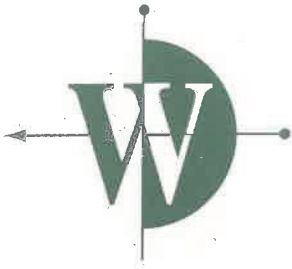


# **INTRODUCTORY SECTION**





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

**Finance Department**

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

515-222-3600  
FAX 515-222-3640

'Aaa'  
Credit Rating  
Moody's

'AAA'  
Credit Rating  
Standard & Poor's

**January 20, 2021**

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, 2020.

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.

BKD LLP, a firm of licensed certified public accountants, has issued unmodified opinions on the statements which have 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 127<sup>th</sup> anniversary of the City.

Centrally located in Iowa, the City is currently comprised of approximately 48.7 square miles spanning portions of Polk, Dallas, Warren, and Madison counties. The City's population continued to grow at a steady pace, totaling 67,699 residents according to the most recently available United States Census Bureau estimate (dated July 1, 2019). The City has grown its population 1.9% over the past year, 19.9% since the 2010 Census, 46.3% since 2000, and 114.2% 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 31<sup>st</sup> 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, 2019), West Des Moines ranks as the 6<sup>th</sup> largest city by population in the State of Iowa. However, its role as an economic engine in the state is reflected in the fact it currently ranks 3<sup>rd</sup> in terms of overall taxable property valuation as of January 1, 2019 at \$6.096 billion, ranks 2<sup>nd</sup> in the collection of hotel/motel tax revenues during fiscal 2020 at \$3.36 million, and ranks 4<sup>th</sup> in Iowa overall in terms of taxable retail sales during fiscal year 2019 at \$1.81 billion (fiscal year 2020 retail sales data was 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 2019 (most recently available data), the median household income in the City was \$76,368, which compares favorably to the State of Iowa median of \$60,523 and the national median of \$62,843.

Until the onset of the COVID-19 outbreak beginning March 2020, the city had continued to steadily grow high quality jobs, mainly in the office, hospitality, and retail sectors. Obviously, each of these sectors was greatly affected by the pandemic. Despite the economic challenges presented by 2020, the City's housing continued 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, and retirement living facilities have grown significantly in popularity. Fiscal 2020 saw 320 new single-family homes constructed along with 6 new multi-family projects containing 359 units, these totals were up significantly from Fiscal 2019 which saw 233 new single-family homes and 4 new multi-family projects with 170 total unit. 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 – primarily its third center (Osmium) saw significant progress towards completion. 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. In addition, the company has purchased over 320 additional acres at two locations in the City (Polk and Dallas Counties) on which it intends to develop its fourth and fifth data centers in the upcoming months. It is clear that this sector of their business is growing rapidly, and the City is preparing for the growth by continuing to invest in underlying necessary infrastructure (roadways, sewer, water, and fiber connections).

Part of the West Des Moines City Council's long-term vision is a 2036 Plan, and it includes a concept of developing high-speed fiber networks as a necessary utility with equal-opportunity broadband available across all areas of the city. Towards this end, the City developed a comprehensive plan to create an Enterprise Fund to support construction and operation of a city-wide conduit network. This fund will begin in Fiscal Year 2021 as construction of the approximately \$50 million network will begin in earnest.

Other development projects undertaken by the private sector in fiscal 2020 included the continued growth of office buildings, restaurants, entertainment facilities, and retail establishments around the Jordan Creek Town Center and along the Jordan Creek Parkway and Mills Civic Parkway corridors which serve the Town Center. Also, 2020 saw a significant resurgence of activity in the Valley Junction area. This historic district, to which the City traces its origins, benefitted from a City Council allocation of grant-and-loan-based funding to be used by qualifying businesses to improve their properties and maintain regulatory compliance. Businesses took advantage of the approximately \$1.2 million program to create upper-story housing and renovate properties to create several new retail stores and restaurants.

All told, during fiscal 2020 the City saw a total of 20 new commercial buildings constructed with an estimated value of \$104 million. A major portion of this permit activity was due to the Microsoft Osmium Data Center. Perhaps just as significantly, the City also permitted 165 commercial renovation projects totaling \$185 million and 5 new tax-exempt buildings totaling \$42 million during fiscal 2020. In total, fiscal 2020 saw a total of \$514 million of overall building permit activity; a significant uptick from the totals of \$243 million, \$323 million, and \$288 million each of the prior three fiscal years.

### **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 28, 2020, Moody's Investors Services reviewed and reaffirmed its highest rating (Aaa, Stable Outlook) to the City's general obligation bonds. Prior to that, on July 3, 2019, S & P Global Ratings reaffirmed its AAA, Stable rating on the City's bonds. The City continues to hold the highest available rating from both major rating agencies, 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, 2020, 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; despite a \$3.0 million deficit during fiscal 2020, general fund reserves are maintained of \$36.9 million, or 57.1% of annual general fund expenditures.

During 2019 the City began construction of a \$57 million sports and recreation facility (the MidAmerican Energy Rec Plex) which will serve the community with two NHL-sized ice sheets including an arena which will seat 1,500 for hockey and up to 2,400 for concerts and other events, 4 full hardwood basketball/volleyball courts, a 120 yard long indoor soccer/football/multi-sport space, 3 outdoor artificial turf, lighted fields, several multi-purpose rooms, an e-sports gaming area, an adaptive play center, and a sports therapy clinic to be operated by Des Moines University. The facility is expected to come on-line during the spring of 2021 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. The Rec Plex Enterprise Fund has been established to account for the financial activities of this community center.

### **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, 2019. This was the 27<sup>th</sup> 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 22<sup>nd</sup> 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, 2020. 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-two 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 BKD 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, 2019**

*Christopher P. Morill*

Executive Director/CEO

**City of West Des Moines, Iowa  
List of Principal Officials  
As of June 30, 2020**

---

**Elected Officials**

---

Steven K. Gaer	Mayor	Term Expires December 31, 2021
Renee Hardman	Councilmember, At Large	Term Expires December 31, 2021
Matthew McKinney	Councilmember, At Large	Term Expires December 31, 2023
Kevin Trevillyan	Councilmember, Ward 1	Term Expires December 31, 2021
Greg Hudson	Councilmember, Ward 2	Term Expires December 31, 2023
Russ Trimble	Councilmember, Ward 3	Term Expires December 31, 2021

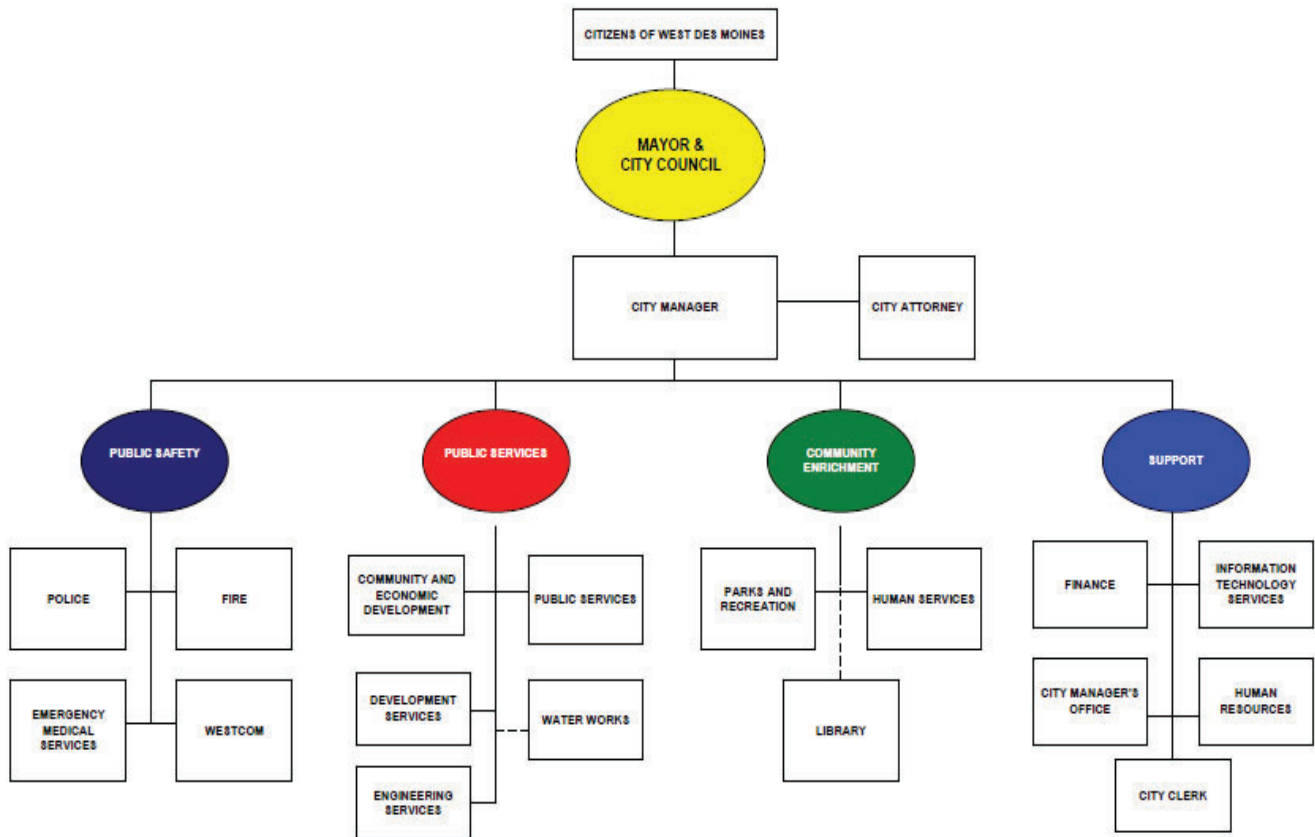
**Appointed Officials**

---

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, 2020



---- Indicates Reports to Board

*This page is intentionally blank.*