



EXECUTIVE OVERVIEW





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

City Manager

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

515-222-3610
FAX 515-222-3638

E-mail cityinfo@wdm-ia.com

'AAA'
Credit Rating from
Standard & Poor's

January 31, 2009

Honorable City Council members:

I respectfully present the proposed budget for the City of West Des Moines for the fiscal year beginning July 1, 2009. **As the City's financial and spending plan for the year, the adoption of the budget is undoubtedly the single-most important action taken by the City's elected officials each year.** The adopted budget will authorize resources and establish a direction for our programs and services for the coming year.

As you review the 2009-10 FY budget, it is the Staff's belief that the budget format enhances the citizens of West Des Moines' understanding of the budget process and the services they will receive. **We are very proud that the Government Finance Officer's Association of the United States and Canada has voted to award our budget document the Distinguished Budget Presentation Award for the 2008-2009 fiscal year, the tenth consecutive year receiving this honor.**

It is vital that the City's policy makers are provided with information needed to ensure that the budget document reflects the public interest. **It is our hope that the budget document serves as an effective policy document, financial planning tool, operational tool and communication device.**

Recent Accomplishments in Financial Management

As we move into the second half of the 2008-09 FY, we are pleased to make particular note of two accomplishments in the management of the City's financial resources.

- **The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of West Des Moines for its comprehensive annual financial report for the fiscal year ended June 30, 2007. This is the fifteenth consecutive year that the City has received this prestigious award.** In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

- **In February 2008, the City's bond rating on outstanding general obligation debt was reaffirmed by Standard & Poor's at AAA.** AAA is the highest rating that can be achieved and West Des Moines is the only Standard & Poor's AAA rated city in the state of Iowa. In their published rating report, Standard & Poor's notes **"The City's financial position is strong due to the maintenance of a large general fund balance and conservative financial management."**

2009-10 FY Budget Highlights

- The proposed budget maintains the current property tax rate of \$12.05 per thousand dollars of taxable valuation.
- In the 2009-10 FY 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. The City Manager shall serve as Director of this department until further notice.
- 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 cost-of-living-adjustment 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 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.

- 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 \$715,000 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.

- 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 2009-10 FY will be 17.00% as compared to 18.75% for 2008-09 FY. Conversely, the proposed budget reflects an increase in the contribution rate for Iowa Public Employees Retirement System (IPERS). The City's contribution rate will increase from 6.35% in 2008-09 FY to 6.65% in 2009-10 FY.

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.

- 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 rather than reactive staff will be, during the next few months, bringing forward recommendations as to sanitary sewer connection fee district per acre charges and as to sanitary sewer capital charges.

- **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.** The total revenues are \$52,644,970 and total expenditures are \$52,636,001. We project that the City's General Fund balance on June 30, 2010 will be in excess of 28 percent (**\$13,427,179**) of annual operating expenditures which is sufficient for meeting unexpected shortfalls in revenues or demands on future fund resources.

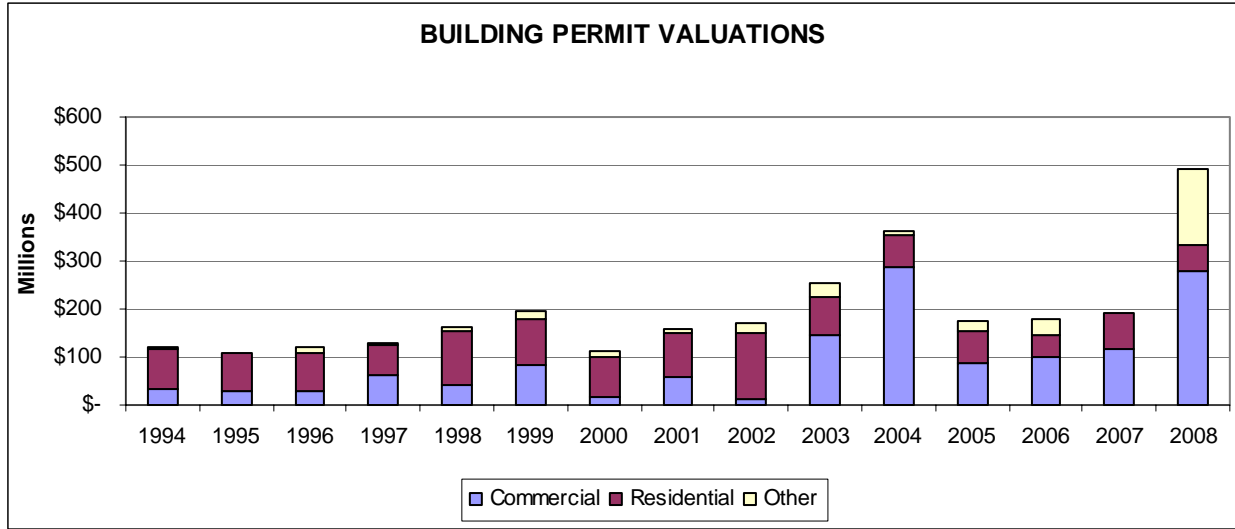
Outlook for 2010-11 FY and Beyond

Given the slowdown in the economy, we have spent considerable time projecting revenues and expenditures to ensure adequate funding of services will be available in the following budget cycles. The starting point for all projections is to deliver the same high-level of service to our community, use very conservative revenue assumptions, leave the tax rate unchanged and maintain our current staffing levels. As fiscal variables become clear, we will continue to monitor the next two budget cycles.

Due to the volatility of economy, we will be adding a process to review fund balances for the submittal of the second budget amendment in May of 2009. This will allow for adjustments to be made prior to the close of the fiscal year on June 30, 2009.

Local Economy/Development Activity Highlights

The City of West Des Moines continues to be one of fastest growing cities in the State of Iowa. As of the 2005 special census we had 51,744 residents, which is a 63 percent increase in population since 1990 and 11.5 percent since 2000. As of January 1, 2009, internal staff estimates the City's population to be 56,629. **In 2008, the total building permit valuation was in excess of \$490,000,000 - the best performance in the history of our community.**



BUDGET IN BRIEF

Revenues

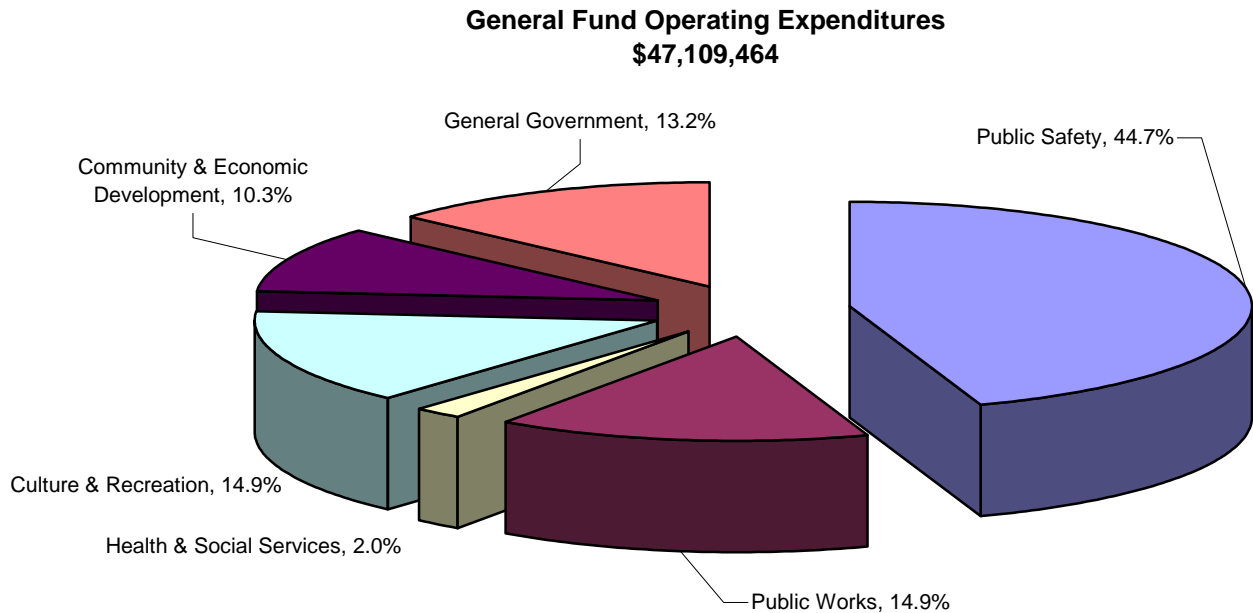
The City of West Des Moines continues to build on its reputation as one of the fastest growing cities in the State of Iowa. A strong commercial base, coupled with a growing commercial market, makes a very strong local economy.

In 2009-10, General fund operating revenues of \$41,329,228 are projected to increase by 1.48% compared to 2008-09 FY. Several factors contributed to the increase in property tax revenue including growth in property valuations, the release of \$150,377,958 from three of the City's Tax Increment Finance Districts, a decrease in the percentage of the property taxes in the Special Revenue Fund which results in a slight increase in the percentage of property taxes allocated to the General Fund.

It is important to note that in excess of \$424,500,000 in taxable value remains included in the City's three Tax Increment Finance Districts. This is over \$5,100,000 (estimated) in tax dollars that is excluded from general fund resources. Also important are the number of public infrastructure projects that have been completed with TIF dollars, projects ranging from public safety facilities to bridges to vital roads and utility systems.

West Des Moines' taxable valuation per capita of over \$76,000 is the highest of Iowa's ten largest cities. Based on current commercial and residential growth, we believe this trend will continue.

Expenditures



The City's General Fund operating expenditures total \$47,109,464 and denote an increase of 1.93% (\$889,964) over the 2008-09 FY budget.

The City of West Des Moines' total number of full time equivalents (FTE's) is 363.85 a decrease of 1.50 persons over the level approved for the 2008-09 FY. 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.

Capital Improvement Plan

A citizen committee developed the Capital Improvement Plan, with technical assistance from the City staff. The City's capital plan is increasingly challenging to complete due to the number of beneficial projects which need funding. A solution was crafted, during the last budget cycle that adheres to all previous City Council commitments including the reconstruction of streets within the Westridge neighborhood. Five multi-year street projects will fully leverage the resources dedicated to the CIP for three fiscal years. It will entail larger annual General obligation bond amounts with longer maturities but, the debt service tax rate will not be impacted and will remain at \$2.00 per \$1,000 taxable valuation.

There are two basic approaches to funding capital projects. These are 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 and other governmental sources. In addition to our efforts to extend infrastructure improvements to our developing areas we will continue present efforts in the older neighborhoods by committing 2.1 million dollars for street/road maintenance.

It should also be noted that, consistent with discussions at a recent council workshop, this year's CIP budget includes \$550,000 for renovation to the Law Enforcement Center after the WestCom dispatch operations leave the facility.

Strategic Planning/Quality Improvement Process/Clusters/Goal Setting

The City of West Des Moines Mayor, City Council and staff have pursued a number of initiatives to define the direction for the city organization and community. **These measures include a citizen attitude survey, employee survey, new mission statement, employee value statement and the Balanced Scorecard Strategic Planning process (see Balanced Scorecard Section).**

The City staff has committed to enhancing the level of the services provided to our customers through the quality team process. This has involved extensive training of city personnel in quality tools and techniques. City employees have formed a number of teams that are examining and making recommendations on a wide range of city-wide and departmental issues. The quality team process is guided by a group of city employees representing all city departments.

In order to improve communications and break down departmental barriers the concept of organizational clusters was introduced several years ago. Four clusters within the City organization have been formed with each of the clusters being comprised of similar departments that are closely related in function and common issues.

Community Enrichment Cluster: Parks and Recreation, Human Services, Library

Public Safety Cluster: Fire, EMS, Police, WestCom

Public Services Cluster: Public Works, Development Services, Community and Economic Development, Water Works

Support Services Cluster: City Manager's Office, Administrative Services, City Attorney's Office, Human Resources, and Information Services

Better relationships, synergies, and efficiencies have been established through the increased interactions of the departments. Departments have become more strategic partners as they embrace long-term issues and address strategic planning issues. The organizational clusters are a natural complement to the City's quality process as the City organization continually looks to improve.

A new section has been added to the Budget document to illustrate the goals of the elected officials and the aligned strategies being implemented by staff. A description of each of the prioritized goals is provided along with status and progress. Several of the goals are directly tied to the budget. The most evident example is the stable tax rate being recommended for 2009-10 FY. Additionally, we are proactively protecting the tax rate from future year fiscal challenges by controlling costs (no new positions for 2009-10 FY), establishing prudent reserves and closely monitoring future year revenues and expenditures. This new section will be updated frequently as strategies are fulfilled and new initiatives are identified.

Hotel/Motel Revenues

Hotel/Motel Tax, authorized by West Des Moines voters in 1984, is expected to generate \$2,550,000 in the upcoming year. Of those revenues 2/7^{ths} will automatically go to the Greater Des Moines Convention and Visitors Bureau, 2/7^{ths} will flow (per agreement) to BRAVO, 2/7^{ths} (subject to City Council approval), will be used for city park/recreation/tourist activities and the remaining 1/7th will be available for distribution to other City Council designated entities. For 2009-10 FY, the contribution to metropolitan-based organizations will exceed \$1,450,000.

I am recommending a 2009-10 FY contribution of \$30,000 to support the 2009 Principal Charity Classic as it is an important generator of Hotel/Motel tax dollars and positive public relations for our city and the entire State of Iowa.

Regional Cooperation

The City of West Des Moines continues to support programs that better the quality of life for all residents of the metro area. Besides direct financial support, the City of West Des Moines contributes to the Metro in many other ways. Here are some examples:

- ◆ Choose Des Moines Communities
- ◆ Wastewater Reclamation Authority
- ◆ Metro Planning Organization
- ◆ West Des Moines, Urbandale and Clive conduct joint fire/rescue training.
- ◆ West Des Moines and Clive jointly share a Fire/EMS facility
- ◆ The City provides animal control services to the City of Clive.
- ◆ The West Des Moines Police Department is involved in many metro-based activities, ranging from traffic task forces to narcotic trafficking.
- ◆ The City has committed \$1,300,000, over a multi-year period, to the Iowa Events Center.
- ◆ The City of West Des Moines, along with the Cities of Ankeny, Altoona, Clive, Grimes, Johnston, Pleasant Hill, Urbandale and Windsor Heights have formed Metro Home Improvement Program, a multi-jurisdictional housing rehabilitation entity. This program is a collaborative effort of nine metro cities with the purpose of preserving affordable housing stock in these communities.
- ◆ During 2008, the City entered into an agreement with Iowa Health Systems to provide administration and operation of emergency medical services. The resulting public-private partnership, Iowa EMS Alliance, avoids duplication of services while maintaining high quality care for the citizens of West Des Moines and the patients of Iowa Health.

- ◆ The City continues an agreement with Dallas County for West Des Moines' Emergency Medical Services Department to provide administrative and billing functions for that county's ambulance service.

Conclusion

The City of West Des Moines' budget is increasingly difficult to balance due to the growing number of beneficial projects, which our departments have identified and are included in the proposed budget document for review by the City's policy makers.

In order to assure that the City's human and physical infrastructure keeps pace with the City's growth, additional revenue enhancements, strategic expenditure reductions and potential restructuring will likely be necessary in the future. Current service demands and limited revenue growth will necessitate a thorough and continuous review of all aspects of our revenues and expenditures.

I must express my personal thanks to members of the City staff for their diligent efforts to develop budgets that reflect the needs of their individual departments.

A special note of thanks and appreciation should go to the members of the Administrative Services staff for excellent performance in gathering, analyzing and presenting information clearly and accurately. The budget preparation team, composed of Administrative Services Director Jody Smith, Assistant City Manager Scott Sanders and Budget Manager Jamie Schug, worked collaboratively and effectively as we reviewed and developed the 2009-10 budget. This budget could not have been developed without the combined efforts of all those involved.

I would also like to thank the City's elected officials for your interest and support in planning and conducting the financial operations of the city in a responsible and progressive manner.

Respectfully submitted,

Jeffrey A. Pomeranz
City Manager