

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 fourteen 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 all 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 are reviewed annually to ensure their rate keeps pace with the cost of providing the service.

General Fund Reserves

The General Fund ending balance goal should be set at a level at or above 25% of annual 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, each of whom has given the City AAA ratings, the highest rating issued by those agencies.

Capital Improvement Program

Each year the City will assemble a Citizens Advisory Committee on Capital Planning, if needed. 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. If the committee is not convened due to funding constraints, staff and council will consult and plan an appropriated capital program which meets critical needs of the city as efficiently as possible.

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.

Technology Equipment Reserve Fund

The City will maintain a technology equipment reserve fund that will provide for the timely replacement of computer and network 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 2016-2017 Operating and Capital Budgets were drafted under guidelines listed on the previous page. Below are significant short-term assumptions and policies utilized in developing the FY 2016-2017 Budgets:

Revenue Assumptions

- The proposed budget maintains the current City property tax rate to \$12.00 per thousand of taxable valuation.
- The City of West Des Moines will receive approximately \$7.68 million dollars in Road Use Tax Funds. Approximately \$6.70 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 and repayment of debt related to Iowa Highway 5 construction.
- 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 connection fee district per acre charges.

Expenditure & Fund Balance Assumptions

- Ten new employee positions and changes to eight existing positions are being recommended in the budget. The Fire Department will add two firefighters, promote three firefighters to lieutenant, promote three firefighters to driver/operator, and will also add a part-time secretary to the department. Westcom will add two dispatchers, along with a training and computer aided (CAD) supervisor. The Police Department will be adding a lieutenant position. Emergency Medical Services (EMS) will upgrade an existing part-time CPR coordinator position to full-time status. The Library will add a part-time children's services assistant and a part-time young adult services assistant. The Public Works Department will upgrade two building maintenance worker positions to building maintenance specialist. Information Technology Services will be adding an enterprise applications analyst and Human Resources is adding an administrative assistant.
- Employee compensation calculations will follow past practice or expected results of negotiations for bargaining unit contracts covering approximately 254.5 union employees. There are also approximately 164.5 full time employees not covered under union contracts. New full time employees continue to be enrolled in the City's health plans added in July 2010, if allowed by union contract, and pension benefits are under the purview of the State of Iowa.
- Bargaining unit employees are expected to receive cost-of-living adjustments ranging from 2.10% to 2.50% in agreement with the terms of their respective contracts. Note that the ASF-CME bargaining units (Building Inspection, Planning, Engineering Services and select administrative staff) are currently in negotiations for a multi-year contract. In addition to cost-of-living adjustments, bargaining unit employees are eligible to receive "step" increases, if they are not at the maximum of their pay scale, with the number of steps being dependent upon the bargaining agreement.
- Non-union employees who have not yet reached their maximum pay level may be eligible to receive an increase based solely upon job performance.
- 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 2016-2017 will be 25.92% as compared to 27.77% for FY 2015-2016. The decreased rate amounts to a reduction of \$174,025 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 2016-2017. Of the City's 419 full time equivalent employees, 126 employees participate in the Municipal Fire and Police Retirement System



of Iowa plan, and the remaining 293 employees are enrolled in Iowa Public Employees Retirement System plan.

- The proposed budget reflects the carryover of cash to ensure the FY 2016-2017 budget maintains prudent general fund balances which protect the City of West Des Moines' financial integrity. The General Fund total revenues are \$66,875,981 and total expenditures are \$69,683,992. The projected General Fund composite balance on June 30, 2017, will be slightly over 37.50% (expected balance of \$22,229,364) 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 year ending cash reserve balance over 25%.



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



Polk County - WDM Schools	
School	\$13.24
County	7.31
Regional Transit Authority	0.76
Other	4.22
City	12.00
FY 15-16 Levy	\$37.53

Dallas County - Waukee Schools	
School	\$16.70
County	3.86
Regional Transit Authority	0.76
Other	1.62
City	12.00
FY 15-16 Levy	\$34.94

	Actual FY 2014-15	Actual FY 2015-16	Budget FY 2016-17
Property Tax Calculation			
Assessed Valuation	\$1,000,000	\$1,000,000	\$1,000,000
Rollback Percentage	95.00%	90.00%	90.00%
Taxable Value	\$950,000	\$900,000	\$900,000
City Tax Rate per \$1,000	\$12.05	\$12.00	\$12.00
Total City Property Tax	\$11,448	\$10,800	\$10,800



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



Polk County - WDM Schools	
School	\$13.24
County	7.31
Regional Transit Authority	0.76
Other	4.22
City	12.00
FY 15-16 Levy	\$37.53

Dallas County - Waukee Schools	
School	\$16.70
County	3.86
Regional Transit Authority	0.76
Other	1.62
City	12.00
FY 15-16 Levy	\$34.94

	Actual FY 2014-15	Actual FY 2015-16	Budget FY 2016-17
Property Tax Calculation			
Assessed Valuation	\$200,000	\$200,000	\$200,000
Rollback Percentage	54.40%	55.73%	55.63%
Taxable Value	\$108,800	\$111,460	\$111,260
City Tax Rate per \$1,000	\$12.05	\$12.00	\$12.00
Gross City Tax	\$1,311	\$1,338	\$1,335
Less City Share of Homestead Tax Credit	(\$58)	(\$58)	(\$58)
Total City Property Tax	\$1,253	\$1,280	\$1,277



BUDGET SUMMARY

FY 2016-17 BUDGET BY FUND

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Project Funds	Enterprise Funds	FY 2016-17 Budget
REVENUES						
Operating Revenues						
Property Taxes	\$36,341,388	\$6,567,591	\$9,187,883			\$52,096,862
TIF Revenues		11,999,963				11,999,963
Other City Taxes	4,451,660	86,691	109,888			4,648,239
Licenses and Permits	1,474,530					1,474,530
Use of Money and Property	187,500	250			1,933,180	2,120,930
Intergovernmental	7,401,257	8,457,149	454,459	1,350,000	13,000	17,675,865
Charges for Services	5,038,300				14,204,500	19,242,800
Special Assessments				215,000		215,000
Miscellaneous	566,900	1,027,676		1,000,000	7,092,800	9,687,376
Sub-total Operating Revenues	\$55,461,535	\$28,139,320	\$9,752,230	\$2,565,000	\$23,243,480	\$119,161,565
Other Financing Sources						
Proceeds of Long Term Debt				\$9,800,000		\$9,800,000
Proceeds of Capital Assets Sales	8,000					8,000
Transfers In	11,406,446	625,369	9,182,492	44,553,480	17,395,310	83,163,097
Sub-total Other Financing Sources	\$11,414,446	\$625,369	\$9,182,492	\$54,353,480	\$17,395,310	\$92,971,097
TOTAL REVENUES & OTHER SOURCES	\$66,875,981	\$28,764,689	\$18,934,722	\$56,918,480	\$40,638,790	\$212,132,662
EXPENDITURES						
Operating Expenditures						
Personal Services	\$41,195,935	\$2,538,309			\$1,548,682	\$45,282,926
Supplies and Services	13,254,467	2,279,718			16,529,510	32,063,695
Universal Commodities	3,317,616	822,000			246,905	4,386,521
Non-Recurring/Non-Capital	671,239	126,819			1,500	799,558
Capital	825,700	712,652			3,953,500	5,491,852
Sub-total Operating Expenditures	\$59,264,957	\$6,479,498			\$22,280,097	\$88,024,552
Lease/Purchase or Installment Contract Expenditures						
Total Operating Expenditures	\$59,264,957	\$6,479,498			\$22,280,097	\$88,024,552
Debt Service Expenditures		\$164,640	\$18,934,723			\$19,099,363
Capital Improvement Expenditures				\$46,403,480	\$16,595,310	\$62,998,790
Total Expenditures	\$59,264,957	\$6,644,138	\$18,934,723	\$46,403,480	\$38,875,407	\$170,122,705
Transfers Out	\$10,419,035	\$23,396,612		\$32,452,140	\$16,895,310	\$83,163,097
TOTAL EXPENDITURES/TRANSFERS OUT	\$69,683,992	\$30,040,750	\$18,934,723	\$78,855,620	\$55,770,717	\$253,285,802
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(\$2,808,011)	(\$1,276,061)	(\$1)	(\$21,937,140)	(\$15,131,927)	(\$41,153,140)
BEGINNING FUND BALANCE	\$25,037,375	\$19,793,460	\$6,317,372	(\$23,133,950)	\$146,699,352	\$174,713,609
ENDING FUND BALANCE	\$22,229,364	\$18,517,399	\$6,317,371	(\$45,071,090)	\$131,567,425	\$133,560,469
FUND BALANCE% OF EXPENDITURES	37.51%	278.70%	33.36%	n/a	111.09%	



Revenues & Expenditures by Category

	ACTUAL FY 2013-14	ACTUAL FY 2014-15	REVISED BUDGET FY 2015-16	BUDGET FY 2016-17	INC(DEC) FY 2016-17 OVER FY 2015-16	% INC (DEC)
REVENUES						
Operating Revenues						
Property Taxes	\$47,106,767	\$48,429,027	\$48,749,698	\$52,096,862	\$3,347,164	6.87%
TIF Revenues	10,822,378	9,172,349	9,320,759	11,999,963	2,679,204	28.74%
Other City Taxes	4,312,899	4,599,649	4,506,325	4,648,239	141,914	3.15%
Licenses and Permits	2,172,885	2,326,549	1,465,550	1,474,530	8,980	0.61%
Use of Money and Property	1,915,167	1,906,445	2,076,875	2,120,930	44,055	2.12%
Intergovernmental	15,129,251	21,406,595	17,416,566	17,675,865	259,299	1.49%
Charges for Services	19,841,542	21,513,127	19,107,450	19,242,800	135,350	0.71%
Special Assessments	315,821	249,814	225,000	215,000	(10,000)	(4.44%)
Miscellaneous	8,790,039	8,780,850	8,643,651	9,687,376	1,043,725	12.08%
Sub-total Operating Revenues	\$110,406,749	\$118,384,405	\$111,511,874	\$119,161,565	\$7,649,691	6.86%
Other Financing Sources						
Proceeds of Long Term Debt	\$4,493,907	\$53,050,889	\$12,150,000	\$9,800,000	(\$2,350,000)	(19.34%)
Proceeds of Capital Assets Sales/Contributions	3,236,871	4,925,677	8,000	8,000		
Transfers In	53,527,448	56,387,417	66,182,186	83,163,097	16,980,911	25.66%
Sub-total Other Financing Sources	\$61,258,226	\$114,363,983	\$78,340,186	\$92,971,097	\$14,630,911	18.68%
TOTAL REVENUES & OTHER SOURCES	\$171,664,975	\$232,748,388	\$189,852,060	\$212,132,662	\$22,280,602	11.74%
EXPENDITURES						
Operating Expenditures						
Personal Services	\$37,589,259	\$39,112,051	\$43,063,320	\$45,282,926	\$2,219,606	5.15%
Supplies and Services	27,597,887	31,204,362	31,616,088	32,063,695	447,607	1.42%
Universal Commodities	3,952,791	3,893,347	4,486,620	4,386,521	(100,099)	(2.23%)
Non-Recurring/Non-Capital	715,390	1,337,243	1,489,991	799,558	(690,433)	(46.34%)
Capital	4,987,321	4,896,760	6,471,692	\$5,491,852	(979,840)	(15.14%)
Sub-total Operating Expenditures	\$74,872,648	\$80,443,763	\$87,127,711	\$88,024,552	\$896,841	1.03%
Lease/Purchase or Installment Contract Expenditures	\$1,321,457	\$179,460	\$110,697		(\$110,697)	(100.00%)
Total Operating Expenditures	\$76,164,105	\$80,623,223	\$87,238,408	\$88,024,552	\$786,144	0.90%
Debt Service Expenditures	\$31,458,455	\$19,397,331	\$21,967,579	\$19,099,363	(\$2,868,216)	(13.06%)
Capital Improvement Expenditures	\$14,849,362	\$31,356,555	\$90,415,172	\$62,998,790	(\$27,416,382)	(30.32%)
Total Expenditures	\$122,471,922	\$131,377,109	\$199,621,159	\$170,122,705	(\$29,498,454)	(14.78%)
Transfers Out	\$53,527,448	\$56,387,417	\$66,182,186	\$83,163,097	\$16,980,911	25.66%
TOTAL EXPENDITURES/TRANSFERS OUT	\$175,999,370	\$187,764,526	\$265,803,345	\$253,285,802	(\$12,517,543)	(4.71%)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(\$4,334,395)	\$44,983,862	(\$75,951,285)	(\$41,153,140)	\$34,798,145	n/a
BEGINNING FUND BALANCE	\$210,015,427	\$205,681,032	\$250,664,894	\$174,713,609	(\$75,951,285)	n/a
ENDING FUND BALANCE	\$205,681,032	\$250,664,894	\$174,713,609	\$133,560,469	(\$41,153,140)	n/a
FUND BALANCE % OF EXPENDITURES	168.74%	190.80%	87.52%	78.21%		



Revenues & Expenditures by Fund

	ACTUAL FY 2013-14	ACTUAL FY 2014-15	REVISED BUDGET FY 2015-16	BUDGET FY 2016-17	INC(DEC) FY 2016-17 OVER FY 2015-16	% INC (DEC)
REVENUES						
Fund Revenues						
General Funds	\$60,978,984	\$64,705,315	\$65,149,204	\$66,875,981	\$1,726,777	2.65%
Special Revenue Funds	27,365,709	28,082,872	24,284,407	28,764,689	4,480,282	18.45%
Debt Service Funds	31,392,714	21,828,103	21,987,967	18,934,722	(3,053,245)	(13.89%)
Capital Project Funds	18,192,386	85,081,753	49,059,392	56,918,480	7,859,088	16.02%
Enterprise Funds	33,735,182	33,050,345	29,371,090	40,638,790	11,267,700	38.36%
Total Fund Revenues	\$171,664,975	\$232,748,388	\$189,852,060	\$212,132,662	\$22,280,602	11.74%
EXPENDITURES						
Fund Expenditures						
General Funds	\$60,524,498	\$63,265,650	\$66,849,833	\$69,683,992	\$2,834,159	4.24%
Special Revenue Funds	28,315,519	28,653,547	25,227,951	30,040,750	4,812,799	19.08%
Debt Service Funds	31,458,455	18,962,411	21,967,579	18,934,723	(3,032,856)	(13.81%)
Capital Project Funds	30,264,506	53,119,989	111,479,644	78,855,620	(32,624,024)	(29.26%)
Enterprise Funds	25,436,392	23,762,929	40,278,338	55,770,717	15,492,379	38.46%
Total Fund Expenditures	\$175,999,370	\$187,764,526	\$265,803,345	\$253,285,802	(\$12,517,543)	(4.71%)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(\$4,334,395)	\$44,983,862	(\$75,951,285)	(\$41,153,140)	\$34,798,145	n/a
BEGINNING FUND BALANCE	\$210,015,427	\$205,681,032	\$250,664,894	\$174,713,609	(\$75,951,285)	n/a
ENDING FUND BALANCE	\$205,681,032	\$250,664,894	\$174,713,609	\$133,560,469	(\$41,153,140)	n/a
FUND BALANCE% OF EXPENDITURES	168.74%	190.80%	87.52%	52.73%		



Comparison of Amended Budget to Actual

	Amended Budget FY 2013-14	Actual FY 2013-14	Variance Favorable (Unfavorable)	Amended Budget FY 2014-15	Actual FY 2014-15	Variance Favorable (Unfavorable)
REVENUES						
Revenues						
Property Taxes	\$47,510,700	\$47,106,767	(\$403,933)	\$48,525,173	\$48,429,027	(\$96,146)
TIF Revenues	10,877,193	10,822,378	(54,815)	9,205,790	9,172,349	(33,441)
Other City Taxes	3,764,608	4,312,899	548,291	4,009,853	4,599,649	589,796
Licenses and Permits	1,882,800	2,172,885	290,085	1,990,350	2,326,549	336,199
Use of Money and Property	1,957,425	1,915,167	(42,258)	2,052,205	1,906,445	(145,760)
Intergovernmental	11,731,600	15,129,251	3,397,651	16,740,619	21,406,595	4,665,976
Charges for Services	18,402,099	19,841,542	1,439,443	20,482,575	21,513,127	1,030,552
Special Assessments	210,000	315,821	105,821	211,600	249,814	38,214
Miscellaneous	8,444,101	8,790,039	345,938	9,499,565	8,780,850	(718,715)
Total Revenues	\$104,780,526	\$110,406,749	\$5,626,223	\$112,717,730	\$118,384,405	\$5,666,675
EXPENDITURES						
Expenditures						
Public Safety	\$26,886,247	\$25,550,009	\$1,336,238	\$28,745,656	\$26,739,915	\$2,005,741
Public Works	8,567,835	7,899,716	668,119	8,995,797	8,199,193	796,604
Health and Social Services	1,258,493	1,059,393	199,100	1,261,378	1,105,932	155,446
Culture and Recreation	7,985,466	7,528,416	457,050	8,589,699	7,743,071	846,628
Community and Economic Development	6,731,577	8,539,842	(1,808,265)	23,591,435	21,691,199	1,900,236
General Government	6,761,128	6,197,121	564,007	8,059,806	6,865,765	1,194,041
Debt Service	32,840,371	32,779,912	60,459	20,520,328	19,576,791	943,537
Capital Outlay	21,114,911	13,840,433	7,274,478	37,610,715	19,115,296	18,495,419
Business Type	22,904,137	19,077,080	3,827,057	27,605,969	20,339,947	7,266,022
Total Expenditures	\$135,050,165	\$122,471,922	\$12,578,243	\$164,980,783	\$131,377,109	\$33,603,674
Excess (Deficiency) of Revenues Over Expenditures	(\$30,269,639)	(\$12,065,173)	\$18,204,466	(\$52,263,053)	(\$12,992,704)	\$39,270,349
Other Financing Sources, Net	\$8,321,000	\$7,730,778	(\$590,222)	\$44,238,400	\$57,976,566	\$13,738,166
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(\$21,948,639)	(\$4,334,395)	\$17,614,244	(\$8,024,653)	\$44,983,862	\$53,008,515



FY 2016-17 Expenditures Stated on a Program Basis

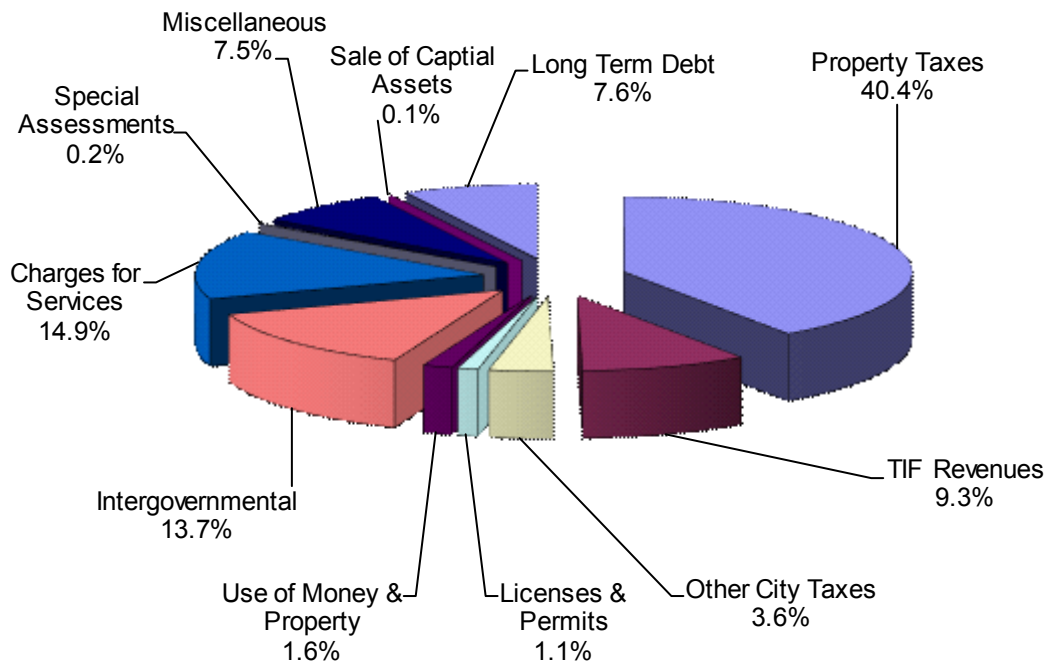
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Project Funds	Enterprise Funds	FY 2016-17 Budget
Expenditures and Other Financing Uses						
Public Safety	\$27,851,643	\$3,390,840				\$31,242,483
Public Works	8,505,661	820,000				9,325,661
Health and Social Services	1,065,431	206,259				1,271,690
Culture and Recreation	8,530,015	311,600				8,841,615
Community and Economic Development	5,577,529	1,750,799				7,328,328
General Government	7,734,678					7,734,678
Debt Service Funds		164,640	18,934,723			19,099,363
Capital Project Funds				46,403,480		46,403,480
Total Government Activities	\$59,264,957	\$6,644,138	\$18,934,723	\$46,403,480		\$131,247,298
Business-type/Enterprise Funds					\$38,875,407	\$38,875,407
Total Business-type/Enterprise					\$38,875,407	\$38,875,407
Total Expenditures	\$59,264,957	\$6,644,138	\$18,934,723	\$46,403,480	\$38,875,407	\$170,122,705



Revenue Highlights

The City of West Des Moines continues to build on its reputation as a growing city suburb adjacent 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 2016-17 total operating revenues are projected to increase by approximately 6.86% as compared to budget FY 2015-16. Property tax revenues, which account for approximately 40.4% of the City’s total operating revenues, are projected to increase by approximately 6.87%.

Where the Money Comes From



Property Taxes

The City proposes to maintain a property tax rate of \$12.00/\$1,000 of taxable valuation. The proposed ad valorem taxes levied against real and personal property in FY 2016-17 should generate approximately \$52,096,862, which accounts for approximately 43.72% of the total operating revenue budgeted for the City. This projection is based on actual taxable valuations on January 1, 2015, as supplied by the Polk, Dallas, Warren, and Madison 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 property, residential property, and multi-residential property.

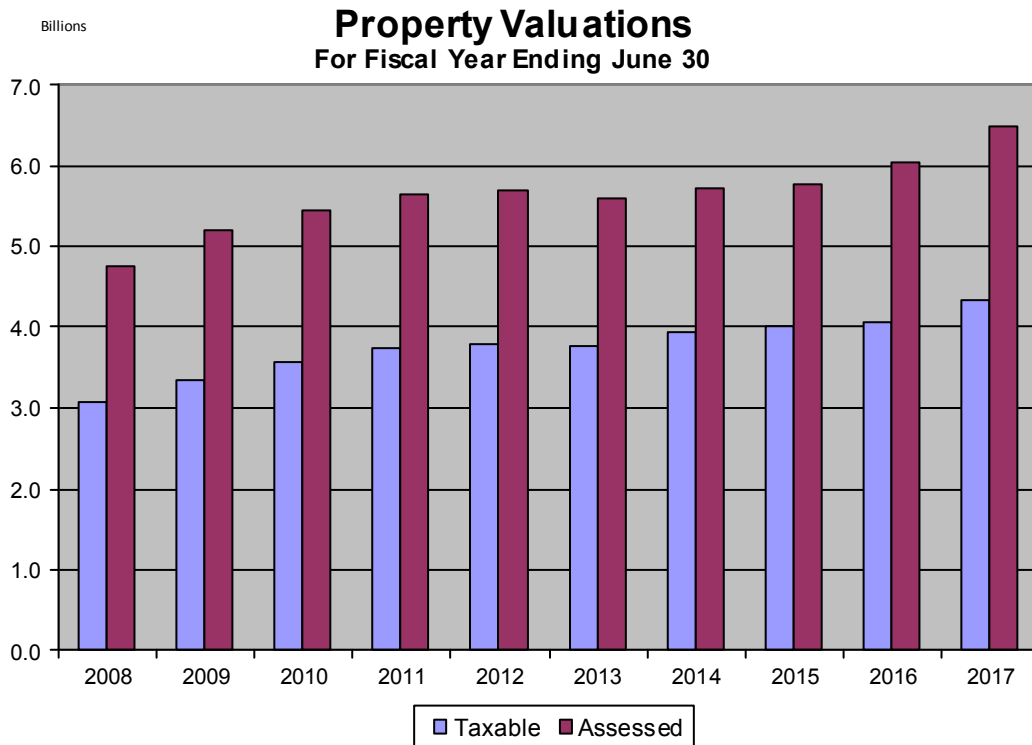


Property Taxes (Continued)

Residential Rollbacks

Taxable property in Iowa is categorized into distinct classes such as residential, multi-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 3% 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 3%, the taxable value is reduced by a percentage so that growth of taxable valuation is at the 3% 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 3% 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 in all communities a shifting of tax burdens from residential properties to other classes of property has occurred.

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 valuation in FY 2016-2017 have increased over forty percent since FY 2007-2008, the effects of the state mandated rollbacks can also be seen. Due to decline in the economy, numerous properties have received reductions from the county assessors, or in some cases county or state review board over the past few years.



Property Taxes (Continued)

In FY 2016-2017, the taxable value of residential properties will decrease from 55.73% to 55.63%, the taxable value for multi-residential property will decrease from 90.00% to 86.25% and the taxable value of commercial property will remain at 90%. Multi-residential is a new property class for FY 2016-17, in prior years multi-residential property was considered commercial property. The table below is a ten-year history of the commercial, residential, and multi-residential rollbacks in Iowa. It is important to note that in just ten years the taxable percentage of residential properties has increased from 45.56% in FY 2007-2008, to 55.63% in FY 2016-2017. In other words, the City has gained the ability to generate taxes on a portion 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 over 22% and the size of the city in square miles has significantly increased. 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	Multi-Residential	Commercial
2007-08	45.56%		100.00%
2008-09	44.08%		99.73%
2009-10	45.59%		100.00%
2010-11	46.91%		100.00%
2011-12	48.53%		100.00%
2012-13	50.75%		100.00%
2013-14	52.82%		100.00%
2014-15	54.40%		95.00%
2015-16	55.73%		90.00%
2016-17	55.63%	86.25%	90.00%

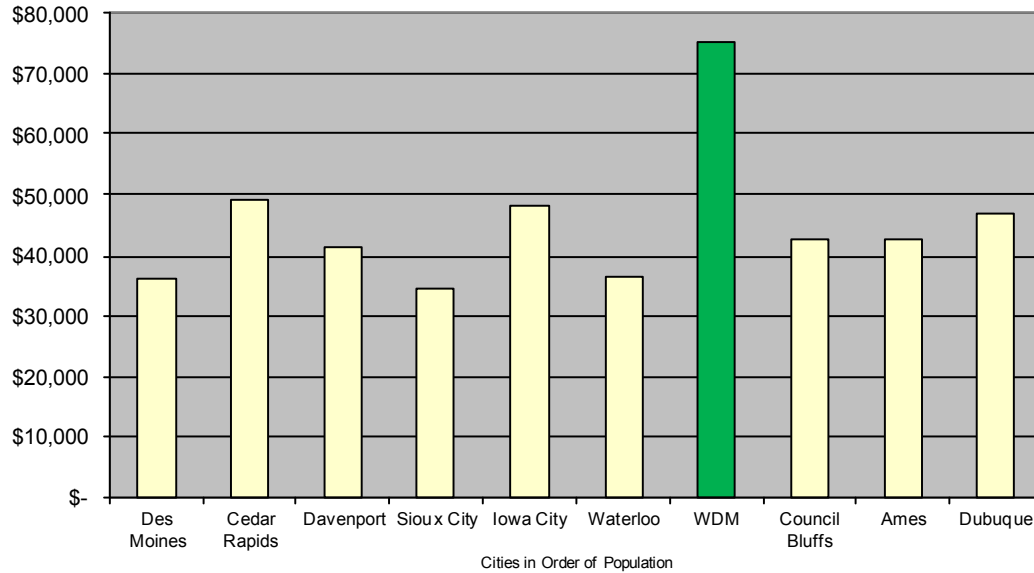
Rollback Effect in Comparable Cities

While the rollbacks have had a significant budgetary impact on the City, 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. Approximately 84% of Iowa’s cities are at the maximum levy rates for the general fund. The maximum general fund levy rate of \$8.10 has not changed since 1975. 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 cities. 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, 2015 Valuations For FY 2016-2017



Long Term Forecast

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.

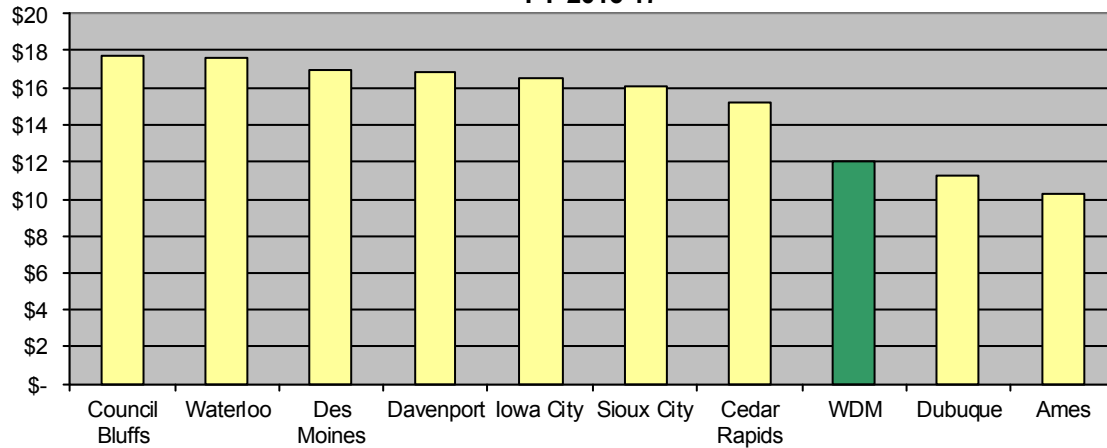
Changes in the Iowa Legislature will continue to have a dramatic effect on revenues. Particularly impactful will be the rollback program for commercial and also, due to a high concentration of apartment property in West Des Moines, the change in classification from commercial to multi-residential property will negatively impact revenues. The City has been very successful over the past 10-20 years in building adequate cash reserves and would be in a position to absorb a certain amount of change for the immediate term, but the results of a long-term structural deficit may result in increased fees/taxes or the reduction of certain services and programs.

Assumption	Fiscal Year		
	2017-18	2018-19	2019-20
Residential Rollback	56.80%	55.70%	57.00%
Multi-Residential Rollback	82.50%	78.75%	75.00%
Commercial Rollback	90.00%	90.00%	90.00%
Road Use Funding Per Capita	\$121.00	\$122.00	\$123.00



Property Tax Rates of Iowa's Ten Largest Cities

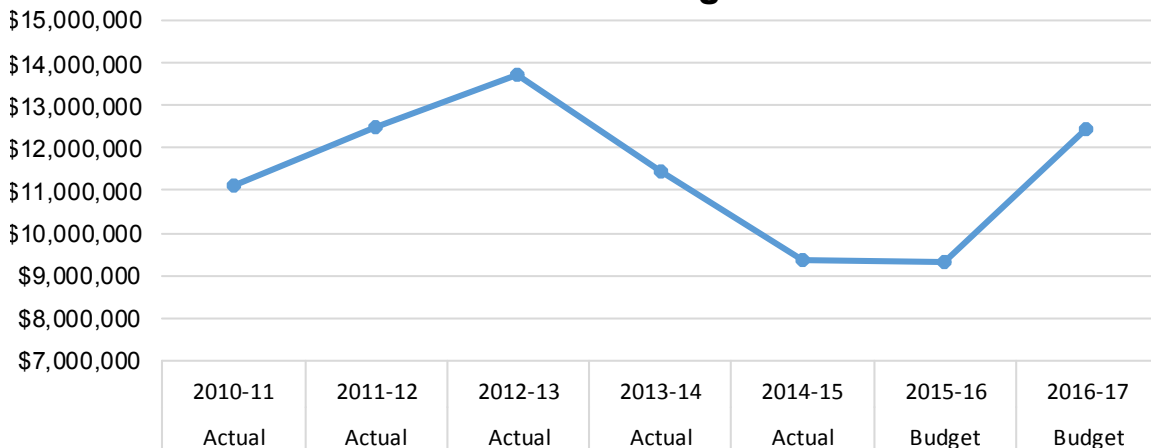
City Portion Only
FY 2016-17



Tax Increment Financing

Tax increment financing revenue is property tax levied on the incremental valuation in an urban renewal area created by the City Council for economic development purposes. These revenues finance public improvement projects or economic development incentives for companies located within the urban renewal area. By December 1st of each year the City certifies its tax increment revenue requirements with Polk and Dallas Counties. Of the total taxable increment valuation within the urban renewal areas, the percentage of tax increment valuation being released to the respective taxing bodies is approximately 58%. The increase in FY 2016-17 is primarily due to the debt requirements associated with the new Alluvion Urban Renewal Area.

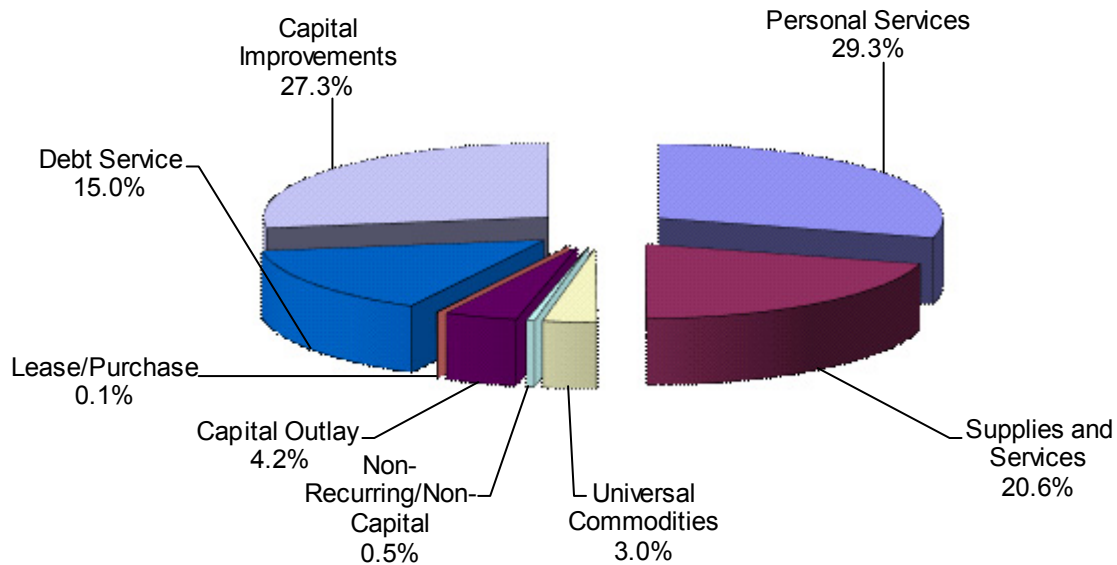
Tax Increment Financing Revenue



Expenditure Highlights

Total expenditures for FY 2016-2017 are projected to decrease by 14.78% when compared to the revised budget for FY 2015-2016. The decrease is due to reduced debt service expenditures and decreased capital improvement program expenses. The decrease in the capital improvement program are related to the completion of infrastructure for the Microsoft Alluvion data center. The City’s operating budget denotes an increase of 0.90% in operating expenses over the revised budget of the previous year FY 2015-2016, which is primarily due increased personnel costs.

Where the Money Goes



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 hours. It should be noted that, due to the seasonal nature of employment, temporary and volunteer workers are not included in this calculation. In FY 2016-2017, FTE(s) are proposed to increase by 10.00 positions bring the City’s total to 419.00 full-time equivalent positions. This represent roughly a 17% increase in FTE(s) since FY 2006-2007.



City of West Des Moines Personnel by Cluster and Department

POSITIONS STATED IN FULL-TIME EQUIVALENTS (FTE)	BUDGET FY 2013-14	BUDGET FY 2014-15	BUDGET FY 2015-16	BUDGET FY 2016-17	CHANGE FROM FY 2015-16
Authorized Personnel by Department					
Community Enrichment					
Human Services	13.25	13.25	13.25	13.25	0.00
Library	25.25	25.25	25.25	26.25	1.00
Parks & Recreation	25.00	26.00	26.00	26.00	0.00
Sub-total Community Enrichment	63.50	64.50	64.50	65.50	1.00
Public Safety					
Emergency Medical Services	41.00	41.00	40.75	41.25	0.50
Fire Department	51.00	57.00	57.00	59.50	2.50
Police Department	83.25	84.00	86.50	87.50	1.00
Westcom Dispatch	21.75	23.75	26.00	29.00	3.00
WestPet-Animal Control	3.00	4.00	4.33	4.33	0.00
Sub-total Public Safety	200.00	209.75	214.58	221.58	7.00
Public Services					
Community & Economic Development	4.50	4.50	4.50	4.50	0.00
Development Services	20.20	20.00	20.50	20.50	0.00
Engineering Services	0.00	7.00	9.00	9.00	0.00
Public Works	64.80	62.00	62.00	62.00	0.00
Sub-total Public Services	89.50	93.50	96.00	96.00	0.00
Support Services					
City Manager's Office	4.00	4.00	4.00	4.00	0.00
City Clerk	1.00	1.33	1.33	1.33	0.00
Finance	8.75	9.42	9.09	9.09	0.00
Human Resources	4.50	4.50	4.50	5.50	1.00
Information Technologies Services	10.00	11.00	11.00	12.00	1.00
Legal	4.00	4.00	4.00	4.00	0.00
Sub-total Support Services	32.25	34.25	33.92	35.92	2.00
Total Authorized Personnel	385.25	402.00	409.00	419.00	10.00
Authorized Personnel by Fund					
Enterprise Funds	14.50	14.40	15.40	15.40	0.00
Special Revenue Funds	2.32	2.26	1.19	1.04	(0.15)
General Funds	368.43	385.34	392.41	402.56	10.15
Total Authorized Personnel	385.25	402.00	409.00	419.00	10.00



Key Assumptions for FY 2016-2017**Salary Increases**

Employee compensation will follow past practice in that the city has bargaining unit contracts for approximately 254.5 employees, while 164.5 employees are not represented by unions. New employees continue to be enrolled in the City's tiered health plans, if allowed by bargaining agreements, and pension benefits are under the purview of the State.

Bargaining unit employees will receive 2.10% to 2.50% cost-of-living adjustments in agreement with the terms of their respective contracts on July 1st. The ASFCME bargaining unit is currently in negotiations for a multi-year contract. In addition to cost of living increases, bargaining unit employees are eligible to receive step increases if not at the maximum of the pay scale.

Non-represented employees who have not reached the maximum pay level may be eligible to receive an increase based upon job performance.

Medical Insurance Rates

Medical insurance rates are projected to increase by 7.50% from FY 2015-2016 actual rates.

Pension and Retirement Benefits

The City contribution rates for FY 2016-2017 are as follows:

- 25.92% for sworn police officers and fire personnel (MFPRSI).
- 8.93% for full and regular part-time personnel (IPERS).
- 9.84% for paid-on-call firefighters and emergency medical services personnel (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

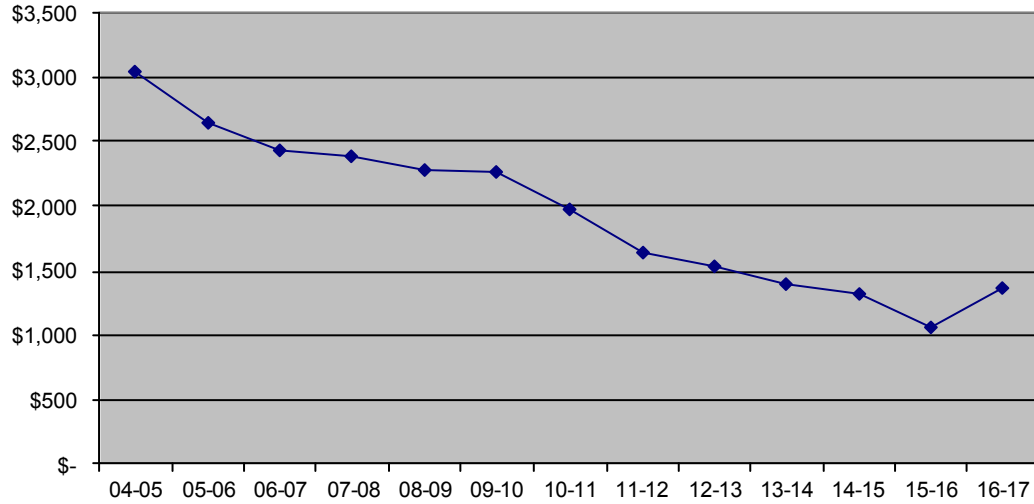
The City of West Des Moines has experienced tremendous amount of growth in recent years. Since 1990, the population of West Des Moines has increased by 78.56%, and the area of the City has more than doubled, both of which created an unprecedented demand in West Des Moines for infrastructure and capital projects. As a city expands, its citizens will need more parks, roads, bridges, and public safety facilities, just to name a few examples. This demand for public sector investment has made the issuance of debt an increasingly important component in City programs. The City utilizes one basic form of long-term debt; general obligation bonds. General obligation bonds are backed by the full faith and credit (i.e. taxes) of the City.

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 \$12.00/\$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. Moody's Investors Services and Standard & Poor's rating agencies have issued ratings of AAA highest issued by the agencies. These high ratings result in a more attractive bidding environment and, therefore, a more favorable interest rate for the City when bonds are sold. 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.



General Obligation Bond Debt per Capita



Long Term Debt Schedule

	Estimated Balance June 30, 2016	FY 2016-17 Additions	FY 2016-17 Reductions	Estimated Balance June 30, 2017
<u>Debt Subject to Constitutional Limitation</u>				
General Obligation Debt	\$91,010,000	\$9,800,000	\$13,570,000	\$87,240,000
Lease Purchase/Other Debt	1,651,755		334,6340	1,317,115
Sub-total Debt Subject to Limitation	\$92,661,755	\$9,800,000	\$13,904,640	\$88,557,115
<u>Revenue Bonds & Capital Loan Notes</u>				
WRA Debt	\$58,377,544		\$5,355,432	\$53,022,112
Sub-total Revenue Bonds & Capital Loan Notes	\$58,377,544		\$5,355,432	\$53,022,112
Total Long-Term Debt	\$151,039,299	\$9,800,000	\$19,260,072	\$141,579,227



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 just under seven billion dollars, the City's constitutional debt limit is \$348,080,444. The City estimates its direct debt or debt that is subject to the limitation will be \$88,557,115 at June 30, 2017. This leaves an available margin of \$259,523,329 with approximately 25.44% of the available statutory debt limit being obligated.

Actual Property Valuation	
January 1, 2015	\$6,961,608,889
Statutory Percentage	5.00%
Statutory Debt Limit	\$348,080,444
Estimated Direct Debt at June 30, 2017	
General Obligation Bonds	\$38,325,000
Tax Increment Financing Bonds	48,915,000
Rise Loans/IDOT	1,317,115
Lease Purchase/Other Debt	
Total Outstanding Direct Debt	\$88,557,115
Available Debt Margin	\$259,523,329
Percentage Obligated	25.44%



