



# Executive Overview





THE CITY OF  
**West Des Moines®**  
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**City Manager**

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'AAA'  
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January 27, 2018

Honorable Mayor and Council:

I respectfully present the proposed budget for the City of West Des Moines for the upcoming fiscal year beginning July 1, 2018. The adopted budget authorizes resources and sets the direction for our programs and services for the coming fiscal year. As the City's financial and spending plan, the adoption of the budget is the single-most important action taken by the City's elected officials.

As you review the preliminary draft of the FY 18-19 budget, recognize that staff makes every effort to enhance the format of the material so that the public has a better understanding of the various services we are able to deliver to citizens. If sections of the proposed budget are unclear, we should work to improving those. In addition, it is vital that the City's policymakers have all the information needed to ensure that the budget reflects the public interest. The final budget should serve as an effective public policy document and financial planning tool.

***Recent Accomplishments in Financial Management***

As we move into the second half of fiscal year 2017-18, we are pleased to note three recent accomplishments in the management of the City's financial resources.

- ◆ In July 2017, the City's AAA rating on its general obligation bond debt was reaffirmed by Standard & Poor's. This follows on the heels of reaffirmation of a Aaa rating issued by Moody's in 2016, and each of these ratings are the highest given by the respective agencies. The City remains one of approximately 100 in the United States which can boast of the highest rating from each agency.
- ◆ The Government Finance Officers Association of the United States and Canada (GFOA) again awarded a Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report for the fiscal year ending June 30, 2016. This is the 24<sup>th</sup> consecutive year the City has received this award.
- ◆ The City received a Distinguished Budget Presentation Award from the Government Finance Officers Association of the United States and Canada (GFOA) for its Budget Summary document for the fiscal year beginning July 1, 2017, the 19<sup>th</sup> consecutive year the City has achieved this award.

### ***Highlights of the FY 18-19 Recommended Budget***

- ◆ The budget recommended by staff reduces the current property tax rate from \$12.00 per thousand dollars of taxable valuation to \$11.79.
- ◆ Included in the proposed FY 18-19 budget is the addition of 17 employee positions (12 in Public Safety and 5 in other departments) as follows:
  - The Fire Department will add 2 Firefighters in order to meet coverage at all 5 city fire stations. These firefighters will start employment no earlier than September 1, 2018.
  - The Police Department will add 7 positions – 6 Police Officers and 1 Police Sergeant – in order to meet ever-increasing demands. Council will recall a Police Department assessment was completed in 2017 and the results indicated a need for several new officers. Adding these officers represents a step towards that goal. These police officers will start no earlier than September 1, 2018.
  - Westcom will add a total of 3 positions – 1 Dispatcher, 1 Training Coordinator, and 1 Public Safety IT Applications Specialist. The Dispatcher will alleviate the current means of filling empty shifts, which is either by using part-time staff (which are proving difficult to hire and retain) and overtime (which can deteriorate morale over time). The Training Coordinator will be responsible for training classes, materials and documentation, a critical need because best practices in 911 center operations are rapidly and constantly evolving. The Applications Specialist will oversee all and direct the technology needs of the dispatch center. The Westcom positions were approved by the Westcom Management Committee, a group which consists of representatives from all the Westcom cities.
  - Public Services will add a total of 3 positions - 2 Public Services Workers and 1 Mechanic. The Public Services Worker positions are needed to accommodate the significant growth of the City's infrastructure over the past several years. The Mechanic position will be able to repair equipment in house in a timely fashion and at a more cost effective rate. This position will also allow a mechanic to specialize in public safety apparatus.
  - The Library will add 1 Floating Paraprofessional who will be tasked with managing a variety of the customer service desks within the Library, allowing for greater customer service coverage during their hours of business.
  - Parks and Recreation will add 1 Recreation Coordinator which will start January 2019. This position will allow greater coverage in managing the City's two Aquatic Centers, as well as taking on positional duties which will allow staff to manage the City's amphitheater maintenance and programming.

An additional 14 positions were requested by department directors but were of a lower priority and due to budgetary constraints they were not accommodated.

- ◆ Proposed employee compensation totals take into consideration terms of bargaining unit contracts for each of the approximately 250 union employees. Projected personnel expenditure

levels rely on historical trends, current contract information, and projected terms for agreements yet to be finalized. The proposed compensation budget will address the approximately 204 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 2.50% to 3.00% in agreement with the terms of their respective contracts. All contracts but one, AFSCME, are currently in contract negotiations. In addition to the cost-of-living increases, bargaining unit employees who are not at the maximum pay of their range may be eligible to receive “step” increases dependent upon performance and classification.

Non-union employees who have not yet reached the maximum pay level for their position may be eligible at July 1, 2018, to receive pay increases based solely upon job performance.

- ◆ The City will receive approximately \$7.6 million dollars in Road Use Tax funding during FY 18-19. This is a slight increase from the previous year because the Iowa Department of Transportation increased the per capita forecast. This revenue allows for approximately \$6.6 million in Road Use Tax funds to be expended for street-related expenditures (CIP and operating), along with spending of the remaining funds for street lighting and repayment of debt related to Iowa Highway 5 construction. Staff’s goal for the Road Use Tax Fund is to maintain a steady fund balance from year-to-year.
- ◆ The proposed FY 18-19 budget reflects an increase in the contribution rate for the Municipal Fire and Police Retirement System of Iowa (MFPRSI). The City’s contribution rate of covered wages for FY 18-19 will be 26.02% as compared to 25.68% for FY 17-18. The increased rate amounts to an increase of \$36,620 in annual pension costs. The proposed budget also reflects a change in the contribution rate for Iowa Public Employees Retirement System (IPERS). The City’s contribution rate for IPERS will be 9.44% for FY 18-19 as compared to 8.93% for FY 17-18. The increased rate amounts to an increase of \$122,949 in annual pension costs
- ◆ During 2017, Staff completed detailed, multi-year financial cash flow projections for the Sewer and Stormwater Enterprise Funds. As a result, multi-year rate adjustments for each fund were proposed and were ultimately approved by Council. The effects of these rate adjustments on each fund are reflected in the budgets of those enterprise funds and will allow for the City’s existing facilities to remain in working condition. Proposed projects in the Capital Project Budget will allow the City to better comply with increasing needs, regulations, and demand on the systems. .
- ◆ During FY 18-19, 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 outpace the rates charged to residents, a strong fund balance allows for the rates charged to residents to remain steady.
- ◆ 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. As Council is aware, the stormwater fee district concept was successfully challenged by developers, so until such time as its use is clear, it was not contemplated in the budget documents.

- ◆ The proposed budget reflects the carryover of cash to ensure the FY 18-19 budget maintains prudent general fund balances, which protect financial integrity. General Fund total revenues are projected to be \$71,414,519 and total expenditures will be \$73,943,629. The projected Uncommitted General Fund composite balance on June 30, 2019, (expected balance of \$27,560,141) will be slightly over 41% of annual operating expenditures. This is sufficient for meeting unexpected shortfalls in revenues or demands on future fund resources and remains within the guideline set by members of City Council, who have consistently ratified a desire to maintain a General Fund cash reserve balance over 25%.

### ***Outlook for FY 18-19 and Beyond***

The City's budgeting philosophy continues to be conservative, so that we ensure that funding is adequate to provide services to residents and protect our long-term viability. A starting point for projections was a desire to deliver comparable levels of service to residents, utilize responsible revenue assumptions, and maintain adequate reserves. In addition, the City Council has indicated that maintaining the current general fund tax rate is an equal priority to maintaining prudent fund balances and providing quality services.

While the general economy in the state and in Central Iowa remains relatively solid, cities in Iowa, including West Des Moines, continue to face several areas of consideration and concern. As we prepared the proposed budget we needed to consider: (1) a very likely reduction or elimination of the current commercial tax rollback backfill by the State of Iowa – in fact, for projection purposes, staff assumed a 50% reduction in the backfill effective FY 2019-20, (2) a continued reduction in future tax revenues related to multi-family residential properties as was legislated in 2013 (this hits West Des Moines particularly hard due to a large concentration), (3) costs of mandated employee pension contributions and (4) escalating employee health insurance costs.

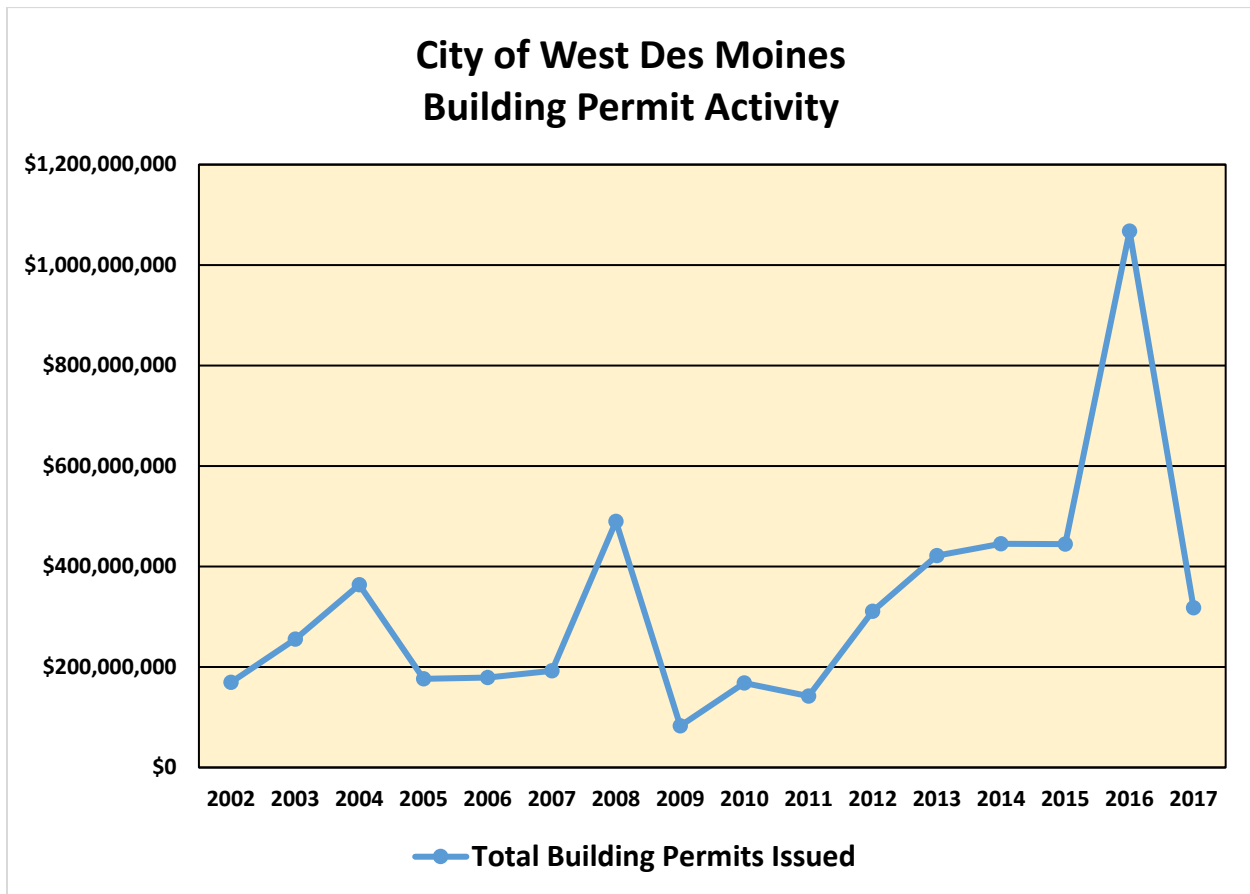
Despite these concerns, it is also important to note that other factors have recently worked in the City's favor, including: (1) the voters in Dallas County passing a Local Option Sales Tax (LOST) referendum in 2017, which will allow the City to receive roughly \$2 million in funding – the City pledged to lower its tax levy rate using 50% of the funds received and to use the other 50% to fund a variety of specific needs, (2) interest rates on investments have risen steadily in the past year and are expected to continue to climb slowly in the upcoming cycle, and (3) the City saw a healthy 9% growth in taxable valuation during the last bi-annual assessment revaluation cycle and those valuations are reflected by a budgeted increase in property tax revenue – these factors are a major reason why the City was able to recommend the addition of 16 staff.

Staff reviewed the FY 19-20 budget at a “macro level” by focusing on key assumptions and projected expenditures as part of a second year financial plan and that analysis is included in the material provided.

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

The City continues to be one of the fastest growing cities in the state of Iowa. A Special Census completed in December 2015 revealed a population of 63,541, which reflected growth of 12% since the last official Census in 2010. It is estimated that another 1,019 residents were added in 2016. This growth follows on the heels of population growth of 79% from 1990 to 2010. Estimates indicate the City could continue to grow by approximately 1,000-2,000 residents per year.

During calendar year 2017 the City saw high levels of building permit activity (in terms of valuation), although they were significantly down from the record set in 2016. Valuation brought by revaluation of all properties is reflective of a healthy real-estate market and regional economy of Central Iowa, and growth was also factoring new commercial, office, retail, multi-family residential, and single-family residential construction. A breakdown between the two types of growth is not easily obtainable. Calendar 2017 also constituted the 7<sup>th</sup> consecutive year of permits valuation over \$300 million. Staff will continue to monitor the economy and make budget recommendations and adjustments as necessary.



***BUDGET IN BRIEF***

***Revenues and Taxable Growth***

As discussed above, the City continues to experience significant development. Every two years the various county assessors revalue property across the state. Property valuations were adjusted on January 1, 2017. This date’s valuation is used to calculate property tax revenues to be received in FY 18-19, so the growth allowed for taxable valuation to increase by 9.21% for the City of West Des Moines. All of this valuation increase will not directly assist the City’s general fund, however, as revenues from Microsoft’s data center projects will be used to pay for the surrounding infrastructure over the next 10-20 years, a portion of the property tax revenues generated by the Jordan Creek Town Center area and Athene office complex continue to be used similarly, and much of the anticipated future growth will be spoken for through Council-directed rebate programs and TIF-related activity. Non-TIF-related growth is approximately 5.5%.

The City has a strong tax base in commercial property, including two regional malls and extensive

office and medical clinics. Approximately 35% 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 by state legislation have slowed revenue growth.

Large infrastructure projects in the areas of Mills Civic Parkway and Jordan Creek Parkway, which began over ten years ago, have now seen a significant percentage of developable areas around those corridors filled with retail centers, hotels, restaurants, office, and multi-family residential projects. Other areas are poised for future development such as the areas around Iowa Highway 5 and the Microsoft Alluvion Data Center. More recent infrastructure which could spring future development is the Grand Prairie Parkway Corridor / Interstate 80 interchange which opened for traffic in December 2015. Finally, the City is preparing for growth well into the future with the announcement of a third Microsoft Data Center in Warren and Madison Counties. This center, named Project Osmium, will facilitate the City’s expansion of roadways, including a bridge over the Raccoon River on Grand Prairie Parkway which will open up thousands of acres for development, as well as bringing sewer, water, and fiber to these areas.

For FY 18-19, General Fund operating revenues of \$61,048,067 are projected to increase by 3.26% compared to FY 17-18. Several factors contributed to the increase in property tax revenue especially the increased percentage of the residential roll back from 55.63% to 56.94%. As mentioned previously, the City saw significant residential and commercial development, and also an overall increase to existing property valuations. Statewide trends among the larger cities shows mixed results but most of the major cities saw solid growth during the bi-annual reassessment year. A summary of the ten largest cities is depicted below:

Comparison of Taxable Valuation				
FY 18-19				
Top 10 Cities in Iowa				
City	Population Per 2016 US Census Estimate	Total 2017 Taxable Valuation (\$1000's)	Change in Taxable Valuation from Prior Year	Taxable Valuation Per Capita
Des Moines	215,472	\$ 8,360,172,170	8.41%	\$ 38,799
Cedar Rapids	131,127	6,974,396,228	6.30%	53,188
Davenport	102,612	4,554,167,839	4.89%	44,382
Sioux City	82,872	3,084,286,470	6.66%	37,217
Iowa City	74,398	3,745,477,705	5.72%	50,344
Waterloo	67,934	2,546,268,170	0.39%	37,481
Ames	66,191	2,952,230,576	7.99%	44,602
West Des Moines	64,560	5,424,794,165	9.21%	84,027
Council Bluffs	62,524	2,844,204,131	5.03%	45,490
Ankeny	58,627	3,535,475,863	13.29%	60,305

Worth noting in the above table is West Des Moines’ place as the highest ranking city in terms of “Taxable Valuation Per Capita”. Having this status is a significant financial advantage, but it also requires a sizable investment in public safety to protect the relatively more valuable property.

Among communities in the Des Moines Metro area, the growth trend is even stronger. The Des Moines Metro area as a whole continued to see development and growth in recent years, consistently ranking among the top developing cities in the region and country. Within the metro, older, more established communities saw more limited growth while the outer ring of cities continued to grow the tax base at a very rapid pace as depicted in the following table:

Comparison of Taxable Valuation				
FY 18-19				
Des Metro Communities				
City	Population Per 2016 US Census Estimate	Total 2017 Taxable Valuation (\$1000's)	Change in Taxable Valuation from Prior Year	Taxable Valuation Per Capita
Des Moines	215,472	8,360,172,170	8.41%	\$ 38,799
West Des Moines	64,560	5,424,794,165	9.21%	84,027
Ankeny	58,627	3,535,475,863	13.29%	60,305
Urbandale	43,018	3,198,267,095	7.16%	74,347
Johnston	21,114	1,620,889,669	9.78%	76,768
Waukee	19,284	1,110,199,693	12.37%	57,571
Altoona	17,938	1,105,080,214	14.00%	61,606
Clive	17,546	1,505,776,834	4.98%	85,819
Grimes	11,909	804,560,277	16.03%	67,559
Norwalk	10,590	483,803,313	5.97%	45,685
Pleasant Hill	9,750	628,440,528	7.77%	64,455
Windsor Heights	4,983	273,911,783	7.62%	54,969

West Des Moines' taxable valuation per capita of over \$84,000 remains the highest of Iowa's ten largest cities and second among cities in the Des Moines metro area.

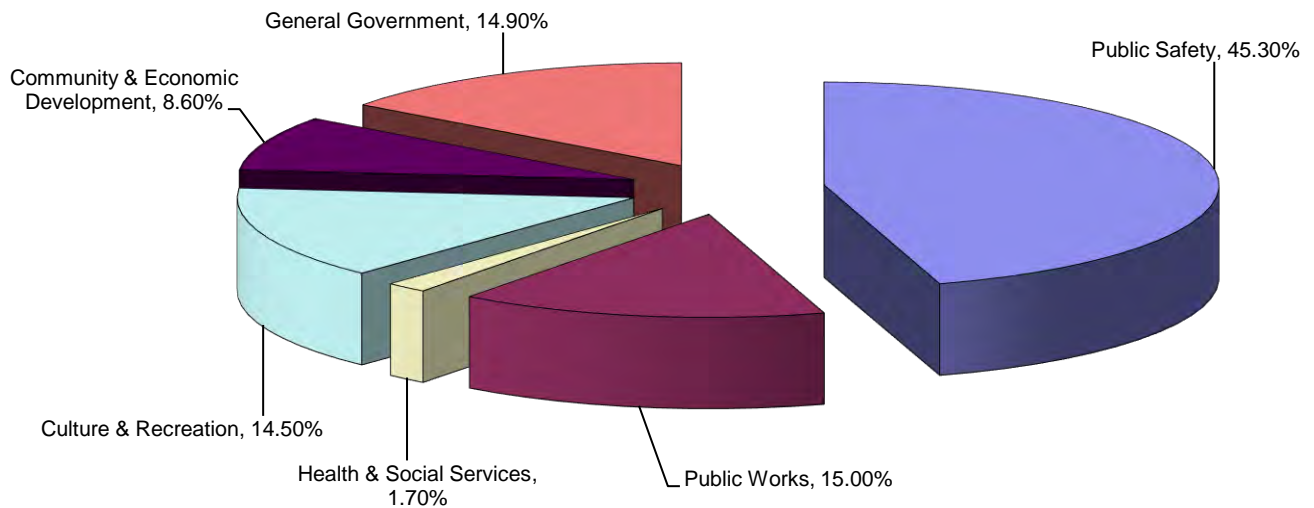
It is important to note that \$496 million in taxable valuation remains included in the City's Tax Increment Finance (TIF) Districts (slightly up from \$484 million from the previous year). This amount equates to approximately \$5 million in tax dollars being excluded from the City's potential general fund resources. A large percentage of TIF funds are dedicated to public infrastructure projects such as public safety facilities, bridges, roads and utility systems, with the balance being used for economic incentive payments to various businesses around the City.

### ***Expenditures***

The City's FY 18-19 General Fund budgeted operating expenditures total \$66,878,150, which represents an increase of \$1,506,389 (+2.30%) from FY 17-18. The largest percent of expenditures continues to be in the Public Safety program area, which encompassed 45.30% of the General Fund for the fiscal year.



**General Fund Operating Expenditures**  
**\$66,878,150**



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 the Police and Fire Pension system reflected a \$0.00061 increase. In response, other tax levies were decreased.

If the budget is approved as recommended, the City’s total number of full time equivalent (FTE) employees will be 454.75. 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 also cognizant of significant claims increases within the past 10-year window.

The FY 18-19 budget reflects a proposed use of operating cash reserves for several “one-time” capital needs including continued expense for a contracted purchase of 142 acres of future parkland in Madison County, and several smaller building, software, equipment, and planning projects. When factoring in these expenditures, the strictly “operating” projected FY 17-18 General Fund shows a lower deficit, however, the recommended budget does include a spend of \$804,860 of available fund balance. Despite the operating and capital spending of fund balance planned for FY 18-19, the General Fund Ending Cash Reserve is projected to remain at a healthy 41% of operating expenses.

***Capital Improvement Plan***

The City’s Capital Improvement Plan is intertwined with the Operating Budget, so a discussion of the Plan is critical to provide context and background. This budget cycle staff once again developed project priorities based on previous commitments, anticipated future development, and a commitment to maintain current infrastructure and amenities. Council also provided direction with a continued recommendation to maintain a debt service levy rate of \$1.95/thousand.

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 city buildings is critical and, while significant dollars have been spent recently at several buildings, others have suffered from deferred maintenance and/or inferior design causing maintenance issues, so continue funding at higher-than-previous levels is planned.

Major projects and the overall CIP plan will be discussed in more detail during this workshop.

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

The Mayor, Council, and staff continued to pursue a number of initiatives to define the direction for the City organization and community. During 2015 the City engaged a multitude of resources to develop “West Des Moines 2036” which challenged the City to find ways to reinvent itself while building on its past successes. The result was a 20-year plan outlining strategies designed to make that result happen. Approximately 40 community and business leaders worked with the Futurist over a period of several months to create the WDM 2036 plan. This plan was discussed, refined, and finalized in 2016.

The group ultimately came up with six strategies to ensure a prosperous future for the City:

- ◆ **Create a Leadership Advisory Board** of city, school and business leaders to work toward common priorities and address challenges.
- ◆ **Explore new forms of revenue**, such as a hotel/motel tax or local option sales tax, to ensure the City's financial viability.
- ◆ **Create a Quality of Life Council** to examine West Des Moines’ experiences and amenities, and attract and retain great businesses, educational facilities, talent, and families. During 2017, a Quality of Life Council was formed and met regularly to update these goals.
- ◆ **Become a leader in sustainability.**
- ◆ **Double down on technology** and consider providing high-speed Internet as a public/private utility for all homes.
- ◆ **Diversify the City's economy** to develop, retain and attract the world’s best workforce.

Pieces of the City’s previous five-year strategic plan, which contain goals and objectives related

to service levels and growth plans, were folded into the 2036 plan. In addition, a more internal visioning process by staff resulted in a new 10-year strategic framework which should serve to guide internal growth as well as provide principles for development. Goals, directives, and visions behind these plans provide direction and thus have been woven into this budget on many levels.

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

A 7% Hotel/Motel Tax, first authorized by West Des Moines voters in 1984, is expected to generate \$4,300,000 in the upcoming year. By agreement, money is allocated as follows: 2/7<sup>th</sup> of the funds are directed to the Greater Des Moines Convention and Visitors Bureau (CVB), 2/7<sup>th</sup> is directed to Bravo Greater Des Moines, 2/7<sup>th</sup> (subject to City Council approval) will be used for parks, recreation, and/or tourist activities, and the remaining 1/7<sup>th</sup> will be available for distribution to other City Council-designated entities or for other internal uses. Also, a percentage of City Council-designated discretionary revenues (in excess of total fund revenues of \$2,550,000) continue to be channeled towards the City's public arts program.

### ***Regional Cooperation***

The City 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 Des Moines metro area 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, 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 and \$65,000 over a multi-period to the Civic Center.
- ◆ Tomorrow Planning Organization – regional visioning process
- ◆ Capitol Crossroads – regional visioning with a focus on collaboration

### ***Conclusion***

The FY 18-19 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 and projects which are included in the proposed budget document for review by the Mayor and City Council. The eight proposed new staff positions were carefully scrutinized, vetted, and prioritized from a pool of nearly 16 departmental requests, with only the most essential positions being recommended. 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 thanks to members of the City staff for their diligent efforts to develop and operate within budgets that provide continual high quality service to our residents.

I would also like to give two specific notes of thanks. First, to the Finance Department staff for their performance in gathering, analyzing, and presenting information clearly and accurately, and second, to the City's departmental leadership for providing critical feedback, input, financial projections, and lists of priorities, all needed to formulate the budget. The budget preparation team composed of Deputy City Manager Jamie Letzring, Finance Director Tim Stiles, Budget Analyst Chris Hamlett, and me, worked collaboratively with Department Directors and many other staff members to develop the proposed budget. This would not have been completed without the effort of all those involved.

I would also like to thank the 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

