

INTRODUCTORY SECTION



THE CITY OF
West Des Moines®
www.wdm.iowa.gov

Finance Department

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'Aaa'
Credit Rating
Moody's

'AAA'
Credit Rating
Standard & Poor's

January 10, 2020

Honorable Mayor, Members of the City Council, and
Citizens of the City of West Des Moines, Iowa:

Chapter 11 of the *Code of Iowa* requires the City of West Des Moines (the "City") to publish a complete set of audited financial statements within nine months of the close of each fiscal year. This comprehensive annual financial report has been published to fulfill this requirement for the fiscal year ended June 30, 2019.

This report consists of management's representations concerning the finances of the City. Management assumes full responsibility for the completeness and reliability of all the information, based upon a comprehensive framework of internal control established for this purpose. The cost of internal controls should not exceed anticipated benefits; therefore, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Eide Bailly LLP, a firm of licensed certified public accountants, has issued an unmodified opinion on the statements which has been published herein, immediately preceding the financial section of the report.

Management's discussion and analysis of the basic financial statements (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis. This letter of transmittal is intended to complement the MD&A and they should be read in conjunction.

Profile of the City

The City was incorporated as Valley Junction in 1893, changed its name to West Des Moines in 1938, and is now the largest suburb of Iowa's capital city of Des Moines. This year marked the 126th anniversary of the City.

Centrally located in Iowa, the City is currently comprised of approximately 48.2 square miles spanning portions of Polk, Dallas, Warren, and Madison counties (total area was unchanged during the most recent fiscal year). The City's population continued to grow at a steady pace, totaling 66,641 residents according to the most recently-available United States Census Bureau estimate (dated July 1, 2018). The City has grown its population 17.7% since the 2010 Census, 43.6% since 2000, and 110.2% since 1990.

Policy-making and legislative authority in the City are vested in a governing council. The City Council consists of a mayor and five council members; all are elected on a non-partisan basis. Three of the council members are elected by ward and two, as well as the mayor, elected at large. For continuity purposes, the mayor and council members serve four-year staggered terms with elections held every two years. The City Council makes policy decisions for the City through the enactment of ordinances, resolutions and motions. The Council is also responsible for adopting operating and capital budgets, appointing committees, hiring a city manager and city attorney, and appointing a city clerk.

The City Manager, as the City's chief administrative officer, is responsible for implementing policy decisions of the Council, overseeing day-to-day operations, and hiring department directors. Departments of the City include Community & Economic Development, Development Services, Emergency Medical Services, Engineering, Finance, Fire, Human Resources, Human Services, Legal, Parks & Recreation, Police, and Public Services. The City also maintains a public library which, through state statute, is governed by a separate Board of Trustees. However, the library and its employees are also considered a city department as they are budgeted funds by the City Council and routinely follow the general operating policies and procedures implemented by the City.

Public elementary and secondary education services for residents of West Des Moines are provided by six separate public school districts – Des Moines, Norwalk, Van Meter, Waukee, West Des Moines, and Winterset – in addition to several parochial schools. Public water services are provided primarily by the West Des Moines Water Works with scant areas of the City served by Des Moines Water Works. Each of the public school districts or water works entities have the ability to issue separate debt which is not an obligation of the City; therefore the financial statements of these entities have not been included in this report.

The City's annual budget serves as the foundation for financial planning and control. Each fall, staff from each of the City's departments submits budgetary requests and discusses appropriation levels for their department related to the upcoming fiscal year. Using these requests as well as staffing and revenue projections produced by the finance department, the city manager prepares a preliminary budget. The proposed budget is presented to the Mayor and City Council for discussion during workshops, and a public hearing is held before Council ultimately votes on the City's budget. By state statute, the budget for each fiscal year must be adopted by the Council and filed with the State prior to March 31st of the preceding fiscal year. The state mandates that the City maintain legal spending control at the function level, which consists of Public Safety, Public Works, Health and Social Services, Culture and Recreation, Community and Economic Development, General Government, Capital Projects, Debt Service, and Business-type expenditures.

Local Economy

Based on the most recently-available US Census estimate (July 1, 2018), West Des Moines ranks as the 8th largest city by population in the State of Iowa. By contrast, it currently ranks 3rd in terms of overall taxable property valuation as of January 1, 2018, 2nd in the collection of hotel/motel tax revenues during fiscal 2019, and 4th in Iowa overall in terms of taxable retail sales during fiscal 2018 (2019 data not available at report date).

The median household income in the City continues to exceed both the national and state averages. According to the US Census Bureau, at the end of 2017 (most recently-available data), the median household income in the City was \$73,764, which compares favorably to the State of Iowa median of \$56,570 and the national median of \$57,852.

The City continues to grow high quality jobs, mainly in the office and retail sectors. Housing continues to expand westward with a mix of rentals and owner-occupied single-family housing, as well as a significant supply of multi-family housing – apartments, condos, and townhomes – which has grown over the past decade in response to great demand. In response to the City becoming a desirable place for retirees, a number of senior living and continuum of care facilities have been developed in recent years. Fiscal 2019 saw 233 new single family homes constructed along with 4 new multi-family projects containing 170 units. Rental rates and occupancy percentages are well above the average for the state and region.

Business development projects over the past fiscal year include the Microsoft's continued efforts to add data center capacity – its first center (Mountain) saw its fourth and final phase completed during the year while its second center (Alluvion) nears completion and a third center (Osmium) initiated its first phase of construction. The Osmium data center, which is planned to be the largest of its kind in the US by the company, represents the City's first significant development in Warren and Madison counties and will consist of several phases of construction over the next few years.

Other development projects included office buildings, restaurants, entertainment facilities, and retail establishments around the Jordan Creek Town Center and the Jordan Creek Parkway and Mills Civic Parkway corridors. During fiscal 2019 the City saw a total of 9 new commercial buildings constructed with an estimated value of \$77 million – the largest of which, Westfield Office Building, could carry up to \$27 million of valuation when fully assessed. Development agreements negotiated and signed during 2019 with Sammons Financial Group and the Iowa Clinic guarantee future office construction

projects of \$55 million and \$50 million, respectively, to be constructed in the upcoming year.

Fiscal 2019 saw a total of \$249 million of overall building permit activity, which still strong, represents a slight downturn from totals of \$323 and \$288 million the prior two fiscal years, respectively. The four fiscal years prior to those each exceeded \$400 in building permits annually with much of that activity generated by Microsoft. The pace slowed but it is anticipated that fiscal 2020 will benefit significantly from permits required for Microsoft's Osmium.

The City emphasizes on a creative but sound economic development strategy which offers plans to businesses seeking to grow within or relocate to the City. During fiscal 2017 and 2018 several economic incentive programs (a combination of grants and no-interest loans) were developed to energize the Valley Junction area. During 2019 many of the underlying projects have been undertaken and are nearing completion. These Valley Junction area incentives, with three rounds of funding completed and a fourth forthcoming, have seen estimated private investment of over 4 times the cost of the incentive program.

Relevant Financial Policies and Long-term Financial Planning

The City continues to be cautious when estimating property tax revenue, ancillary revenue, and investment returns, as well as use conservative expense figures to establish rates and balance the budget into upcoming fiscal years. These tactics ensure that adequate funding for services will be available in future budget cycles.

For budgetary and planning purposes, management strives to maintain an unassigned, undesignated general fund balance equal to or slightly exceeding 25% of total general fund expenditures. These funds are necessary to meet cash flow needs during the initial months of the new fiscal year as property tax revenue, the primary source of funding for general operations, is collected semi-annually with the respective county treasurers remitting the vast majority of those taxes to the City in the months of October and April.

During the annual budgeting process, the City evaluates the property tax rate for comparison to other cities of similar size and to determine that there will be sufficient revenue to provide the services deemed necessary by the City Council. Fees and charges for services are also evaluated annually to ensure they keep pace with the cost of providing these specific services. The City strives to maintain or increase its diversified revenue sources, to provide for greater financial stability.

Included in the operating budget are costs associated with the City's capital equipment replacement schedule. This money is set-aside annually to ensure funding is available for the timely replacement of vehicles and heavy equipment that are no longer cost effective to maintain. In addition, during each budget cycle the City Council and staff update the City's multi-year capital improvement plan, including funding of priority projects, based on community input and other data. Among the data available is information from a street management system which assesses and prioritizes street maintenance needs over a multi-year cycle.

Major Initiatives and Accomplishments

On July 3, 2019, S & P Global (Standard and Poors) reviewed and reaffirmed its highest rating (AAA) to the City's general obligation bonds. Prior to that, on May 3, 2018, Moody's Investors Services reaffirmed its Aaa rating on the City's bonds. The City continues to hold the highest available rating from both Moody's Investor Services and S & P Global, a distinction it has held since 2010. Each of the agencies cites the City's financial positions and conservative fiscal management as strengths.

As of June 30, 2019, the City was one of approximately 100 in the United States to have the distinction of carrying the highest rating from both agencies. The City's financial positions remain strong and for the fiscal year ended June 30, 2019, the City reported a slight \$0.8 million deficit, which brought the general fund reserves to \$39.9 million, or 63.6% of annual general fund operating expenditures.

During 2019, the City began construction of a \$42 million sports and recreation facility (the MidAmerican Energy Rec Plex) which will serve the community with two NHL-sized ice sheets, hardwood basketball/volleyball courts, a full-field indoor soccer/football/multi-sport space, outdoor artificial turf, lighted fields, multi-purpose rooms, offices, and a sports therapy clinic. The facility is expected to come on-line during 2020 and is funded by a variety of sources, including private donations, grants, sponsorships, and city sources including bonds backed by hotel/motel tax revenues and surplus sewer utility funds.

Financial Awards

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, 2018. This was the 26th 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 generally accepted accounting principles (GAAP) and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and again this year will be submitting it to the GFOA to determine eligibility for another certificate.


Additionally, for the 21st consecutive year the City received the GFOA's Distinguished Budget Presentation Award for its annual budget document related to the fiscal year beginning July 1, 2019. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged and deemed proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

Acknowledgements

Elected officials and staff take great pride in providing high quality municipal services, including transparent and clear financial reporting and budgeting. The City's continued recognition of reporting excellence by the GFOA, the City's continuing AAA bond rating, and a #1 ranking by the Des Moines Business Record as the most conducive city for business in Central Iowa for twenty consecutive years, are all reflective of competitiveness, efficiency, and attention to detail.

Preparation of this report was accomplished through the dedicated services provided by the Finance Department staff. We would like to express our appreciation to all members of the department who assisted with the audit and contributed to the preparation of this report, including our audit firm Eide Bailly LLP. Likewise, we wish to extend our sincere appreciation to the Mayor and members of the City Council for their interest in and support of our efforts to conduct the City's financial operations in the most responsible and progressive manner.

Respectfully submitted,



Tom Hadden
City Manager



Tim Stiles
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of West Des Moines
Iowa**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Executive Director/CEO

**City of West Des Moines, Iowa
List of Principal Officials
As of June 30, 2019**

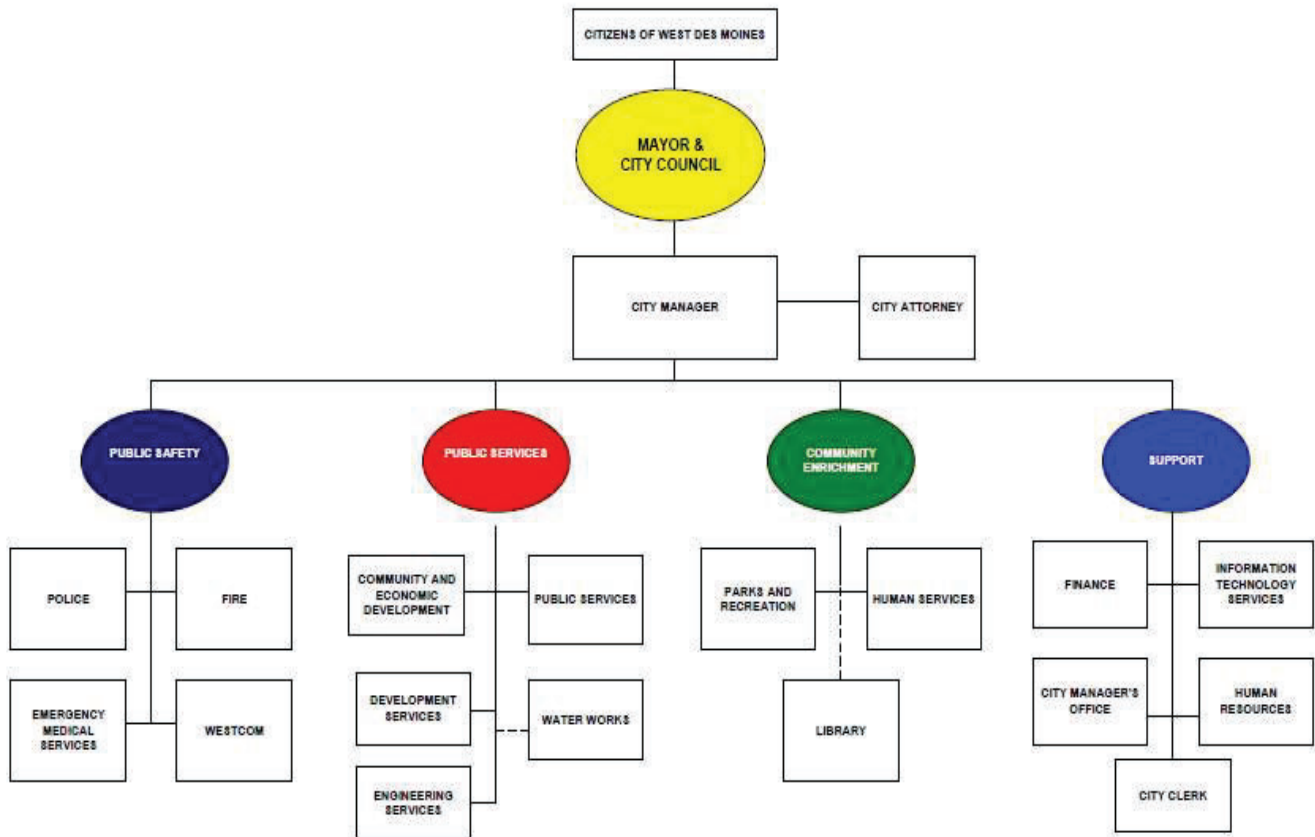
Elected Officials

Steven K. Gaer	Mayor	Term Expires December 31, 2021
Renee Hardman	Councilmember, At Large	Term Expires December 31, 2021
James Sandager	Councilmember, At Large	Term Expires December 31, 2019
Kevin Trevillyan	Councilmember, Ward 1	Term Expires December 31, 2021
John Mickelson	Councilmember, Ward 2	Term Expires December 31, 2019
Russ Trimble	Councilmember, Ward 3	Term Expires December 31, 2021

Appointed Officials

Tom Hadden, City Manager
Ryan Jacobson, City Clerk
Richard J. Scieszinski, City Attorney

City of West Des Moines, Iowa
 Organizational Chart
 As of June 30, 2019



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