



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 2019-2020 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 2019-2020 Budgets:

Revenue Assumptions

- The proposed budget reduces the current City property tax rate of \$11.79 per thousand of taxable valuation to \$10.99.
- The City of West Des Moines will receive approximately \$7.68 million dollars in Road Use Tax Funds. Approximately \$6.78 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 2018 approved actions indexing stormwater fees through July 1, 2024.

Expenditure & Fund Balance Assumptions

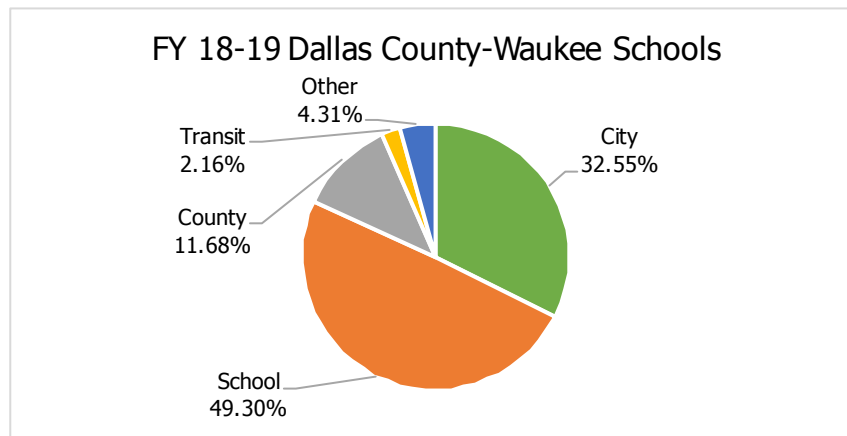
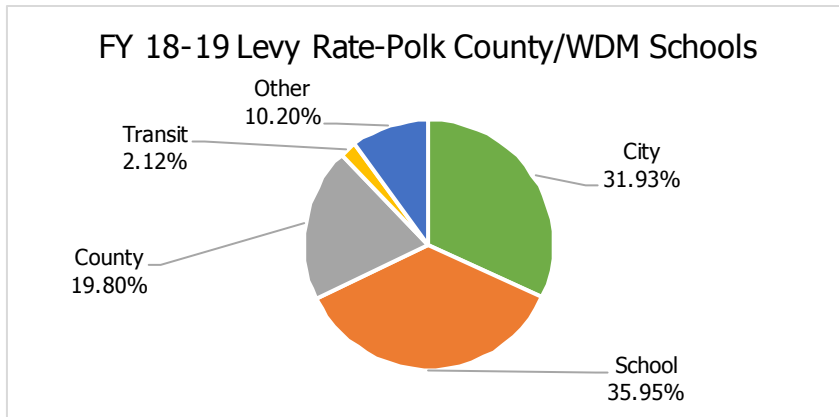
- Nine new employee positions are being recommended in the budget. The Fire Department will add 2 Firefighters. The Police Department will add 2 Police Officers. Westcom Dispatch will add 2 Dispatchers. Public Services will add 2 Public Services Operators. The Library will add 1 Library Assistant who will be tasked with a managing a variety of the customer services desks within the Library. The Library will also upgrade the existing half-time Teen Area Assistant to full time in order to prepare and program for the future completion of the new teen area within the library.
- Employee compensation calculations will follow past practice or expected results of negotiations for bargaining unit contracts covering approximately 269 union employees. There are also approximately 202 full time employees not covered under union contracts. Pension benefits are under the purview of the State of Iowa.
- Bargaining unit employees are expected to receive cost-of-living adjustments ranging from 2.50% to 3.00% in agreement with the terms of their respective contracts. The AFSCME bargaining unit is currently in negotiations for a multi-year contract. In addition to cost-of-living adjustments, 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 their maximum pay level may be eligible at July 1, 2019 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 2019-2020 will be 24.41% as compared to 26.02% for FY 2018-2019. The proposed budget also reflects no change in the contribution rate for Iowa Public Employees Retirement System (IPERS). The City's contribution rate for FY 2019-2020 will remain at 9.44%. Of the City's 471.25 full time equivalent employees, 142 employees participate in the Municipal Fire and Police Retirement System of Iowa plan, 1 employee, the City Manager has opted out of retirement plans, instead receiving deferred compensation packages, and the remaining 328.25 employees are enrolled in Iowa Public Employees Retirement System plan.
- The proposed budget reflects the carryover of cash to ensure the FY 2019-2020 budget maintains prudent general fund balances which protect the City of West Des Moines' financial integrity. The General Fund total revenues are \$72,640,741 and total expenditures are 80,685,856. The projected General Fund composite balance on June 30, 2020, will be slightly under 35% (expected balance of \$23,927,869) 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%.



Consolidated Tax Rate

The City of West Des Moines corporate limits cover four counties, Polk, Dallas, Warren, and Madison, and within the corporate limits are six different community school districts; West Des Moines, Waukee, Des Moines, Norwalk, Van Meter, and Winterset. Each county and community school district has its own tax levy, resulting in the City of West Des Moines having eight different consolidated tax rates within the City. The two largest taxing areas are Polk County/West Des Moines Community Schools and Dallas County/Waukee Community Schools. The tax levy for the other category includes levies for community college, county hospital, county assessor, ag extension, State of Iowa, and watershed areas. Below are the FY 2018-2019 tax levies currently in place.

City of West Des Moines - Consolidated Tax Rates FY 2018-2019 Levy						
County/School District	City	School	County	Transit	Other	Total
Polk County/West Des Moines Schools	\$11.79	\$13.27	\$7.31	\$0.78	\$3.77	\$36.92
Polk County/Des Moines Schools	\$11.79	\$18.60	\$7.31	\$0.78	\$3.77	\$42.25
Dallas County/Waukee Schools	\$11.79	\$17.86	\$4.23	\$0.78	\$1.56	\$36.22
Dallas County/West Des Moines Schools	\$11.79	\$13.27	\$4.23	\$0.78	\$1.56	\$31.63
Dallas County/Van Meter Schools	\$11.79	\$16.03	\$4.23	\$0.78	\$1.56	\$34.39
Madison County/Van Meter Schools	\$11.79	\$16.03	\$5.84	\$0.78	\$4.12	\$38.56
Madison County/Winterset Schools	\$11.79	\$17.24	\$5.84	\$0.78	\$5.20	\$40.85
Warren County/Norwalk Schools	\$11.79	\$19.68	\$5.64	\$0.78	\$1.24	\$39.13



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



Polk County - WDM Schools	
School	\$13.27
County	7.31
Regional Transit Authority	0.78
Other	3.77
City	11.79
FY 18-19 Levy	\$36.92

Dallas County - Waukee Schools	
School	\$17.86
County	4.23
Regional Transit Authority	0.78
Other	1.56
City	11.79
FY 18-19 Levy	\$36.22

	Actual FY 2017-18	Actual FY 2018-19	Budget FY 2019-20
Property Tax Calculation			
Assessed Valuation	\$1,000,000	\$1,000,000	\$1,000,000
Rollback Percentage	90.00%	90.00%	90.00%
Taxable Value	\$900,000	\$900,000	\$900,000
City Tax Rate per \$1,000	\$12.00	\$11.79	\$10.99
Total City Property Tax	\$10,800	\$10,611	\$9,891

Net Change **(\$189)** **(\$720)**



Calculation of City Property Tax Dollars for a West Des Moines Residence

	Actual FY 2018-19	Budget FY 2019-20	Actual FY 2018-19	Budget FY 2019-20
Assessed Valuation	\$100,000	\$100,000	\$150,000	\$150,000
Rollback %	55.62%	56.92%	55.62%	56.92%
Taxable Value	\$55,620	\$56,920	\$83,430	\$85,380
City Tax Rate per \$1,000	\$11.79	\$10.99	\$11.79	\$10.99
Cross City Tax	\$656	\$626	\$984	\$939
Less: City Share of Homestead Tax Credit	(\$58)	(\$58)	(\$58)	(\$58)
Total City Property Tax	\$598	\$568	\$926	\$881
Assessed Valuation	\$200,000	\$200,000	\$250,000	\$250,000
Rollback %	55.62%	56.92%	55.62%	56.92%
Taxable Value	\$111,240	\$113,840	\$139,050	\$142,300
City Tax Rate per \$1,000	\$11.79	\$10.99	\$11.79	\$10.99
Cross City Tax	\$1,312	\$1,252	\$1,639	\$1,564
Less: City Share of Homestead Tax Credit	(\$58)	(\$58)	(\$58)	(\$58)
Total City Property Tax	\$1,254	\$1,194	\$1,581	\$1,506
Assessed Valuation	\$300,000	\$300,000	\$350,000	\$350,000
Rollback %	55.62%	56.92%	55.62%	56.92%
Taxable Value	\$166,860	\$170,760	\$194,670	\$199,220
City Tax Rate per \$1,000	\$11.79	\$10.99	\$11.79	\$10.99
Cross City Tax	\$1,967	\$1,877	\$2,295	\$2,190
Less: City Share of Homestead Tax Credit	(\$58)	(\$58)	(\$58)	(\$58)
Total City Property Tax	\$1,909	\$1,819	\$2,237	\$2,132
Assessed Valuation	\$400,000	\$400,000	\$450,000	\$450,000
Rollback %	55.62%	56.92%	55.62%	56.92%
Taxable Value	\$222,480	\$227,680	\$250,290	\$256,140
City Tax Rate per \$1,000	\$11.79	\$10.99	\$11.79	\$10.99
Cross City Tax	\$2,623	\$2,503	\$2,951	\$2,815
Less: City Share of Homestead Tax Credit	(\$58)	(\$58)	(\$58)	(\$58)
Total City Property Tax	\$2,565	\$2,445	\$2,893	\$2,757



BUDGET SUMMARY

FY 2019-20 BUDGET BY FUND

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Project Funds	Enterprise Funds	FY 2019-20 Budget
REVENUES						
Operating Revenues						
Property Taxes	\$43,488,400	\$2,845,579	\$11,076,696			\$57,410,675
TIF Revenues		16,241,444				16,241,444
Other City Taxes	5,223,729	10,428,721	100,827			15,753,277
Licenses and Permits	1,755,800					1,755,800
Use of Money and Property	942,200	107,800	65,000		845,069	1,960,069
Intergovernmental	4,529,935	8,498,202	511,408	2,647,300	5,450,095	21,636,940
Charges for Services	5,717,500	45,000			16,789,300	22,551,800
Special Assessments				125,000		125,000
Miscellaneous	828,200	255,100		462,500	10,146,246	11,692,046
Sub-total Operating Revenues	\$62,485,764	\$38,421,846	\$11,753,931	\$3,234,800	\$33,230,710	\$149,127,051
Other Financing Sources						
Proceeds of Long Term Debt				\$24,400,000		\$24,400,000
Proceeds of Capital Assets Sales	25,000					25,000
Transfers In	10,129,977	174,950	13,513,434	65,100,208	23,230,000	112,148,569
Sub-total Other Financing Sources	\$10,154,977	\$174,950	\$13,513,434	\$89,500,208	\$23,230,000	\$136,573,569
TOTAL REVENUES & OTHER SOURCES	\$72,640,741	\$38,596,796	\$25,267,365	\$92,735,008	\$56,460,710	\$285,700,620
EXPENDITURES						
Operating Expenditures						
Personal Services	\$44,714,858	\$2,939,221			\$4,883,343	\$52,537,422
Supplies and Services	20,029,858	4,010,407	10,000		20,007,673	44,057,938
Universal Commodities	2,109,210				152,286	2,261,496
Capital	1,687,691	111,100			4,581,300	6,380,091
Sub-total Operating Expenditures	\$68,541,617	\$7,060,728	\$10,000		\$29,624,602	\$105,236,947
Lease/Purchase or Installment Contract Expenditures		\$170,890				\$170,890
Total Operating Expenditures	\$68,541,617	\$7,231,618	\$10,000			\$105,407,837
Debt Service Expenditures			\$24,092,365		\$137,000	\$24,229,365
Capital Improvement Expenditures				\$68,210,008	\$23,230,000	\$91,440,008
Total Expenditures	\$68,541,617	\$7,231,618	\$24,102,365	\$68,210,008	\$52,991,602	\$221,077,210
Transfers Out	\$12,144,239	\$37,125,141	\$439,189	\$53,610,000	\$8,830,000	\$112,148,569
TOTAL EXPENDITURES/TRANSFERS OUT	\$80,685,856	\$44,356,759	\$24,541,554	\$121,820,008	\$61,821,602	\$333,225,779
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(\$8,045,115)	(\$5,759,963)	\$725,811	(\$29,085,000)	(\$5,360,892)	(\$47,525,159)
BEGINNING FUND BALANCE	\$31,972,984	\$21,061,772	\$3,272,488	\$33,280,445	\$163,429,900	\$253,017,597
ENDING FUND BALANCE	\$23,927,869	\$15,301,809	\$3,998,299	\$4,195,445	\$158,069,008	\$205,492,438
FUND BALANCE% OF EXPENDITURES	34.91%	211.60%	16.59%	6.15%	298.29%	92.95%



Revenues & Expenditures by Category

	ACTUAL FY 2016-17	ACTUAL FY 2017-18	REVISED BUDGET FY 2018-19	BUDGET FY 2019-20	INC (DEC) FY 2019-20 OVER FY 2018-19	% INC (DEC)
REVENUES						
Operating Revenues						
Property Taxes	\$52,118,904	\$54,097,576	\$57,066,411	\$57,410,675	\$344,264	0.60%
TIF Revenues	12,183,281	13,531,467	17,822,026	16,241,444	(1,580,582)	(8.87%)
Other City Taxes	5,070,012	5,065,449	7,201,884	15,753,277	8,551,393	118.74%
Licenses and Permits	1,980,884	1,904,666	1,703,300	1,755,800	52,500	3.08%
Use of Money and Property	934,848	2,457,803	1,059,500	1,960,069	900,569	85.00%
Intergovernmental	24,147,504	22,239,720	21,675,529	21,636,940	(38,589)	(0.18%)
Charges for Services	21,091,341	21,988,532	21,593,826	22,551,800	957,974	4.44%
Special Assessments	200,558	142,102	100,000	125,000	25,000	25.00%
Miscellaneous	14,450,458	20,219,962	13,033,000	11,692,046	(1,340,954)	(10.29%)
Sub-total Operating Revenues	\$132,177,790	\$141,647,273	\$141,255,476	\$149,127,051	\$7,871,575	5.57%
Other Financing Sources						
Proceeds of Long Term Debt	\$19,605,297	\$99,074,447	\$43,576,780	\$24,400,000	(\$19,176,780)	(44.01%)
Proceeds of Capital Assets Sales/Contributions	10,525,352	(27,582)	92,425	25,000	(67,425)	(72.95%)
Transfers In	57,390,532	87,641,489	81,740,899	112,148,569	30,407,670	37.20%
Sub-total Other Financing Sources	\$87,521,181	\$186,688,353	\$125,410,104	\$136,573,569	\$11,163,465	8.90%
TOTAL REVENUES & OTHER SOURCES	\$219,698,971	\$328,335,629	\$266,665,580	\$285,700,620	\$19,035,040	7.14%
EXPENDITURES						
Operating Expenditures						
Personal Services	\$42,052,921	\$43,740,999	\$49,796,984	\$52,537,422	\$2,740,438	5.50%
Supplies and Services	32,667,681	38,626,326	44,853,606	44,057,938	(795,668)	(1.77%)
Universal Commodities	2,482,832	1,729,336	2,346,600	2,261,496	(85,104)	(3.63%)
Capital	6,639,287	6,285,541	11,216,042	6,380,091	(4,835,951)	(43.12%)
Sub-total Operating Expenditures	\$83,842,721	\$90,382,202	\$108,213,232	\$105,236,947	(\$2,976,285)	(2.75%)
Lease/Purchase or Installment Contract Expenditures	\$255,973	\$301,640	\$169,393	\$170,890	\$1,497	0.88%
Total Operating Expenditures	\$84,098,694	\$90,683,842	\$108,382,625	\$105,407,837	(\$2,974,788)	(2.74%)
Debt Service Expenditures	\$22,331,964	\$28,454,330	\$25,877,244	\$24,229,365	(\$1,647,879)	(6.37%)
Capital Improvement Expenditures	\$41,393,581	\$44,958,361	\$135,010,604	\$91,440,008	(\$43,570,596)	(32.27%)
Total Expenditures	\$147,824,239	\$164,096,533	\$269,270,473	\$221,077,210	(\$48,193,263)	(17.90%)
Transfers Out	\$57,390,532	\$87,641,489	\$81,740,899	\$112,148,569	\$30,407,670	37.20%
TOTAL EXPENDITURES/TRANSFERS OUT	\$205,214,771	\$257,738,022	\$351,011,372	\$333,225,779	(\$17,785,593)	(5.07%)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$14,484,201	\$76,597,608	(\$84,834,792)	(\$47,525,159)	\$36,820,633	n/a
BEGINNING FUND BALANCE	\$246,281,544	\$260,765,745	\$337,363,389	\$253,017,597	(\$84,834,792)	n/a
ENDING FUND BALANCE	\$260,765,745	\$337,363,389	\$253,017,597	\$205,492,438	(\$47,525,159)	n/a
FUND BALANCE % OF EXPENDITURES	176.40%	205.59%	93.96%	92.95%		



Revenues & Expenditures by Fund

	ACTUAL FY 2016-17	ACTUAL FY 2017-18	REVISED BUDGET FY 2018-19	BUDGET FY 2019-20	INC (DEC) FY 2019-20 OVER FY 2018-19	% INC (DEC)
REVENUES						
Fund Revenues						
General Funds	\$66,182,580	\$71,701,821	\$71,750,045	\$72,640,741	\$890,696	1.24%
Special Revenue Funds	30,536,461	35,256,537	38,566,902	38,596,796	29,894	0.08%
Debt Service Funds	20,936,327	29,317,734	27,448,798	25,267,365	(2,181,433)	(7.95%)
Capital Project Funds	57,682,388	143,818,799	86,083,445	92,735,008	6,651,563	7.75%
Enterprise Funds	44,361,216	48,240,739	42,816,390	56,460,710	13,644,320	113.30%
Total Fund Revenues	\$219,698,972	\$328,335,630	\$266,665,580	\$285,700,620	\$19,035,040	7.14%
EXPENDITURES						
Fund Expenditures						
General Funds	\$61,025,175	\$67,358,037	\$80,833,710	\$80,685,856	(\$147,854)	(0.18%)
Special Revenue Funds	30,943,992	34,462,615	42,031,645	44,356,759	2,325,114	5.53%
Debt Service Funds	21,908,786	28,316,464	27,168,894	24,541,554	(2,627,340)	(9.67%)
Capital Project Funds	61,605,214	85,401,887	129,884,449	121,820,008	(8,064,441)	(6.21%)
Enterprise Funds	29,731,604	36,199,019	71,092,674	61,821,602	(9,271,072)	(13.04%)
Total Fund Expenditures	\$205,214,771	\$251,738,022	\$351,011,372	\$333,225,779	(\$17,785,593)	(5.07%)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$14,484,201	\$76,597,608	(\$84,345,792)	(\$47,525,159)	\$36,820,633	n/a
BEGINNING FUND BALANCE	\$246,281,544	\$260,765,745	\$337,363,389	\$253,017,597	(\$84,345,792)	n/a
ENDING FUND BALANCE	\$260,765,745	\$337,363,389	\$253,017,597	\$205,492,438	(\$47,525,159)	
FUND BALANCE% OF EXPENDITURES	127.07%	152.15%	72.08%	61.67%		



Comparison of Amended Budget to Actual

	Amended Budget FY 2016-17	Actual FY 2016-17	Variance Favorable (Unfavorable)	Amended Budget FY 2017-18	Actual FY 2017-18	Variance Favorable (Unfavorable)
REVENUES						
Revenues						
Property Taxes	\$52,096,862	\$52,118,904	\$22,042	\$54,096,896	\$54,097,576	\$680
TIF Revenues	11,999,963	12,183,281	183,318	13,498,069	13,531,467	33,398
Other City Taxes	4,652,139	5,070,012	417,873	4,901,803	5,065,449	163,646
Licenses and Permits	1,643,830	1,980,884	337,054	1,700,782	1,904,666	203,884
Use of Money and Property	486,800	934,848	448,048	1,084,500	2,457,803	1,373,303
Intergovernmental	22,783,059	24,147,504	1,364,445	26,032,817	22,239,720	(3,793,097)
Charges for Services	19,658,575	21,091,341	1,432,766	20,387,125	21,988,532	1,601,407
Special Assessments	215,000	200,558	(14,442)	150,000	142,102	(7,898)
Miscellaneous	11,734,446	14,450,458	2,716,012	14,787,341	20,219,962	5,432,621
Total Revenues	\$125,270,674	\$132,177,790	\$6,907,116	\$136,639,333	\$141,647,277	\$5,007,944
EXPENDITURES						
Expenditures						
Public Safety	\$32,748,497	\$29,522,770	\$3,225,727	\$32,834,503	\$29,050,021	\$3,784,482
Public Works	10,268,789	9,527,673	741,116	10,711,350	9,240,888	1,470,462
Health and Social Services	1,218,431	1,104,051	114,380	1,250,526	1,179,617	70,909
Culture and Recreation	8,979,408	7,955,071	1,024,337	9,606,358	8,687,823	918,535
Community and Economic Development	9,512,252	7,405,208	2,107,044	12,765,532	10,451,146	2,314,386
General Government	8,985,925	7,744,564	1,241,361	9,830,037	8,459,700	1,370,337
Debt Service	22,392,418	21,908,786	483,632	27,877,452	27,946,945	(69,493)
Capital Outlay	74,947,870	39,621,706	35,326,164	145,171,223	43,414,199	101,757,024
Business Type	46,518,284	23,262,799	23,255,485	46,269,419	24,824,220	21,445,199
Total Expenditures	\$215,571,874	\$148,052,628	\$67,519,246	\$296,316,400	\$164,096,534	\$132,219,866
Excess (Deficiency) of Revenues Over Expenditures	(\$90,301,200)	(\$15,586,397)	\$74,714,803	(\$159,677,067)	(\$22,449,257)	\$137,227,810
Other Financing Sources, Net	\$29,301,300	\$30,130,649	\$829,349	\$102,014,490	99,046,865	(\$2,967,625)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(\$60,999,900)	\$14,544,252	\$75,544,152	(\$57,662,577)	\$76,597,608	\$134,260,185



FY 2019-20 Expenditures Stated on a Program Basis

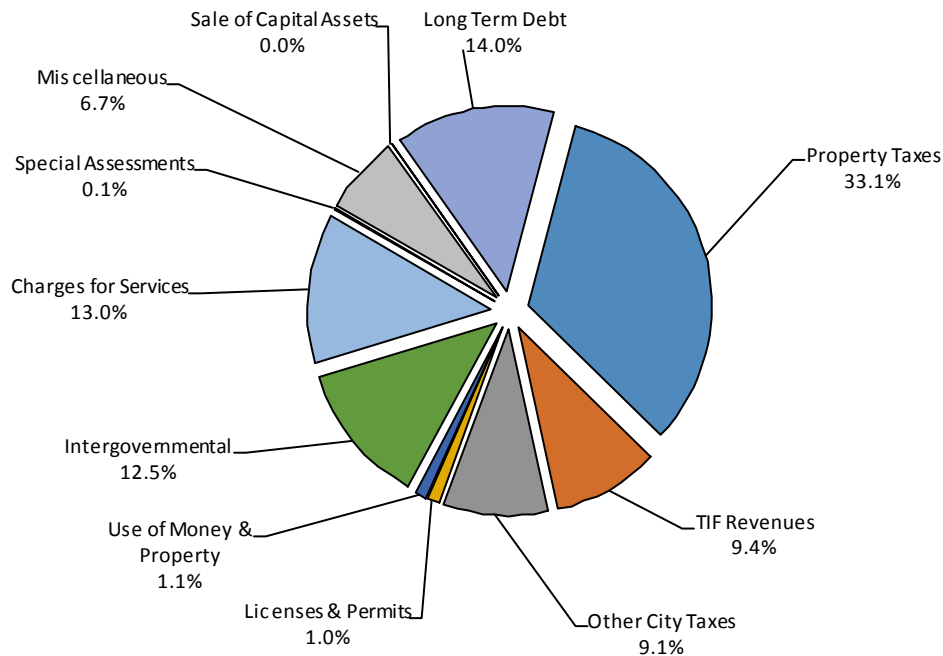
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Project Funds	Enterprise Funds	FY 2019-20 Budget
Expenditures and Other Financing Uses						
Public Safety	\$30,327,528	\$2,861,415				\$33,188,943
Public Works	10,238,683	732,000				10,970,683
Health and Social Services	1,151,660	188,800				1,340,460
Culture and Recreation	10,445,032	171,600				10,616,632
Community and Economic Development	6,411,570	3,113,163				9,524,733
General Government	9,967,144					9,967,144
Debt Service Funds		164,640	24,102,365			24,267,005
Capital Project Funds				\$68,210,008		68,210,008
Total Government Activities	\$68,541,617	\$7,231,618	\$24,102,365	\$68,210,008		\$168,085,608
Business-type/Enterprise Funds					\$52,991,602	\$52,991,602
Total Business-type/Enterprise					\$52,991,602	\$52,991,602
Total Expenditures	\$68,541,617	\$7,231,618	\$24,102,365	\$68,210,008	\$52,991,602	\$221,077,210



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 2019-20 total operating revenues are projected to increase by approximately 5.57% as compared to budget FY 2018-19. Property tax revenues, which account for approximately 38.5% of the City’s total operating revenues, are projected to increase by approximately 0.60%.

Where the Money Comes From



Property Taxes

The City proposes to decrease the property tax rate of \$11.79/\$1,000 of taxable valuation in Fiscal Year 2018-19 to \$10.99/\$1,000 in Fiscal Year 2019-20. The proposed ad valorem taxes levied against real and personal property in FY 2019-20 should generate approximately \$57,410,675, which accounts for approximately 38.5% of the total operating revenue budgeted for the City. This projection is based on actual taxable valuations on January 1, 2018, 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.

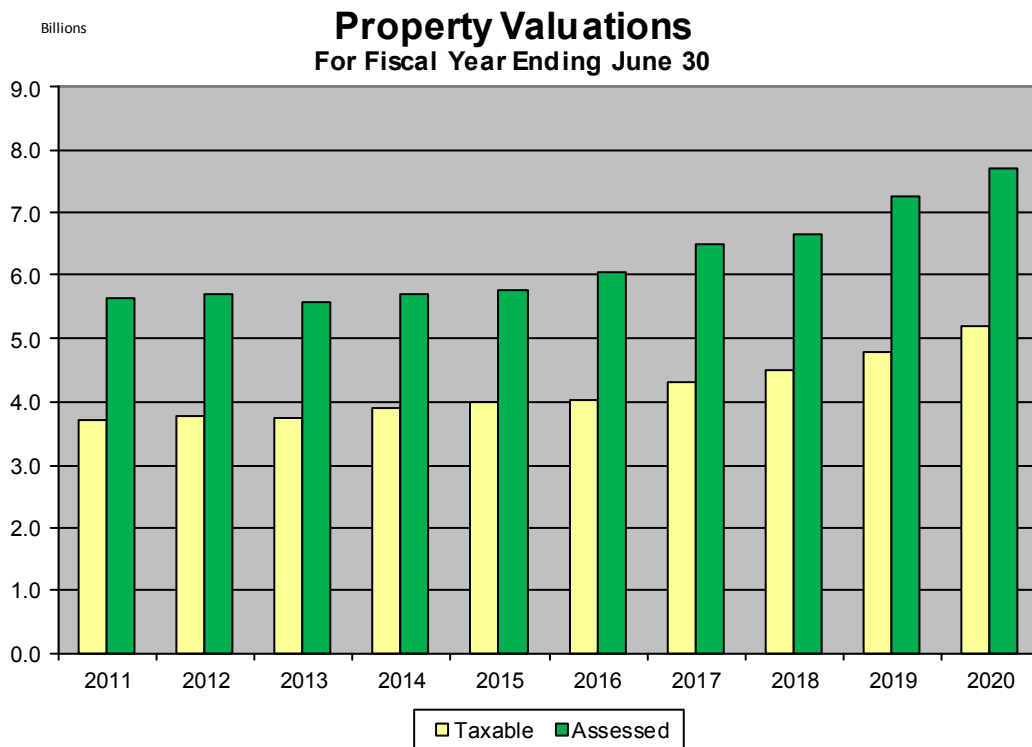


Property Taxes (Continued)

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 2019-2020 have increased over thirty-six percent since FY 2010-2011, 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 2019-2020, the taxable value of residential properties will increase from 55.62% to 56.92%, the taxable value for multi-residential property will decrease from 78.75% to 75.00% and the taxable value of commercial property will remain at 90%. Multi-residential was 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 46.91% in FY 2010-2011, to 56.92% in FY 2019-2020. 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 15% 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.

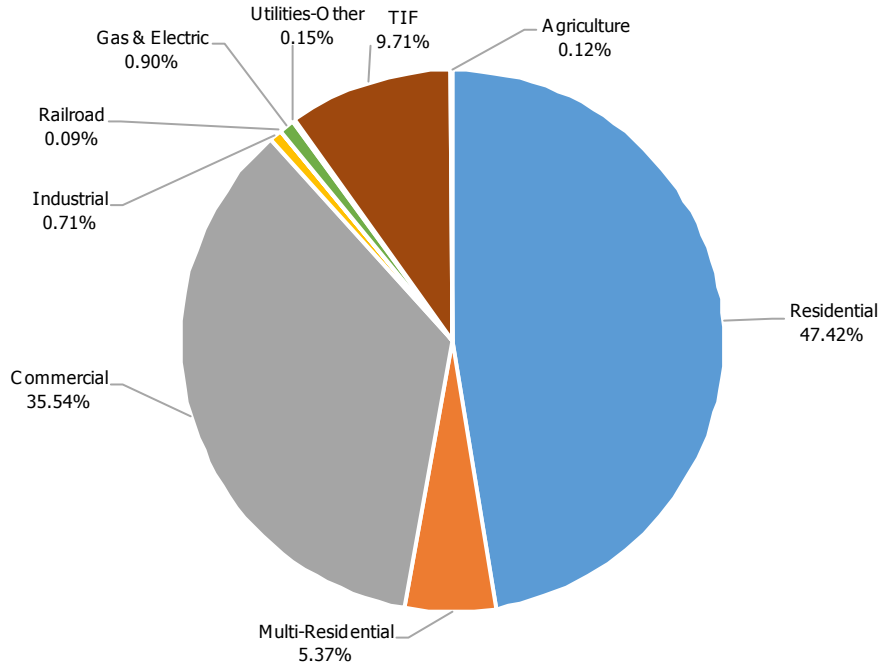
Fiscal Year	Residential	Multi-Residential	Commercial
2010-11	46.91%		100.00%
2011-12	48.53%		100.00%
2012-13	50.75%		100.00%
2013-14	52.82%		100.00%
2014-15	54.40%		95.00%
2015-16	55.73%		90.00%
2016-17	55.63%	86.25%	90.00%
2017-18	56.94%	82.50%	90.00%
2018-19	55.62%	78.75%	90.00%
2019-20	56.92%	75.00%	90.00%

Rollback Effect in Comparable Cities

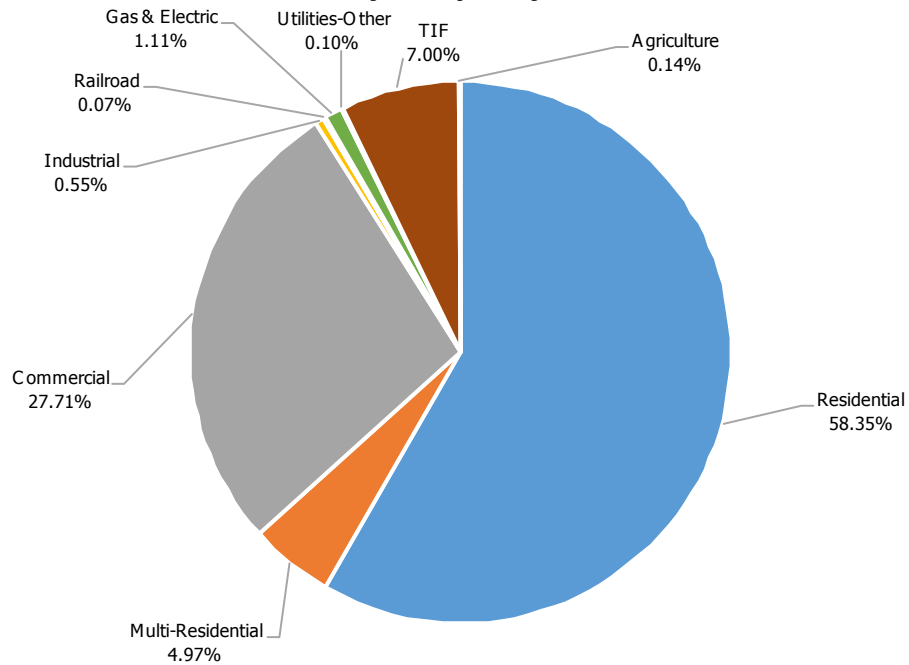
While the rollbacks have had a significant budgetary impact on the City, they have not been as devastating as in other cities that rely heavily on the residential tax base to support City services. The precipitous decline of residential tax bases has forced most Iowa cities to increase rates just to 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.



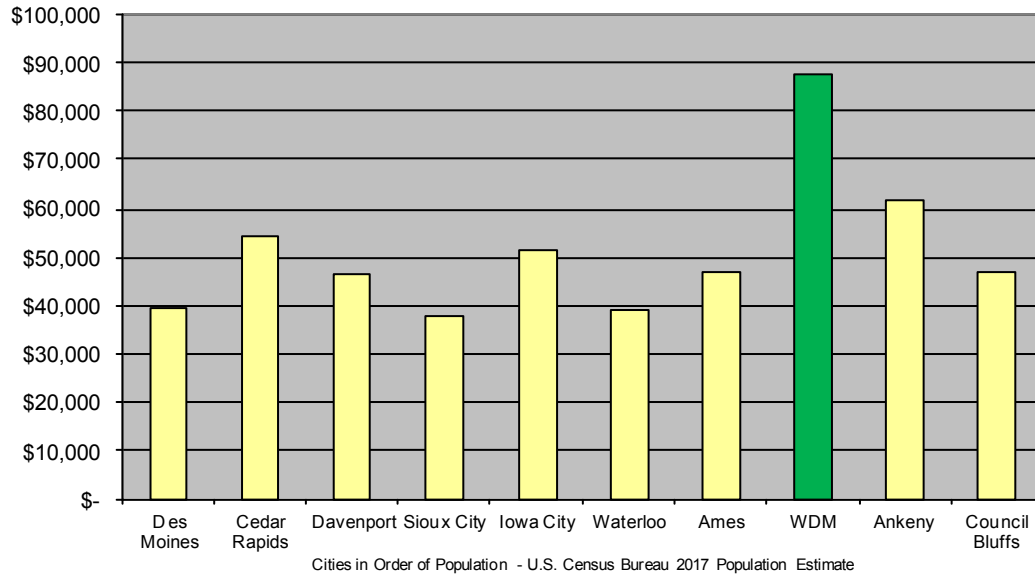
Taxable Valuation by Property Class FY 2019-20



Total Valuation by Property Class FY 2019-20



**Comparison of Taxable Property Valuations
per capita for Iowa's Ten Largest Cities**
Based on January 1, 2018 Valuations For FY 2019-2020



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.

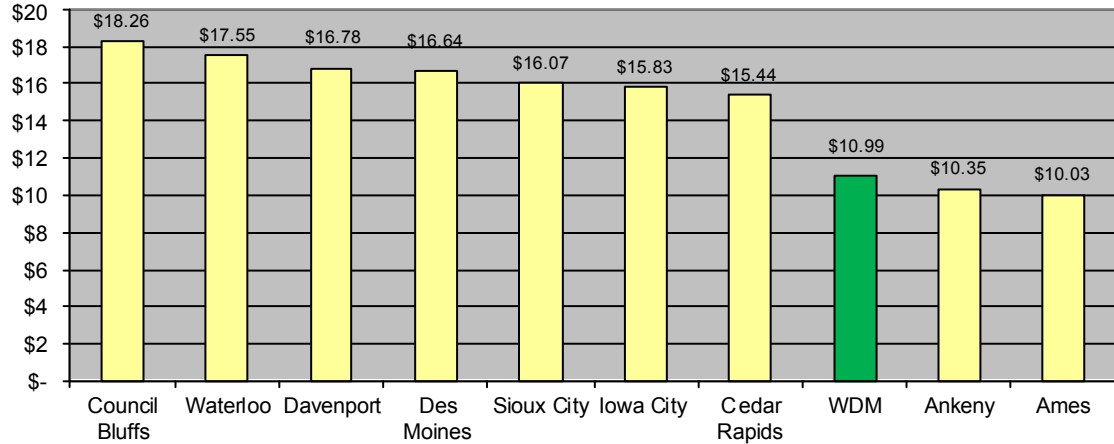
Changes in the Iowa Legislature will continue to have a dramatic effect on revenues. Particularly impactful will be the rollback program for commercial and also, due to a high concentration of apartment property in West Des Moines, the change in classification from commercial to multi-residential property 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.

Rollback Projections				
	2020-21	2021-22	2022-23	2023-24
Residential Rollback	54.62%	55.81%	54.23%	55.30%
Multi-Residential Rollback	71.25%	67.50%	63.75%	55.30%
Commercial Rollback	90.00%	90.00%	90.00%	90.00%



Property Tax Rates of Iowa's Ten Largest Cities

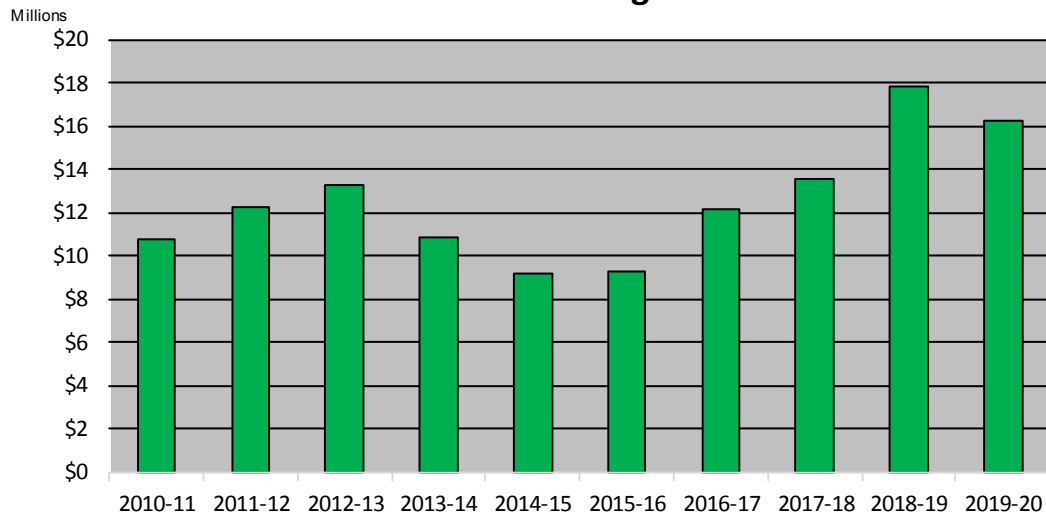
City Portion Only
FY 2019-20



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 each county. 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 decrease in FY 2019-20 TIF revenue is primarily due to the 100% release of valuation within the Jordan Creek Urban Renewal District.

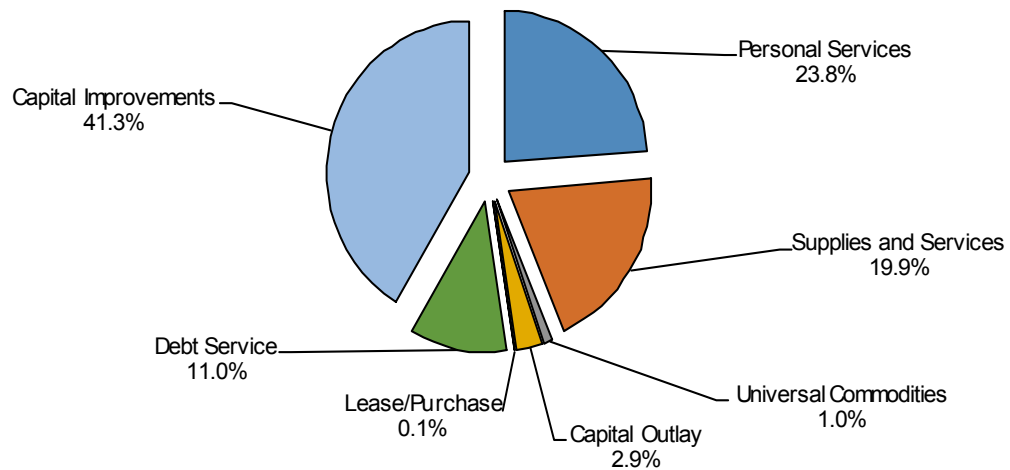
Tax Increment Financing Revenue



Expenditure Highlights

Total expenditures for FY 2019-2020 are projected to decrease by 17.90% when compared to the revised budget for FY 2018-2019. The decrease is due to carry over of supplies and services from FY 2017-2018 to FY 2018-2019 for one time projects and a decrease in the capital improvement program expenses. The decreases in the capital improvement program are related to the infrastructure projects for the Microsoft Osmium data center. The City’s operating budget denotes a decrease of 2.75% in operating expenses over the revised budget of the previous year FY 2018-2019, which is primarily due one time equipment costs in FY 2018-2019.

Where the Money Goes



Personnel

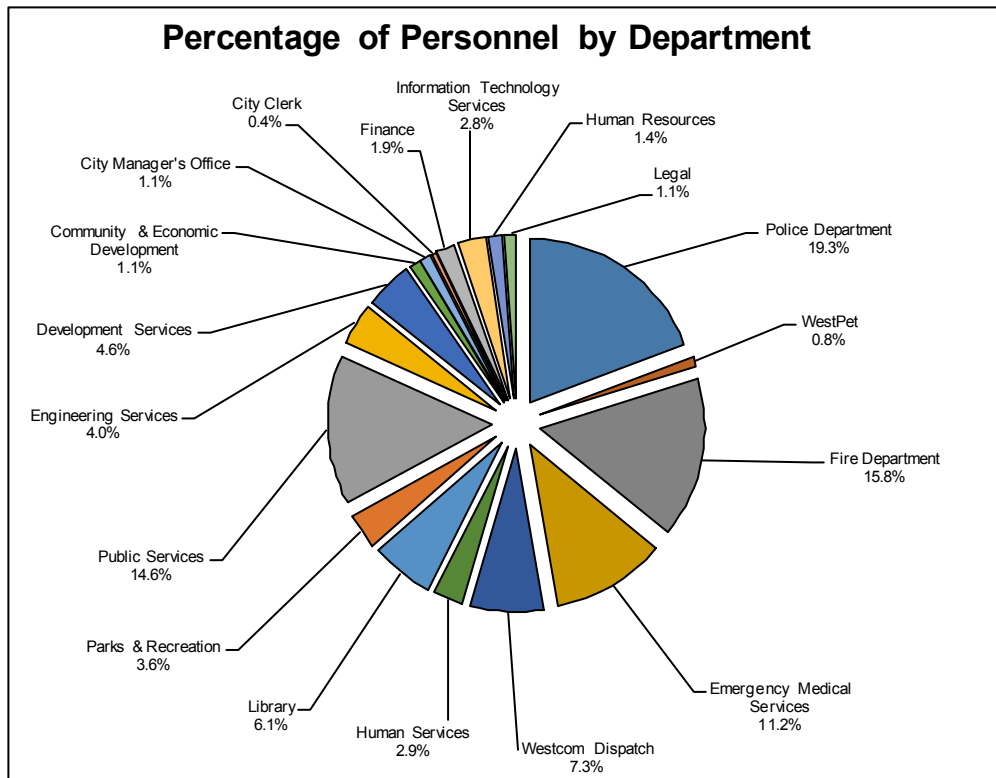
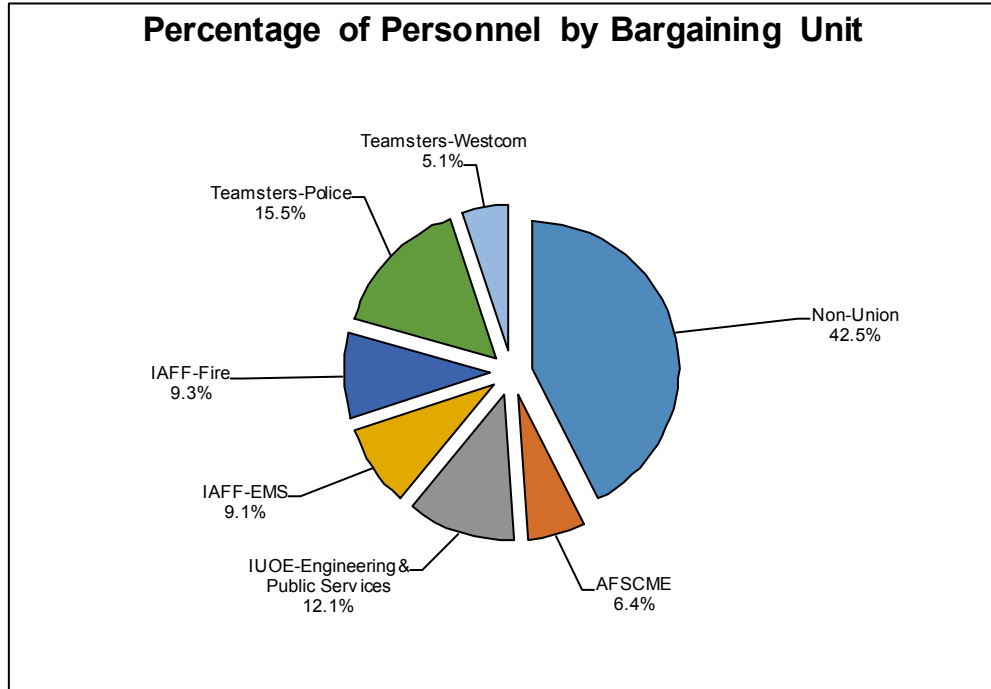
The City measures both full and regular part-time positions based on full-time equivalents (FTE), which is the total estimated annual person hours required to fill a position for all or a portion of a year, divided by 2,080 hours. It should be noted that, due to the seasonal nature of employment, temporary and volunteer workers are not included in this calculation. In FY 2019-2020, FTE(s) are proposed to increase by 5.50 positions bring the City’s total to 471.75 full-time equivalent positions. This represent roughly a 25% increase in FTE(s) since FY 2009-2010. With the passage of the Local Option Sales and Services tax in Polk County on March 5, 2019, a portion of the revenue collected from that new tax will be used to hire and additional 7 police officers and 5 fire fighters in FY 2019-20 that were not included in the budget. A budget amendment will be required for the additional personnel.



City of West Des Moines Personnel by Affinity Group and Department

POSITIONS STATED IN FULL-TIME EQUIVALENTS (FTE)	BUDGET FY 2016-17	BUDGET FY 2017-18	BUDGET FY 2018-19	BUDGET FY 2019-20	CHANGE FROM FY 2018-19
Authorized Personnel by Department					
Community Enrichment					
Human Services	13.25	13.75	13.75	13.75	0.00
Library	26.50	26.50	27.50	29.00	1.50
Parks & Recreation	16.00	16.00	17.00	17.00	0.00
Sub-total Community Enrichment	55.75	56.25	58.25	59.75	1.50
Public Safety					
Emergency Medical Services	45.50	48.50	52.95	52.95	0.00
Fire Department	68.50	70.50	72.50	74.50	2.00
Police Department	86.00	86.00	93.00	91.00	(2.00)
Westcom Dispatch	28.75	28.75	32.30	34.30	2.00
WestPet-Animal Control	4.33	4.00	4.00	4.00	0.00
Sub-total Public Safety	233.08	237.75	254.75	256.75	2.00
Public Services					
Community & Economic Development	4.50	5.00	5.00	5.00	0.00
Development Services	20.50	20.50	22.00	22.00	0.00
Engineering Services	19.00	19.00	19.00	19.00	0.00
Public Services	65.00	64.00	67.00	69.00	2.00
Sub-total Public Services	109.00	108.50	113.00	115.00	2.00
Support Services					
City Manager's Office	4.00	5.00	5.00	5.00	0.00
City Clerk	1.33	1.34	1.34	2.00	0.66
Finance	9.09	9.41	9.41	8.75	(0.66)
Human Resources	5.50	6.50	6.50	6.50	0.00
Information Technologies Services	12.00	13.00	13.00	13.00	0.00
Legal	4.00	5.00	5.00	5.00	0.00
Sub-total Support Services	35.92	40.25	40.25	40.25	0.00
Total Authorized Personnel	433.75	442.75	466.25	471.75	5.50
Authorized Personnel by Fund					
Enterprise Funds	13.90	15.90	48.20	50.20	2.00
Special Revenue Funds	1.25	1.25	1.44	1.25	(0.19)
General Funds	418.60	425.60	416.61	420.30	3.69
Total Authorized Personnel	433.75	442.75	466.25	471.75	5.50





Key Assumptions for FY 2019-2020

Salary Increases

Employee compensation will follow past practice in that the city has bargaining unit contracts for approximately 269 employees, while 202.75 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 2.50% to 3.00% cost-of-living adjustments in agreement with the terms of their respective contracts on July 1st. All contracts but one, AFSCME, are currently in negotiations for multi-year contracts. 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

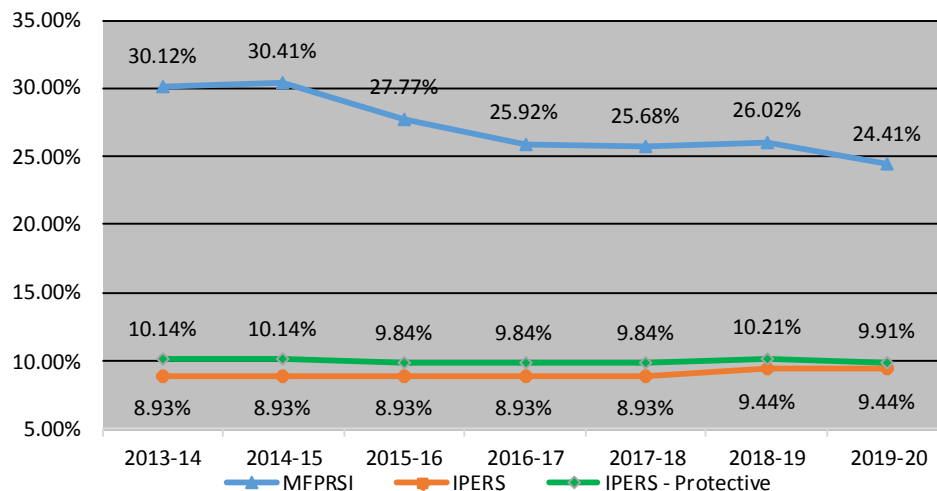
Medical insurance rates are projected to increase by 10.00% from FY 2018-2019 actual rates.

Pension and Retirement Benefits

The City contribution rates for FY 2019-2020 are as follows:

- 24.41% for sworn police officers and full-time fire personnel (MFPRSI).
- 9.44% for full and regular part-time personnel (IPERS).
- 9.91% for part-time firefighters and emergency medical services staff (IPERS-Protective).

City Pension Contribution Rate History



Other Pay

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



Description of Long Term Debt Obligations

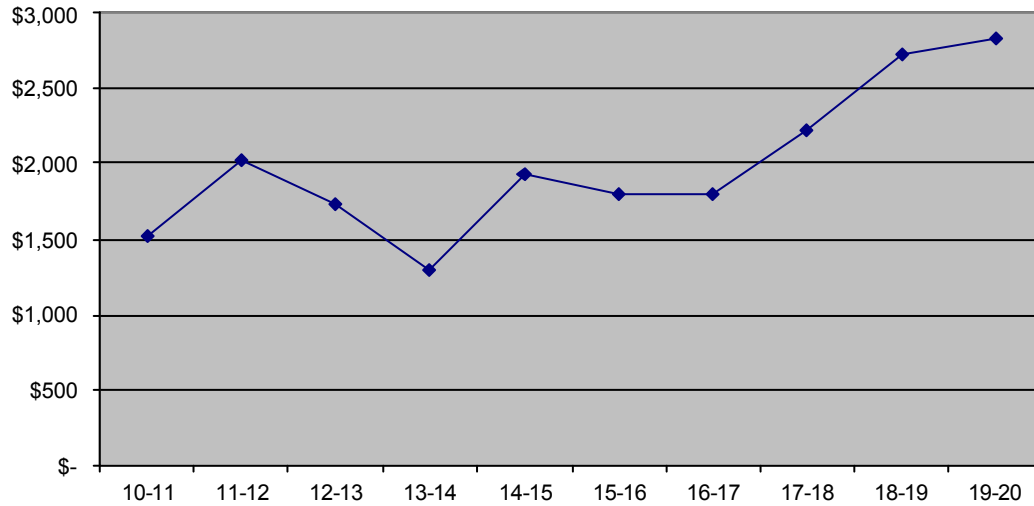
The City of West Des Moines has experienced tremendous amount of growth in recent years. Since 1990, the population of West Des Moines has increased by 103.65%, and the area of the City has more than doubled, both of which created an unprecedented demand in West Des Moines for infrastructure and capital 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 \$10.99/\$1,000 of valuation. Before the issuance of debt, the City Council listens to the recommendation of staff and a citizens committee which annually reviews and prioritizes the capital needs of the City, if necessary. 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, 2019	FY 2019-20 Additions	FY 2019-20 Reductions	Estimated Balance June 30, 2020
<u>Debt Subject to Constitutional Limitation</u>				
General Obligation Bonds	\$39,135,000	\$10,000,000	\$6,885,000	42,250,000
General Obligation Tax Increment Financing Bonds	136,585,000	14,400,000	7,835,000	143,150,000
RISE Loans/IDOT	11,152,476		164,640	10,987,836
Developer Rebate Agreements	23,457,663		1,123,108	22,334,555
Lease Purchase/Other Debt	443,149		123,462	319,687
Sub-total Debt Subject to Limitation	\$210,773,288	\$24,400,000	\$16,131,210	\$219,042,078
Total Long-Term Debt	\$210,773,288	\$24,400,000	\$16,131,210	\$219,042,078



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 8.3 billion dollars, the City’s constitutional debt limit is \$414,397,845. The City estimates its direct debt or debt that is subject to the limitation will be \$219,042,078 at June 30, 2020. This leaves an available margin of \$195,355,767 with approximately 52.86% of the available statutory debt limit being obligated.

Actual Property Valuation	
January 1, 2018	\$8,287,956,903
Statutory Percentage	5.00%
Statutory Debt Limit	\$414,397,845
Estimated Direct Debt at June 30, 2020	
General Obligation Bonds	\$42,250,000
Tax Increment Financing Bonds	143,150,000
Rise Loans/IDOT	10,987,836
Developer Rebate Agreements	22,334,555
Lease Purchase/Other Debt	319,687
Total Outstanding Direct Debt	\$219,042,078
Available Debt Margin	\$195,355,767
Percentage Obligated	52.86%



