Directors in developing the proposed budget and it 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,



Tom Hadden
City Manager