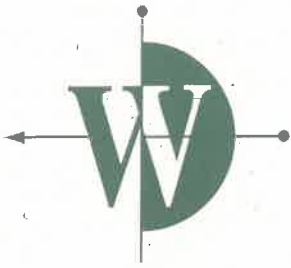


INTRODUCTORY SECTION



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

March 16, 2022

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, 2021.

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 128th 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 68,723 residents according decennial United States Census dated July 1, 2020. The City has grown in population by 21.4% since the 2010 Census, 48.1% since 2000, and 116.8% 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. During 2021, the City added a Director of Diversity, Equity, and Inclusion to the staffing complement.

The City 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 can 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 decennial US Census dated July 1, 2020, West Des Moines ranks as the 6th largest city by population in the State of Iowa with a population of 68,723. However, its role as a primary economic engine in the state is reflected in the fact it currently ranks 3rd among cities in total taxable property valuation as of January 1, 2021, at \$6.74 billion, it ranked 2nd in the collection of hotel/motel tax revenues during fiscal 2021 at \$2.74 million, and ranked 4th in Iowa overall in taxable retail sales during fiscal year 2021 with just under \$1.81 billion in retail goods and services being sold within the City.

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 2020 (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 2021 saw 481 new single-family homes constructed along with 10 new multi-family projects containing 399 units, these totals were up significantly from Fiscal 2020 which saw 320 new single-family homes and 6 new multi-family projects with 359 total units. Rental rates and occupancy percentages continue to be above the average for the state and region.

Business development projects over the past fiscal year saw yet another significant expansion of Microsoft's continued effort to add data center capacity – during 2021 the data center giant moved forward with plans to construct the fourth and fifth data centers at new sites located within the City. Each of the two new centers (dubbed Ginger East and Ginger West) will occupy approximately 130-160 acres in Polk and Dallas County, respectively, and will be constructed over a 3-5 year period at a cost of over \$1 billion for each center. In addition, construction continued in earnest at Microsoft's third center (Osmium). This sector continues to grow rapidly, and the City is responding by invest in underlying necessary infrastructure

(roadways, sewer, water, and fiber connections). Ginger East will rely primarily on existing infrastructure, while expanding the City's infrastructure to the more remote Ginger West site will require a larger investment. All the necessary infrastructure, including the final link of Grand Prairie Parkway, a major north-south arterial roadway, will be funded with Tax Increment Financing revenue generated by the data centers themselves.

Part of the West Des Moines City Council's long-term vision is a 2036 Plan which includes the advancement of broadband access to all residents. Towards this end, in 2020 the City began construction of a city-wide conduit network which could be leased to any provider with an estimated cost of approximately \$50 million financed through the City's existing Debt Service levy. During 2021, an incumbent provider of internet services engaged a lawsuit, which, coupled with supply chain issues, slowed construction efforts. However, the lawsuit was recently settled, and the project is now again tracking towards completion.

Other major development projects initiated during fiscal 2021 included the initial phases of construction of a brand-new campus for Des Moines University in a previously undeveloped section of the City. The 700-plus graduate student medical university is relocating its entire campus to West Des Moines and construction of an initial five buildings targeting a fall 2023 opening is moving rapidly. Other major developments include office, retail, hotel, and restaurant properties, and in addition, as was typical across the country during the pandemic, West Des Moines residents invested heavily in their residences by completing renovations and adding numerous amenities.

All told, during fiscal 2021 the City saw a total of 14 new commercial buildings constructed with an estimated value of \$605 million. Once again, a major portion of this permit activity was due to the Microsoft Osmium Data Center. Perhaps just as significantly, the City also permitted 151 commercial renovation projects totaling \$366 million and 5 new tax-exempt buildings totaling \$19 million during fiscal 2021. In total, fiscal 2021 saw a total of over \$1.22 billion of building permit activity; a significant uptick from the totals of \$514 million, \$243 million, and \$323 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

In anticipation of bond sales, on August 10, 2021, Moody's Investor Services reviewed and reaffirmed its highest rating (Aaa, Stable) to the City's general obligation bonds. Prior to that, on July 28, 2020, S&P Global (Standard and Poor's) reaffirmed its AAA, Stable outlook rating on the City's outstanding 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, 2021, 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 included a \$10.2 million increase in the general fund during fiscal 2021, general fund reserves are maintained of \$47.5 million, or 70.2% of annual general fund expenditures.

During fiscal 2021, the City neared completion of a \$60 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 outdoor fields opened in March 2021 and the indoor portions will be coming on-line during the fall of 2021. The facility 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, 2020. This was the 28th consecutive year that the City has received this prestigious award. 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 23rd 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, 2021. 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-three 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, 2020

Christopher P. Morill

Executive Director/CEO

**City of West Des Moines, Iowa
List of Principal Officials
As of June 30, 2021**

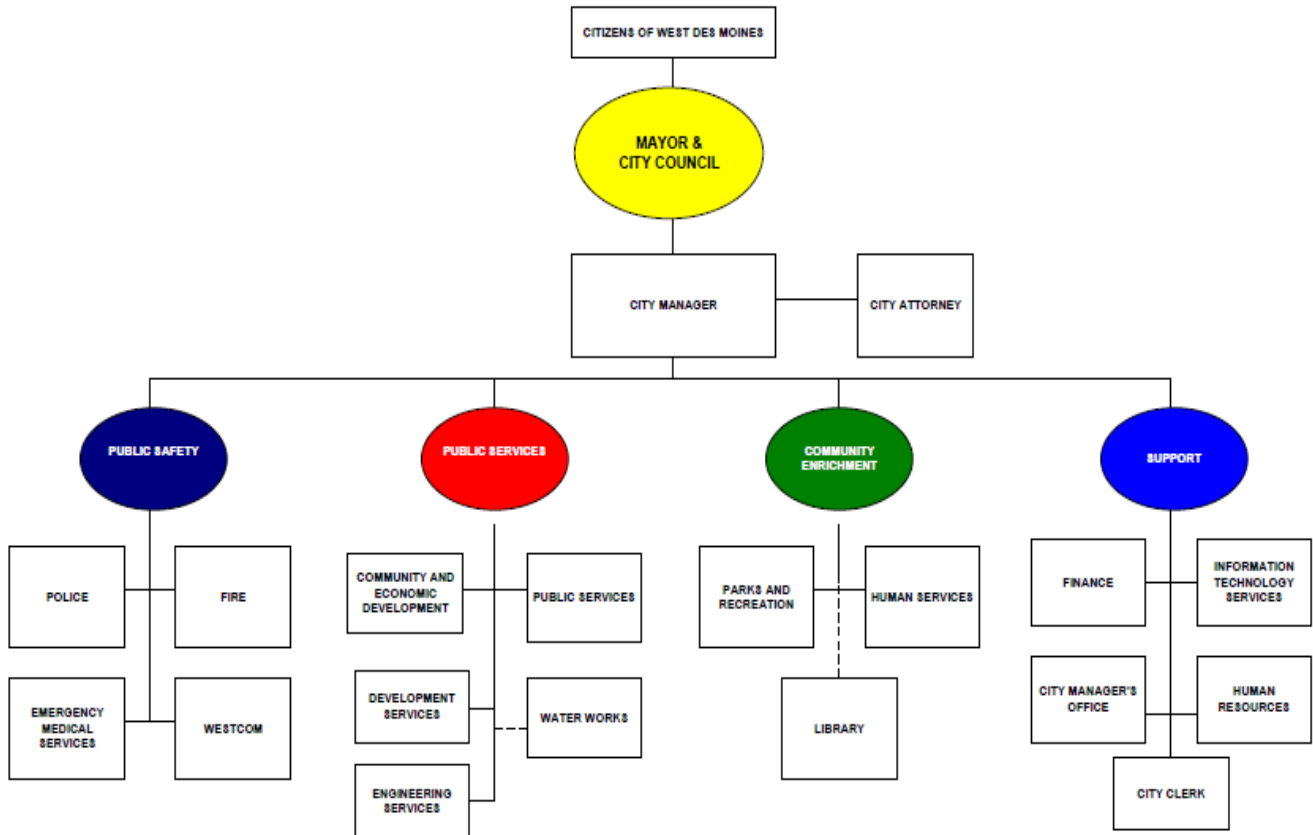
Elected Officials

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, 2021



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