



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 ten 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 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 should be reviewed annually to ensure their rate keeps pace with the cost of providing the service.

General Fund Reserves

The General Fund balance goal should be set at a level equal to or slightly exceeding 25% of 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, who have given the City Aa1 and AAA ratings respectively, this is the second highest rating issued by Moody's and the highest rating issued by Standard & Poor's.

Capital Improvement Program

Annually, the City will assemble a Citizens Advisory Committee on Capital Planning. 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.

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.

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 2009-10 Budget was drafted under guidelines listed on the previous page. Below are the significant short-term assumptions and policies utilized in developing the FY 2009-10 Budget:

Revenue Assumptions

- The proposed budget maintains the current property tax rate of \$12.05 per thousand of taxable valuation.
- The City of West Des Moines will receive approximately \$4.6 million dollars in Road Use Tax Funds. Approximately \$3.89 million in Road Use Tax funds are being utilized for street related expenditures (CIP and operating). The remaining \$650,000 will be used for street lighting. This will effectively use all of the current year Road Use Tax funds received from the State of Iowa.
- Following City Council Spring 2007 approval of an increase in solid waste collection rates it will not be necessary to adjust those rates in the 2009-10 FY. As we approach subsequent year's budgets, however, the rates will need to be reviewed to ensure that revenues to this enterprise fund are adequate to meet expenditures.
- Similarly, following City Council 2007 approval of multi-year October 1st adjustments to the City's sanitary sewer fees, this enterprise fund should be able to meet Wastewater Reclamation Authority (WRA) operating expenses and debt payments associated with necessary conveyance system improvements.
- Continuing with the City's preference to be proactive, staff will be during the next few months, bringing forward recommendations as to sanitary sewer connection fee district per acre charges and sanitary sewer capital charges.

Expenditure & Fund Balance Assumptions

- In the FY 2009-10 budget, we continue, in a conservative and prudent fashion, efforts to maintain staff to meet the needs of our growing community. No new full-time positions are recommended. The proposed budget reflects additional hours for existing staff in two areas, a Program Outreach Assistant in the Human Services department and the Accounts Payable Clerk in the Administrative Services department. In light of current economic times, some vacant positions may remain unfilled. For example, the City Manager will continue to direct the Development Services department with support from the City Engineer, Development Coordinator and Chief Building Official.
- With one major exception, the budget includes a continuation of existing employee compensation and benefit programs. As has been our practice since the 2000-01 FY inception of a pay plan for non-represented employees the budget includes a pay increase (this year 4.0%) for those individuals. This percentage is below the rate of inflation (based on annual September CPI-W benchmarks, this year 5.4%) but equal to the increase for International Union of Operating Engineers (various Park/Recreation and Public Works personnel) bargaining unit employees. Senior management has volunteered to reduce their cost-of-living-adjustment to 3% for July 1, 2009. This reduction will impact the top two pay grades (15 employees) in our pay plan. In addition to cost of living increases, a number of employees are eligible to receive step increases with the number of steps being dependent upon performance and employee classification, i.e. bargaining unit agreement or administrative position.
- Elected officials and staff have been working with Frank Berlin and Associates in reviewing our current health/medical insurance plan with an eye towards identifying cost saving options. As a result of that work the City Council has conceptually approved two alternative plans for implementation on July 1, 2009 with one of the conditions being that all new non-union employees would be given an option of participating in one of the alternative plans. While cost savings to



the City are expected, a number of variables (primarily employee participation) exist making it difficult to pinpoint an approximate number; with that proviso a number of scenarios have been modeled reflecting cost savings from \$3,000 to \$105,000 in year one and from \$51,000 to \$333,000 in year five of the program.

- The proposed budget reflects a decrease in the contribution rate for the Municipal Fire and Police Retirement System of Iowa. The City's contribution rate of covered wages for FY 2009-10 will be 17.00% as compared to 18.75% for FY 2008-09. Conversely, the proposed budget reflects an increase in the contribution rate for Iowa Public Employees Retirement System. The City's contribution rate will increase from 6.35% in FY 2008-09 to 6.65% in FY 2009-10. Recognizing that the MFPRSI rate for 2009-10 FY reflects a short term reduction in charges that will be reversed in 2010-11 and 2011-12 FYs (and perhaps one or more years) the recommended budget reflects a \$300,000 cash carryover to meet future needs.
- Consistent with discussions at a recent council workshop, this budget reflects the carryover of cash to ensure the 2009-2010 FY budget maintains prudent general fund balances, which protect the City of West Des Moines' financial integrity. We project that the City's general fund balance on June 30, 2010 will be in excess of 28 percent (\$13,427,779) of annual operating expenditures which is sufficient for meeting unexpected shortfalls in revenues or demands on future fund resources.



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



Polk County - WDM Schools	
School	\$13.69
County	6.84
RTA	0.34
Other	3.85
City	12.05
FY 08-09 Levy	\$36.77

Dallas County - Waukee Schools	
School	\$17.76
County	5.30
RTA	0.34
Other	1.59
City	12.05
FY 08-09 Levy	\$37.04

	Actual FY 2007-08	Budget FY 2008-09	Budget FY 2009-10
Property Tax Calculation			
Assessed Valuation	\$1,000,000	\$1,000,000	\$1,000,000
Rollback Percentage	100.00%	99.73%	100.00%
Taxable Value	\$1,000,000	\$997,300	\$1,000,000
City Tax Rate per \$1,000	\$12.05	\$12.05	\$12.05
Total City Property Tax	\$12,050	\$12,017	\$12,050



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



Polk County - WDM Schools	
School	\$13.69
County	6.84
RTA	0.34
Other	3.85
City	12.05
FY 08-09 Levy	\$36.77

Dallas County - Waukee Schools	
School	\$17.76
County	5.30
RTA	0.34
Other	1.59
City	12.05
FY 08-09 Levy	\$37.04

	Actual FY 2007-08	Budget FY 2008-09	Budget FY 2009-10
Property Tax Calculation			
Assessed Valuation	\$200,000	\$200,000	\$200,000
Rollback Percentage	45.56%	44.08%	45.59%
Taxable Value	\$91,120	\$88,160	\$91,180
City Tax Rate per \$1,000	\$12.05	\$12.05	\$12.05
Gross City Tax	\$1,098	\$1,062	\$1,099
Less City Share of Home- stead Tax Credit	(\$58)	(\$58)	(\$58)
Total City Property Tax	\$1,040	\$1,004	\$1,040



BUDGET SUMMARY

FY 2009-10 BUDGET BY FUND

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Project Funds	Enterprise Funds	FY 2009-10 Budget
REVENUES						
Operating Revenues						
Property Taxes	\$29,513,807	\$5,709,695	\$7,859,544			\$43,083,063
TIF Revenues		12,929,711				12,929,711
Other City Taxes	3,228,479	78,075	95,844			3,402,381
Licenses and Permits	648,000					648,000
Use of Money and Property	817,000	10,000	100,000		2,417,050	3,344,050
Intergovernmental	3,577,987	4,970,469		6,225,000		14,773,456
Charges for Services	3,153,300				11,100,000	14,253,300
Special Assessments				100,000		100,000
Miscellaneous	390,655	1,035,290			6,540,000	7,965,945
Sub-total Operating Revenues	\$41,329,228	\$24,733,240	\$8,055,388	\$6,325,000	\$20,057,050	\$100,499,906
Other Financing Sources						
Proceeds of Long Term Debt	\$5,000			\$16,081,500		\$16,086,500
Transfers In	11,310,742	219,342	10,754,727	16,813,855	5,943,405	45,042,071
Sub-total Other Financing Sources	\$11,315,742	\$219,342	\$10,754,727	\$32,895,355	\$5,943,405	\$61,128,571
TOTAL REVENUES & OTHER SOURCES	\$52,644,970	\$24,952,582	\$18,810,115	\$39,220,355	\$26,000,455	\$161,628,477
EXPENDITURES						
Operating Expenditures						
Personal Services	\$33,100,114	\$1,358,903			\$829,050	\$35,288,067
Supplies and Services	9,911,690	1,525,759			12,849,450	24,286,899
Universal Commodities	2,650,915	715,000			97,455	3,463,370
Non-Recurring/Non-Capital	584,020	162,500			50,000	796,520
Capital	838,818	319,000			672,235	1,830,053
Sub-total Operating Expenditures	\$47,085,557	\$4,081,162			\$14,498,190	\$65,664,909
Lease/Purchase or Installment Contract Expenditures	\$23,907					\$23,907
Total Operating Expenditures	\$47,109,464	\$4,081,162			\$14,498,190	\$65,688,816
Debt Service Expenditures		\$2,152,692	\$18,710,115		\$457,350	\$21,320,157
Capital Improvement Expenditures				\$23,208,855	\$330,000	\$23,538,855
Total Expenditures	\$47,109,464	\$6,233,854	\$18,710,115	\$23,208,855	\$15,285,540	\$110,547,828
Transfers Out	\$5,527,137	\$17,853,029		\$15,538,500	\$6,123,405	\$45,042,071
TOTAL EXPENDITURES/TRANSFERS OUT	\$52,636,601	\$24,086,883	\$18,710,115	\$38,747,355	\$21,408,945	\$155,589,899
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$8,369	\$865,699	\$100,000	\$473,000	\$4,591,510	\$6,038,578
BEGINNING FUND BALANCE	\$13,418,810	\$18,821,923	\$6,660,047	\$13,971,437	\$33,083,150	\$85,955,367
ENDING FUND BALANCE	\$13,427,179	\$19,687,622	\$6,760,047	\$14,444,437	\$37,674,660	\$91,993,945
FUND BALANCE% OF EXPENDITURES	28.50%	315.82%	36.13%	62.24%	246.47%	83.22%



Revenues & Expenditures by Category

	ACTUAL FY 2006-07	ACTUAL FY 2007-08	REVISED BUDGET FY 2008-09	BUDGET FY 2009-10	INC(DEC) FY 2009-10 OVER FY 2008-09	% INC (DEC)
REVENUES						
Operating Revenues						
Property Taxes	\$34,343,089	\$37,412,571	\$40,783,461	\$43,083,063	\$2,299,602	5.64%
TIF Revenues	14,857,246	16,258,279	14,688,293	12,929,711	(1,758,582)	(11.97%)
Other City Taxes	2,978,325	3,215,618	3,297,852	3,402,381	104,529	3.17%
Licenses and Permits	975,003	1,240,155	945,500	648,000	(297,500)	(31.46%)
Use of Money and Property	5,012,999	4,844,719	2,560,000	3,344,050	784,050	30.63%
Intergovernmental	9,490,340	8,977,289	12,943,916	14,773,456	1,829,540	14.13%
Charges for Services	13,175,374	12,474,632	13,693,650	14,253,300	559,650	4.09%
Special Assessments	278,887	120,639	200,000	100,000	(100,000)	(50.00%)
Miscellaneous	12,527,005	8,813,718	7,799,667	7,965,945	166,278	2.13%
Sub-total Operating Revenues	\$93,638,270	\$93,357,621	\$96,912,339	\$100,499,906	\$3,587,567	3.70%
Other Financing Sources						
Proceeds of Long Term Debt	\$443,515	\$20,286,811	\$29,240,000	\$16,086,500	(\$13,153,500)	(44.98%)
Transfers In	38,518,076	54,199,912	58,461,377	45,042,071	(13,419,306)	(22.95%)
Sub-total Other Financing Sources	\$38,961,591	\$74,486,723	\$87,701,377	\$61,128,571	(\$26,572,806)	(30.30%)
TOTAL REVENUES & OTHER SOURCES	\$132,599,861	\$167,844,344	\$184,613,716	\$161,628,477	(\$22,985,239)	(12.45%)
EXPENDITURES						
Operating Expenditures						
Personal Services	\$28,812,619	\$30,869,695	\$34,557,623	\$35,288,067	\$730,444	2.11%
Supplies and Services	17,720,967	21,320,242	22,916,238	24,286,899	1,370,661	5.98%
Universal Commodities	2,915,549	3,029,103	3,314,335	3,463,370	149,035	4.50%
Non-Recurring/Non-Capital	702,909	812,770	864,898	796,520	(68,378)	(7.91%)
Capital	2,370,212	2,407,359	2,089,350	1,830,053	(259,297)	(12.41%)
Sub-total Operating Expenditures	\$52,522,256	\$58,439,169	\$63,742,444	\$65,664,909	\$1,922,465	3.02%
Lease/Purchase or Installment Contract Expenditures	\$87,534	\$93,091	\$30,982	\$23,907	(\$7,075)	(22.84%)
Total Operating Expenditures	\$52,609,790	\$58,532,260	\$63,773,426	\$65,688,816	\$1,915,390	3.00%
Debt Service Expenditures	\$19,283,259	\$31,317,574	\$21,093,797	\$21,320,157	\$226,360	1.07%
Capital Improvement Expenditures	\$15,790,009	\$16,681,400	\$37,746,160	\$23,538,855	(\$14,207,305)	(37.64%)
Total Expenditures	\$87,683,059	\$106,531,235	\$122,613,383	\$110,547,828	(\$12,065,555)	(9.84%)
Transfers Out	\$38,518,076	\$58,371,070	\$58,461,377	\$45,042,071	(\$13,419,306)	(22.95%)
TOTAL EXPENDITURES/TRANSFERS OUT	\$126,201,133	\$164,902,303	\$181,074,760	\$155,589,899	(\$25,484,861)	(14.07%)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$6,398,728	\$2,942,041	\$3,538,956	\$6,038,578	\$2,499,622	70.63%
BEGINNING FUND BALANCE	\$73,075,642	\$79,474,370	\$82,416,411	\$85,955,367	\$3,538,956	n/a
ENDING FUND BALANCE	\$79,474,370	\$82,416,411	\$85,955,367	\$91,993,945	\$6,038,578	n/a
FUND BALANCE% OF EXPENDITURES	90.64%	77.36%	70.10%	83.22%		



Revenues & Expenditures by Fund

	ACTUAL FY 2006-07	ACTUAL FY 2007-08	REVISED BUDGET FY 2008-09	BUDGET FY 2009-10	INC(DEC) FY 2009-10 OVER FY 2008-09	% INC (DEC)
REVENUES						
Fund Revenues						
General Funds	\$42,803,944	\$47,479,638	\$51,494,846	\$52,644,970	\$1,150,124	2.23%
Special Revenue Funds	26,566,975	29,850,439	26,638,781	24,952,582	(1,686,199)	(6.33%)
Debt Service Funds	16,978,149	28,804,873	18,718,887	18,810,115	\$91,228	0.49%
Capital Project Funds	18,996,777	38,288,729	64,673,189	39,220,355	(25,452,834)	(39.36%)
Enterprise Funds	27,254,016	23,416,629	23,088,013	26,000,455	2,912,442	12.61%
Total Fund Revenues	\$132,599,861	\$167,844,344	\$184,613,716	\$161,628,477	(\$22,985,239)	(12.45%)
EXPENDITURES						
Fund Expenditures						
General Funds	\$41,603,300	\$45,471,920	\$50,366,305	\$52,636,601	\$2,270,296	4.51%
Special Revenue Funds	22,422,270	28,312,619	25,266,776	24,086,883	(1,179,893)	(4.67%)
Debt Service Funds	16,198,476	28,042,931	18,313,887	18,710,115	396,228	2.16%
Capital Project Funds	20,783,310	36,544,268	66,131,160	38,747,355	(27,383,805)	(41.41%)
Enterprise Funds	25,193,777	26,530,565	20,996,632	21,408,945	412,313	1.96%
Total Fund Expenditures	\$126,201,133	\$164,902,303	\$181,074,760	\$155,589,899	(\$25,484,861)	(14.07%)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$6,398,728	\$2,942,041	\$3,538,956	\$6,038,578	\$2,499,622	70.63%
BEGINNING FUND BALANCE	\$73,075,642	\$79,474,370	\$82,416,411	\$85,855,367	\$3,538,956	n/a
ENDING FUND BALANCE	\$79,474,370	\$82,416,411	\$85,955,367	\$91,993,945	\$6,038,578	n/a
FUND BALANCE% OF EXPENDITURES	90.64%	77.36%	70.10%	83.22%		



Comparison of Amended Budget to Actual

	Amended Budget FY 2006-07	Actual FY 2006-07	Variance Favorable (Unfavorable)	Amended Budget FY 2007-08	Actual FY 2007-08	Variance Favorable (Unfavorable)
REVENUES						
Revenues						
Property Taxes	\$34,606,504	\$34,343,089	(\$263,415)	\$37,530,923	\$37,412,571	(\$118,352)
TIF Revenues	14,165,000	14,857,246	692,246	16,168,384	16,258,279	89,895
Other City Taxes	2,930,336	2,978,326	47,990	3,286,682	3,215,619	(71,063)
Licenses and Permits	981,700	975,003	(6,697)	944,000	1,239,900	295,900
Use of Money and Property	3,350,900	3,479,538	128,638	1,943,000	3,455,698	1,512,698
Intergovernmental	12,643,625	9,406,490	(3,237,135)	17,793,696	8,626,836	(9,166,860)
Charges for Services	10,021,300	13,935,488	3,914,188	11,476,200	12,603,991	1,127,791
Special Assessments	100,000	289,719	189,719	100,000	109,807	9,807
Miscellaneous	6,744,050	5,979,574	(764,476)	7,695,930	6,285,664	(1,410,266)
Total Revenues	\$85,543,415	\$86,244,473	\$701,058	\$96,938,815	\$89,208,365	(\$7,730,450)
EXPENDITURES						
Expenditures						
Public Safety	\$19,908,473	\$18,065,698	\$1,842,775	\$21,581,845	\$19,285,895	\$2,295,950
Public Works	7,682,969	6,735,605	947,364	8,175,130	7,222,303	952,827
Health and Social Services	1,065,630	947,846	118,142	1,045,352	1,013,531	31,821
Culture and Recreation	5,979,548	5,924,537	55,011	6,441,069	6,369,572	71,497
Community and Economic Development	4,243,073	3,827,632	415,516	6,206,010	5,721,841	484,169
General Government	6,064,980	4,544,709	1,520,271	6,360,687	4,834,942	1,525,745
Debt Service	20,236,984	18,600,079	1,636,905	31,724,989	30,638,165	1,086,824
Capital Outlay	26,842,030	16,086,159	10,755,871	37,121,800	18,015,390	19,106,410
Business Type	19,985,427	6,978,644	13,006,783	21,984,771	7,637,213	14,347,558
Total Expenditures	\$112,009,114	\$81,710,476	\$30,298,638	\$140,641,653	\$100,738,852	\$39,902,801
Excess (Deficiency) of Revenues Over Expenditures	(\$26,465,699)	\$4,533,997	\$30,999,696	(\$43,702,838)	(\$11,530,487)	\$32,172,351
Other Financing Sources, Net	\$6,425,000	\$9,853,382	\$3,428,382	\$19,077,000	\$26,727,791	\$7,650,791
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(\$20,040,699)	\$14,387,379	\$34,428,078	(\$24,625,838)	\$15,197,304	\$39,823,142



FY 2009-10 Expenditures Stated on a Program Basis

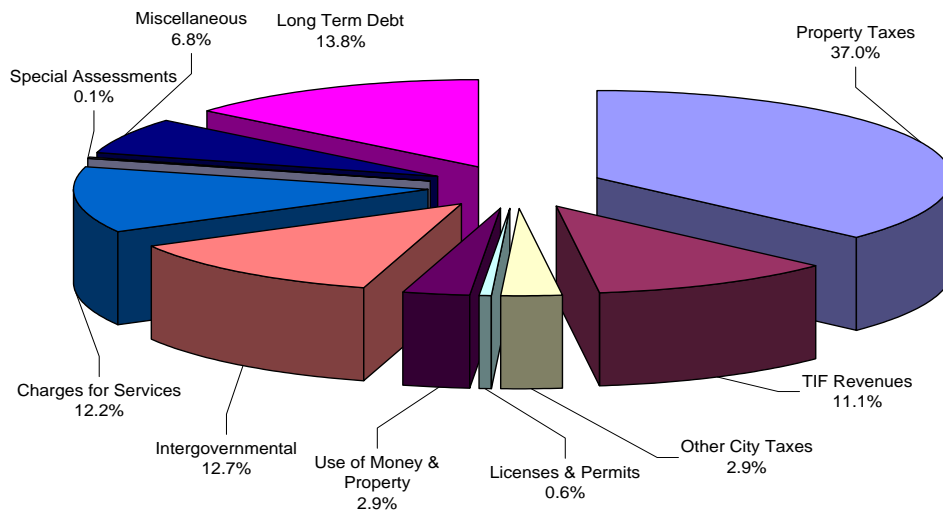
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Project Funds	Enterprise Funds	FY 2009-10 Budget
Expenditures and Other Financing Uses						
Public Safety	\$21,038,302	\$1,864,722				\$22,903,024
Public Works	7,038,145	715,000				7,753,145
Health and Social Services	928,430	209,148				1,137,578
Culture and Recreation	7,013,987	112,000				7,125,987
Community and Economic Development	4,835,592	1,180,292				6,015,884
General Government	6,231,101					6,231,101
Debt Service Funds	23,907	2,152,692	18,710,115			20,886,714
Capital Project Funds				23,208,855		23,208,855
Total Government Activities	\$47,109,464	\$6,233,854	\$18,710,115	\$23,208,855		\$95,262,288
Business-type/Enterprise Funds					\$15,285,540	\$15,285,540
Total Business-type/Enterprise					\$15,285,540	\$15,285,540
Total Expenditures	\$47,109,464	\$6,233,854	\$18,710,115	\$23,208,855	\$15,285,540	\$110,547,828



Revenue Highlights

The City of West Des Moines continues to build on its reputation as a growing city suburban 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 2009-10 total revenues are projected to decrease by approximately 12.45% as compared to budget FY 2008-09. Property tax revenues, which account for approximately 42.87% of the City's total operating revenues, are projected to increase by approximately 3.70%.

Where the Money Comes From



Property Taxes

The budget maintains a property tax rate of \$12.05/\$1,000 of taxable valuation. The proposed ad valorem taxes levied against real and personal property in FY 2009-10 should generate approximately \$43,083,063 which accounts for approximately 42.87% of the total operating revenue budgeted for the City. This projection, which is based on actual taxable valuations for January 1, 2008 as supplied by the Polk, Dallas and Warren 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 and residential property.

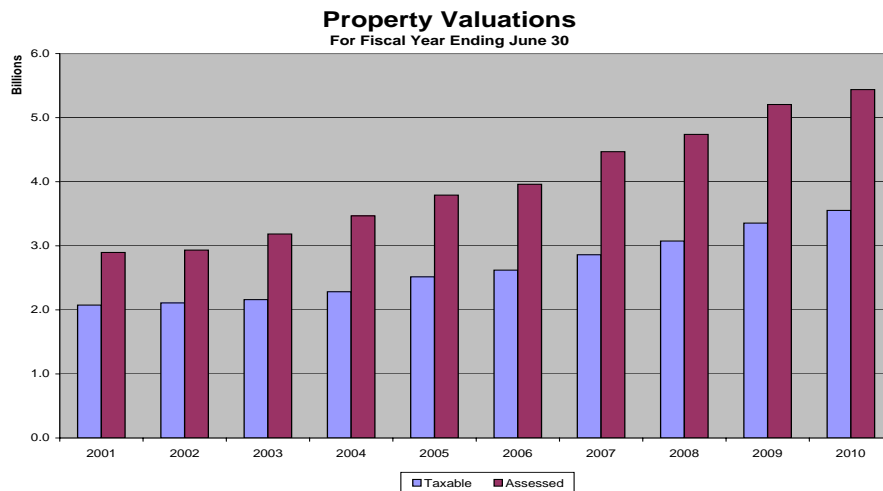


Property Taxes (Continued)

Residential Rollbacks

Taxable property in Iowa is categorized into distinct classes such as 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 4% 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 4%, the taxable value is reduced by a percentage so that growth of taxable valuation is at the 4% 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 4% 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 has resulted in the shifting of tax burdens from residential properties to other classes of property.

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 valuations in FY 2009-10 have nearly doubled since FY 00-01, the effects of the state mandated rollbacks can also be seen. In FY 00-01, the City was able to generate revenues from 72% of its tax base. However ten years later, in FY 09-10, the City will only be able to generate revenue on 65% of its tax base.



Property Taxes (Continued)

In FY 2009-10, the taxable value of residential properties will increase from 44.08% to 45.59% and the taxable value of commercial property will increase from 99.73% to 100.00%. The enclosed table is a ten-year history of the commercial and residential rollbacks in Iowa. It is important to note that in just ten years the taxable percentage of residential properties has decreased from 54.85% in FY 00-01, to 45.59% in FY 09-10. In other words, the City has lost the ability to generate taxes on over 9% 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 31% and the square miles covered by the City have more than doubled. 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	Commercial
2000-01	54.85%	98.35%
2001-02	56.27%	100.00%
2002-03	51.67%	97.77%
2003-04	51.39%	100.00%
2004-05	48.46%	99.26%
2005-06	47.96%	100.00%
2006-07	45.99%	99.15%
2007-08	45.56%	100.00%
2008-09	44.08%	99.73%
2009-10	45.59%	100.00%

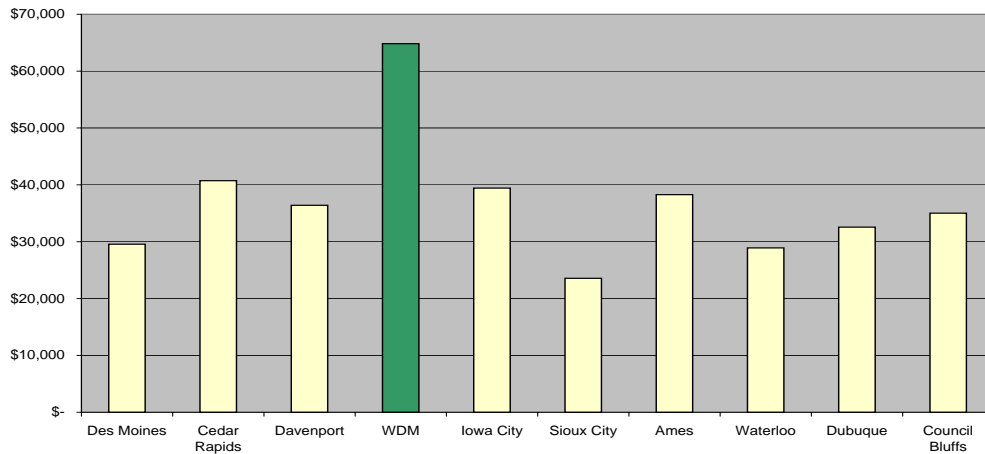
Rollback Effect in Comparable Cities

While the rollbacks have had a significant budgetary impact on the City of West Des Moines, 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. Nearly two-thirds of Iowa's cities are at the maximum levy rates for the general fund. 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, 2007 Valuations



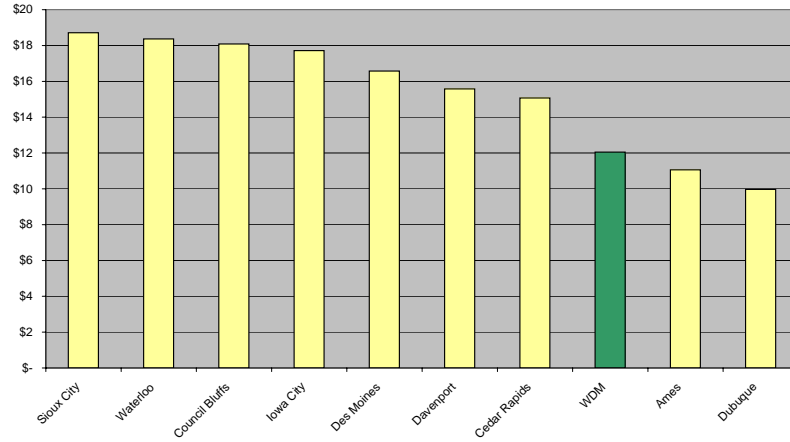
Long Term Forecast

Some experts predict that, over the next ten years, the residential rollback could decrease significantly. It is clear that the City must continue to build and improve its economic base in order to replace property tax dollars lost that may be lost from the residential rollback.

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.



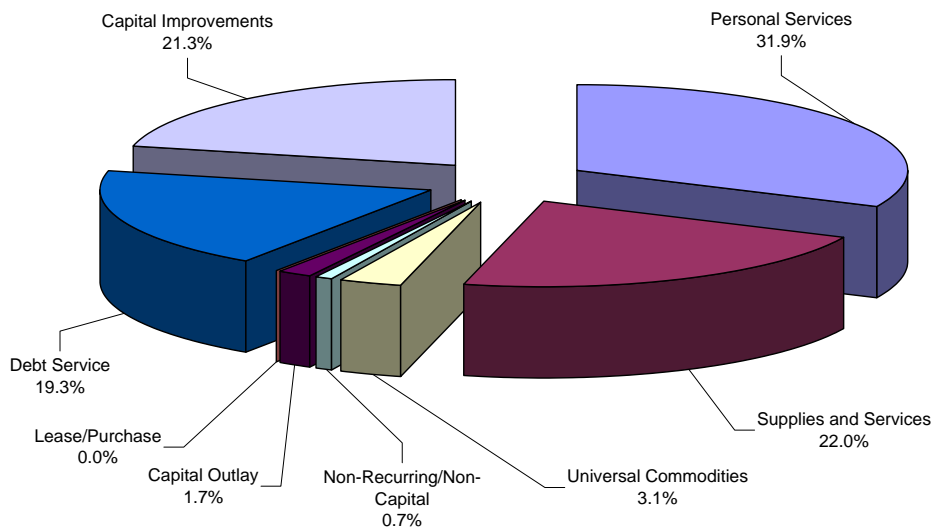
Property Tax Rates of Iowa's Ten Largest Cities
FY 2008-09



Expenditure Highlights

Total expenditures for FY 2009-10 are projected to decrease by 14.07% when compared to the revised budget FY 2008-09. This decrease is primarily due to the City's extensive Capital Improvement Program, which due to timing of projects necessitated a large increase in the revised budget FY 2008-09. This is not uncommon as the fiscal year does not necessarily match up with the construction season. Thus many projects that were originally budgeted in FY 2007-08 needed to be carried over into FY 2008-09. The City's operating budget denotes an increase of 3.00% over budget FY 2008-09, which is primarily due to increased personnel expenditures.

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. It should be noted that, due to the seasonal nature of employment, temporary and volunteer workers are not included in this calculation. In FY 2009-10 FTE(s) are proposed to decrease by 1.50 positions bringing the City's total to 363.85 full-time equivalent positions. This represents a decrease in FTE(s) of 0.4% over FY 2008-09, and roughly a 29% increase since FY 1999-00. Proposed personnel additions for FY 2009-10 are listed on the following page.



New/Additional Employees for FY 09-10

Department	New/Additional Position	Number of Positions	Reasoning Behind Proposal	Budgetary Impact
Administrative Services	Accounts Payable Clerk	0.25	Additional hours	\$18,100
Human Services	Program Outreach Assistant	0.25	Additional hours	9,100
Totals		<u><u>0.50</u></u>		<u><u>\$27,200</u></u>



City of West Des Moines Personnel by Cluster and Department

POSITIONS STATED IN FULL-TIME EQUIVALENTS (FTE)	ACTUAL FY 2006-07	ACTUAL FY 2007-08	BUDGET FY 2008-09	BUDGET FY 2009-10	CHANGE FROM FY 2008-09
Authorized Personnel by Department					
Community Enrichment					
Human Services	12.00	12.00	12.00	12.25	0.25
Library	23.60	23.60	23.60	23.60	0.00
Parks & Recreation	23.75	25.50	25.75	25.75	0.00
Sub-total Community Enrichment	59.35	61.10	61.35	61.60	0.25
Public Safety					
Emergency Medical & Communication Services	39.25	39.25	39.25	39.25	0.00
Fire Department	51.00	51.00	51.00	51.00	0.00
Police Department	82.75	82.75	85.75	85.75	0.00
Sub-total Public Safety	173.00	173.00	176.00	176.00	0.00
Public Services					
Community & Economic Development	5.00	5.00	5.00	5.00	0.00
Development Services	24.00	24.00	24.00	23.00	(1.00)
Public Works	66.00	68.00	68.00	67.00	(1.00)
Sub-total Public Services	95.00	97.00	97.00	95.00	(2.00)
Support Services					
Administrative Services	9.50	9.50	9.50	9.75	0.25
City Manager's Office	4.00	4.00	4.00	4.00	0.00
Human Resources	4.50	4.50	4.50	4.50	0.00
Information Technology Services	9.00	10.00	10.00	10.00	0.00
Legal	3.00	3.00	3.00	3.00	0.00
Sub-total Support Services	30.00	31.00	31.00	31.25	0.25
Total Authorized Personnel	357.35	362.10	365.35	363.85	(1.50)
Authorized Personnel by Fund					
Enterprise Funds	6.00	8.00	8.00	8.00	0.00
General Funds	351.35	354.10	357.35	355.85	(1.50)
Total Authorized Personnel	357.35	362.10	365.35	363.85	(1.50)



Key Assumptions for FY 2009-10**Salary Increases**

The budget includes a continuation of existing employee benefits. Included in the document is a 4.0 percent pay increase for non-represented employees. This percentage is below the rate of inflation (based on annual September CPI-W benchmarks, this year 5.4%) but equal to or less than cost of living increase for International Union of Operating Engineers (various Park/Recreation and Public Works personnel) bargaining unit employees. Senior management has volunteered to reduce their cost-of-living adjustment to 3% for July 1, 2009. This reduction will impact the top two pay grades (15 employees) in our pay plan. In addition to the cost-of-living increases, a number of employees will be eligible to receive step increases. The number of steps is dependent upon performance and employee classification, i.e. bargaining unit agreement or administrative position.

Medical Insurance Rates

Elected officials and staff have been working with staff from Frank Berlin and Associates in a review of our current health/medical insurance plan with an eye towards identifying cost saving options. As a result of that work the City council has conceptually approved two alternative plans for implementation on July 1, 2009 with one of the conditions being that all new non-union employees would be given an option of participating on one of the alternative plans. While cost savings to the City are expected, a number of variables (primarily employee participation) exist making it difficult to pinpoint an approximate number; with that proviso a number of scenarios have been modeled reflecting cost savings from \$3,000 to \$105,000 in year one and from \$51,000 to \$333,000 in year five of the program.

Pension and Retirement Benefits

The projected City contribution rates for FY 09-10 are as follows:

- 17.00% for sworn police officers and fire personnel (MFPRSI).
- 6.65% for full and regular part-time personnel (IPERS).
- 9.20% for paid-on-call firefighters (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

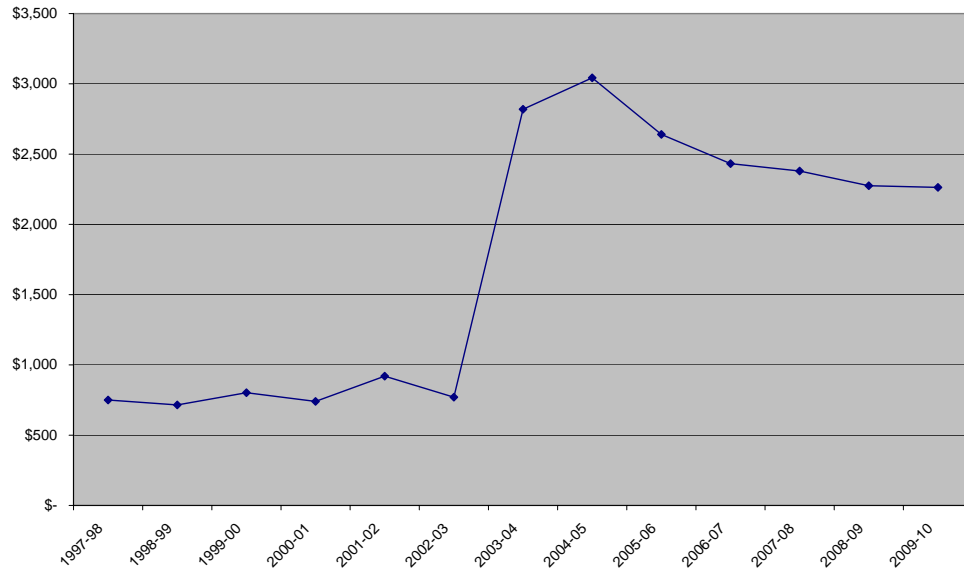
The City of West Des Moines has experienced tremendous amount of growth in recent years. Since 1990, the population of West Des Moines has increased by 38.73%, and the square miles of the City have more than doubled, both of which created an unprecedented demand in West Des Moines for infrastructure and capital projects. For instance, as a city expands its citizens will need more parks, roads, bridges, and public safety facilities, just to name a few. This demand for public sector investment has made the issuance of debt an increasingly important component in City programs. The City of West Des Moines utilizes two basic forms of long-term debt; general obligation bonds and revenue bonds. The difference between these two types of bonds is that general obligation bonds are backed by the full faith and credit (i.e.taxes) of the City. Revenue bonds, in contrast, are not fully guaranteed by a governmental entity; rather, they are guaranteed only from the revenue source(s) designated in the bond resolution.

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 \$12.05/\$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. It is important to note the increase in General Obligation bond debt per capita in FY 03-04 is related to the City's aggressive Capital Improvement Program. Moody's Investors Services and Standard & Poor's rating agencies have issued ratings of Aa1 and AAA respectively, the second highest rating issued by Moody's and the highest issued by Standard & Poor's. These high ratings result in a more attractive bidding environment and, therefore, a more favorable interest rate for the City when bonds are sold. Traditionally the City issues seventeen (17) year bonds, except for the case of municipal buildings where bonds are issued with a nineteen (19) year term. 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.



G. O. Bond Debt per Capita



Long Term Debt Schedule

	Estimated Balance June 30, 2009	FY 2009-10 Additions	FY 2009-10 Reductions	Estimated Balance June 30, 2010
<u>Debt Subject to Constitutional Limitation</u>				
General Obligation Debt	\$117,720,000	\$13,308,500	\$13,930,000	\$117,098,500
Tax Increment Financing Bonds	3,995,000		970,000	3,025,000
Rise Loans/IDOT	285,317		71,330	213,987
Lease Purchase/Other Debt	50,985		35,314	15,671
Sub-total Debt Subject to Limitation	\$122,051,302	\$13,308,500	\$15,006,644	\$120,353,158
<u>Revenue Bonds & Capital Loan Notes</u>				
WRA Debt	25,183,308		596,927	24,586,381
Sewer Debt	2,545,000		381,000	2,164,000
Sub-total Revenue Bonds & Capital Loan Notes	\$27,728,308		\$977,927	\$26,750,381
Total Long-Term Debt	\$149,779,610	\$13,308,500	\$15,984,571	\$147,103,539

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 in excess of five billion dollars, the City's constitutional debt limit is \$294,105,726. The City estimates its direct debt or debt that is subject to the limitation will be \$120,353,158 at June 30, 2010. This leaves an



available margin of \$173,752,568 with approximately 40.92% of the available statutory debt limit being obligated.

Actual Property Valuation	
January 1, 2008	\$5,882,114,520
Statutory Percentage	5.00%
Statutory Debt Limit	\$294,105,726
Estimated Direct Debt at June 30, 2010	
General Obligation Bonds	\$117,098,500
Tax Increment Financing Bonds	3,025,000
Rise Loans/IDOT	213,987
Lease Purchase/Other Debt	15,671
Total Outstanding Direct Debt	\$120,353,158
Available Debt Margin	\$173,752,568
Percentage Obligated	40.92%

