



# Budget Process & Structure

**Mission of the Document**

The City of West Des Moines' budget document is intended to inform and enhance the citizens understanding of the budget process and the services they receive. It is vital that the City Council is provided with the information they need to ensure the budget reflects public interest and is structurally correct. Therefore, it is critical the document serves the following four functions:

**Acts as a Policy Document**

All budgets reflect decisions about a variety of policy issues such as whom to tax and how much, what new programs to fund, and what programs to reduce or terminate. It is in this context that the budget functions as a policy document as decisions made within the budget reflect the general principles or plans that guide actions taken in the future.

**Serves as a Legally Required Financial Planning Tool**

Traditionally, the budget has always been used as financial planning tool. To this end, the budget has been made a requirement of all Iowa cities, as stated in Chapter 384.16 of the Iowa Code. The budget is the legal authority to expend public fund, and it controls these expenditures by limiting the amount of appropriation on a program basis. In order to conform to Governmental Accounting Standards Board Statement 34 and to Iowa Administrative Code, the budget includes nine expenditure types. The nine expenditure types are Public Safety, Public Works, Health and Social Services, Culture and Recreation, Community and Economic Development, General Government, Debt Service, Capital Projects, and Business Type Activities. Expenditures required to be budgeted include expenditures for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Project Funds, and Enterprise Funds. Adopted budgets may either be prepared on a cash basis or on another basis consistent with generally accepted accounting principles, such as the accrual basis.

**Functions as an Operational Tool**

This budget addresses areas which may not be included in traditional budget documents. These include debt management, staffing levels, capital spending plans, and the incorporation of performance measures.

**Acts as a Communication Device**

The budget process provides a unique opportunity to allow and encourage public review of City operations. This budget describes the activities of the City, the reason for the cause for those activities, future implications, and the direct relationship to the citizenry.

In addition to the about functions, the budget process affords both an interesting and challenging opportunity to reassess objectives, goals and the means for accomplishing them. It is through this effort that the budget is arguably the single most important policy document produced each year.

**Organization of the Document**

Listed below is a brief description of the individual sections of this document which is intended to acquaint the reader with the structure, format, and terminology used in this budget document.

**Visioning**

The Visioning section includes a plan designed by a cross section of public and private sector leaders, in part to address the strategies identified and ensure that the City of West Des Moines is future ready and resilient. The plan titled, West Des Moines 2036, was presented in December of 2015 and outlines new ambitions for West Des Moines future, including six metrics, 5-year milestones, and 10-year milestones. On an annual basis successes will be recorded and priorities will be redefined to ensure the community is vibrant and ready for the future.

**Executive Overview**

This section includes the City Manager's budget message, which is intended to articulate priorities, issues, and any major changes in City services for the budget year.

**Budget Summary**

This section includes a summary of the City's major revenues and expenditures, which is intended to provide an overview of the total resources budgeted by the City. Also included are summaries of the City's main revenue sources, (property taxes,) on of the city's largest expenditure items, (personnel services,) and a consolidated debt review.

**Fund Summaries**

These sections are intended to provide a breakdown of the FY 2022-2023 budget on an individual funds basis.

**General Fund**

This section presents the City's general fund budget on a departmental basis. The departments are grouped by affinity groups (Community Enrichment, Public Safety, Public Services, and Support Services). The concept of organization groups was introduced with the intention of breaking down departmental barriers and improving communications. The groups have played an integral part in the City's strategic planning processes. Better relationships have resulted from group meetings, and it is the hope that the groups will continue to develop synergies and efficiencies.

**Special Revenue Funds**

This section presents the Special Revenue funds budget. These funds are used to account for revenues derived from specific sources that are usually required by law or regulation to be accounted for separate from the City's general fund.

**Debt Service Funds**

This section presents the City's debt service fund budget. This fund is used to account for the accumulation of resources for, and the payment of, general obligation bonds. General obligation bonds are the most common type of bond issued by a city.

**Capital Project Funds**

This section presents the Capital Project funds budget. These funds are used to account for revenues from special assessments, grants, bond proceeds and private contributions to be used to fund capital projects. The funds also account for expenditures for all non-enterprise fund capital projects, which includes the neighborhood redevelopment, city facilities, on-going maintenance, parks, and street projects.

**Enterprise Funds**

This section presents the Enterprise funds budget, these funds are used to account for operations and activities that are financed and operated in a manner similar to a private business, and where the costs of providing services are expected to be recovered through user charges.

**Internal Service Funds**

This section presents the Internal Service funds budget, these funds are used to account for operations that provide services to other departments or agencies of the City.

**Glossary**

A glossary has been included in this document to assist the reader with any terminology, (including abbreviations and acronyms) that are not readily understood.

**Budgeting and Accounting Basis**

The City prepares its budget for all funds on a cash basis, while the City's Comprehensive Annual Financial Report (CAFR) shows the status of the city's finances on the basis of Generally Accepted Accounting Principles (GAAP). Under GAAP standards, the City is required to use a modified accrual basis of accounting for Government and Fiduciary Funds, while Proprietary Funds are required to use full accrual. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred except for principal and interest on general long-term debt which are reported as fund liabilities when due. Disbursements for the purchase of assets providing future benefits are recognized as expenditures at the time of purchase. However, it is important to note, for comparability purposes the City's CAFR includes both GAAP and Cash basis financial statements.

**The Budget Process**

The budget process for the City of West Des Moines is in some respects, an ongoing, year-round activity. Informal budget planning begins with the City's strategic plan. This process involves discussions between the City Manager, departments, and Mayor/City Council about the status of ongoing programs, and the establishment of new goals and objectives for the future.

Formal budget preparation begins in August when Finance performs a financial capacity projection for the upcoming budget year. This projection involves estimating reserves, revenues, expenditures, debt limits, and the General Fund's contribution to the Capital Improvement Program. It is within this groundwork that the FY 2022-23 budget is formed.

**Operating and Capital Budget**

There are two main components of the City's budget, its operating budget and the capital improvement program. The budget process for both of these components usually begins in early September when the budget request documents are sent to the departments, and the Budget Review committee conducts its initial meeting. Listed is a description of each component:

**Operating Budget:** The departmental requests are due to the Finance Department in late October. These requests are service level driven and are made within the parameters established in the City's Strategic Plan. Once the budget requests have been initially reviewed by Finance, the departments then meet with the City Manager's budget review team to discuss their request. After all departmental requests have been reviewed; the City Manager then prepares a recommendation for the City's operating budget for the upcoming year.

**Capital Improvement Program:** After the financial capacity projection is completed and funding sources for the Capital Improvement Program have been identified, the City Manager's Budget Review Team, in conjunction with key representatives from the Engineering, Parks, Public Works, and other departments prepare and review the proposed CIP Budget. The City evaluates whether the community's needs have been identified. With exception of those projects that may violate continuity of service, it is determined which projects to undertake in the upcoming budget year, and which projects should be considered in future years.

Once the projects have been determined, the committee then makes a capital project recommendation for the budget year. This recommendation is part of a five-year plan for capital improvements for the City of West Des Moines. The five-year capital improvement plan is presented to City Council at a workshop prior to the final budget recommendation.

**Preliminary Budget**

The City Manager's recommendations on the operating and capital budgets are ready for Council review in mid-January. The Council then conducts a series of workshops to examine the preliminary operating and capital budget in detail, these workshops are open to the public. After the workshops are completed, staff incorporates the Council modifications and prepares the budget for legal adoption. **It should be noted; before any formal action is taken on the budget the City Council conducts a public hearing in early or mid-March on the City's operating and capital budgets. This allows the citizens of West Des Moines to voice any concerns they may have over the City's budget or its budget process.**

**Final Budget**

After the public hearing, the final budget is issued as a formal published document in the same format as the preliminary budget, but as modified by the City Council. The actual appropriations implementing the budget are adopted by the City Council. Final action on the budget occurs in early to mid-March when the City's operating and capital budget are filed with the Polk, Dallas, Warren, and Madison County Auditors.

**Reporting and Monitoring**

The budget and its policies are implemented through the individual departments and the accounting controls of the Finance Department. The budget is monitored by a reporting system consisting of monthly financial reports to the department heads and division managers. These reports are issued by the Finance Department and contain the same level of detail as presented during the budget process. Financial reports are submitted to the City Council on a quarterly basis.

In Iowa, state law requires expenditures to be monitored and reported on an expenditure type basis. These types are Public Safety, Public Works, Health and Social Services, Culture and Recreation, Community and Economic Development, General Government, Debt Service and Capital Projects. Expenditures required to be budgeted include expenditures for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Project Funds, Permanent Funds, and Enterprise Funds. The Finance Department reviews expenditures on this basis during the course of the year to ensure the City is within the legal level of compliance.

**Amending the Budget**

Due to certain unforeseen events, it may become necessary to modify the adopted budget. The procedure for amending the budget depends upon the type of change that is needed. The City employs two types of budget amendments. The first type, an internal budget transfer, does not change the "bottom line" total for a department and is only required to be approved by the department director and the Finance director. The second type of budget amendment, commonly referred to as a formal budget amendment, can bring about change in the total appropriation for a department or fund, and must be approved by the City Council. The guidelines for budget amendments are listed below:

**Budget Amendments**

Section 384.18 of the Code of Iowa provides that a city budget for the current fiscal year may be amended for any of the following purposes.

- To permit the appropriation and expenditure of unexpended unencumbered cash balances on hand at the end of the preceding fiscal year which had not been anticipated in the budget.
- To permit the appropriation and expenditure of amounts anticipated to be available from sources other than property taxation and which had not been anticipated in the budget.

- To permit transfers from the debt service fund, the capital improvements reserve fund, the emergency fund, or other funds established by state law, to any other city fund unless specifically prohibited by state law.
- To permit transfers between programs within the general fund.

A budget amendment must be prepared and adopted in the same manner as the original budget, as provide in Iowa Code Section 384.16, and is subject to protest as provided in Iowa Code Section 384.19. All amendments to the City Budget must be approved by May 31 of the current fiscal year to allow time for a protest hearing to be held and a decision rendered before June 30, if needed.

## BUDGET PROCESS & STRUCTURE

## BUDGET CALENDAR

Month	Date	Description
September	9/1/2021	Department FY 2023 budget information distributed.
	9/16/2021	Capital Improvement Program FY 2023 budget process meeting.
October	10/28/2021	Deadline to submit department budget requests for FY 2023.
November	11/3/2021 to 11/30/2021	Budget review team meets with staff from departments regarding FY 2023 operating and supplemental budget requests.
	11/15/2021	Hotel/Motel funding application period commences.
December	12/1/2021 to 12/10/2021	Budget review team meets with staff from departments regarding FY 2023 operating and supplemental budget requests.
	12/16/2021	Meeting to Review proposed capital improvement program funding sources and proposed projects.
	12/29/2021	Hotel/Motel funding application period ends.
January	1/12/2022	Presentations by Hotel/Motel applicant organizations to F&A subcommittee
	1/18/2022	Workshop to outline budget process, parameters, and legislative issues.
	1/19/2022	Presentations by Hotel/Motel applicant organizations to F&A subcommittee
	1/26/2022	Presentations by Hotel/Motel applicant organizations to F&A subcommittee
	1/28/2022	Recommended operating and capital improvement program budgets delivered to Mayor and City Council.
February	2/4/2022	Public Notice of proposed maximum property published in the Des Moines Register (send to paper by 1/28/22)
	2/5/2022	Workshop to discuss and review recommended operating capital improvement program budget for FY 2023 budget
	2/21/2022	Public Hearing to establish the total maximum property tax dollars to levy for the FY 2023 budget
March	3/4/2022	Proposed budget public hearing notice published in Des Moines Register (send by 2/25/22)
	3/21/2022	Public Hearing and City Council approval of final operating (including Hotel/Motel) and CIP Budget.
	3/31/2022	Deadline for filing adopted budget with County Auditors
July	7/1/2022	New Fiscal Year Begins



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 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 Revenue**

The City's property tax rate should be comparable to cities of similar size and should provide enough revenue to pay for all 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 are reviewed annually to ensure their rate keeps pace with the cost of providing the service.

**General Fund Reserves**

The general Fund ending balance goal should be set at a level at or above 30% of annual operating expenditures, in order to maintain the top bond ratings.

**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. Second, 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, each of whom has given the City AAA and Aaa ratings, the highest ratings issued by those agencies.

**Capital Improvement Program**

Each year the City will assemble a committee of staff 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.

**Balanced Budget**

The budget shall be balanced for each budgeted fund, the budget is considered balanced when total revenues are equal to or greater than the total expenses. The City may also plan to spend fund balances from previous fiscal years on one-time or non-recurring expenditures and major capital projects, this is considered a balanced budget if the funding from the prior year is available.

**Capital Equipment Reserve Fund**

The City will maintain a capital equipment reserve fund that will be provided for the timely replacement of vehicles and heavy equipment that are no longer cost effective to maintain.

**Technology Equipment Reserve Fund**

The City will maintain a technology equipment reserve fund that will be provided for the timely replacement of computer and network 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 requirement of bond covenants, and allow for the timely replacement/upgrading of capital equipment and facilities.

**Audit Services**

The City of West Des Moines is required, under Iowa law, to have a financial audit performed following the close of each fiscal year. It shall be the policy of the City of West Des Moines, at least every five years, to complete a Request for Proposal (RFP) process open to interested accounting firms to submit formal proposal(s) to the City of West Des Moines. The City Council Committee on Finance and Administration, together with City staff will evaluate the proposals received based on qualifications, audit approach and price, and will make a recommendation to the full City Council as the firm to be engaged. The audit engagement will provide for a conditional three-year contract. Each year following the initial year, the work performance of the selected firm will be reviewed and evaluated to determine if the arrangement will be extended into years two and three. The engagement, although contracted for an annual basis, will be continued for two additional years as long as the work performed is satisfactory to the City. At the option of the firm, and with the recommendation of the Committee on Finance and Administration and City staff, the engagement may be continued for up to an additional two years. In no instance will the City go beyond five years without going through a formal Request for Proposal process.

**Financial Structure**

The City of West Des Moines operates on a July 1 to June 30 fiscal year. The City's accounting and budgeting systems are organized and operated on a fund basis. Where a business typically combines the results of the operations of all its subsidiaries into one consolidated report, the City of West Des Moines creates a separate report for each one of its groups of funds. **A fund is defined as a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.** Each fund receives revenue from different sources and functions as if it were a self-contained business with its own set of accounts and financial reports. The expenditures from each fund are covered by the revenues from that fund, plus any appropriate transfers of revenue from other funds. As a result of the fund structure, the City of West Des Moines does not have a single bottom line, but many bottom lines, one for each fund.

The fund structure serves the following two main functions: 1) The separation of funds helps ensure that earmarked revenue is being spent appropriately. For example, because individual funds are smaller, less complicated, and have their own reports, it is easier to track or match revenues with expenditures. This task would be far more difficult if the City had one large undifferentiated fund. 2) Fiscal control is a key element of a fund structure. Not only is the budget required to balance, due to current legislation and other mandated constraints. Surpluses in some funds may not be used to cover deficits in other funds. Thus, the fund structure forces governments to meet a more exacting standard of balance than private sector organizations.

**Types of Funds**

The City of West Des Moines groups all of its funds into three broad categories depending on the nature of the fund. **Governmental Funds** are used to account for the City's governmental type activities; **Proprietary Funds** account for the City's ongoing business type activities; and, **Fiduciary Funds** are used to account for activities when the City acts in an agent or fiduciary capacity. Listed below are the categories used by the City and the basic types of funds for each category:

**Governmental Funds**

**General Fund** is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund.

**Special Revenue Funds** are used to account for revenues derived from specific sources that are usually required by law or regulation to be accounted for in separate funds.

**Debt Service Fund** is used to account for legally mandated reserves and the payment of interest and principal on the City's general long-term debt.

**Capital Project Funds** are used to account for all resources used in the acquisition or construction of capital facilities.

The following funds are the City's major governmental funds:

**General Fund:** The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

**Road Use Tax Fund (Special Revenue):** To account for the proceeds from road use tax monies.

**Tax Increment Financing Fund (Special Revenue):** To account for the accumulation of resources generated by TIF districts to be used for urban renewal and development. Property tax revenue generated on increased assessed valuations within TIF districts are the resources accounted for in this fund.

**Local Option Sales Tax Fund (Special Revenue):** To account for the voter-approved local option sales tax Dallas, Polk, and Warren Counties with 50% of the revenue pledged for property tax reduction and 50% to be used for certain initiatives including quality of life amenities and increased public safety spending.

**Debt Services Fund:** To account for the servicing of the general long-term debt not financed by a specific source.

**Capital Projects Fund:** To account for the acquisition and construction of major capital facilities and other capital assets, with the exception of those that are financed through proprietary fund types.

### **Proprietary Funds**

**Enterprise Funds** are used to account for operations and activities that are financed and operated in a manner similar to a private business, where costs of providing the service are expected to be financed through user charges.

The following are the City's major enterprise funds:

**Sanitary Sewer Fund:** To account for the operations of the City's sanitary sewer systems including the revenue from usage fees, the operating costs associated with it, and capital projects and all bond issues.

**Stormwater Fund:** To account for the operations of the City's storm water sewer systems including revenue from usage fees, operating costs, capital projects and all bond issues.

**Fiber Conduit Utility Fund:** To account for the operations of the City's fiber conduit systems included revenue from usage fees, operating costs, capital projects and all bond issues.

**Westcom Fund:** To account for the operations of the City's dispatching services.

**MidAmerican Energy Company RecPlex Fund:** To account for the operations of the City-owned multi-sport recreational facility.

**Internal Service Funds** are used to finance and account for services and commodities provided by designated departments or agencies to other departments of the City.

### **Fiduciary Funds**

**Agency Funds** are custodial in nature (assets equal liabilities) and do not involve measurement or results of operations. The assets held by the City are for the benefit of others.

**Function**

Revenues and expenditures are classified by function. The term function refers to the major program area referenced by the Iowa Administrative Code. Classification of revenue and expenditures by function provides

information on the purposes or objectives of expenditures and their related revenues. Expenditures functions are:

**Public Safety** includes police, fire, emergency medical services, animal control, emergency management, flood control, and building inspection.

**Public Works** includes road, bridges, sidewalks, street lighting, traffic control & safety, snow removal, engineering, street cleaning, and right of way maintenance.

**Health & Social Services** includes human services and human rights.

**Culture & Recreation** includes library, parks, recreation, cemeteries, and community center.

**Community & Economic Development** includes economic development, housing & urban renewal, and planning & zoning.

**General Government** includes Mayor & City Council, City Manager, city clerk, city hall, elections, finance, legal, human resources, information technology services, and risk management.

**Debt Service** includes debt service funds.

**Capital Projects** includes capital project funds and special assessments

**Business Type Activities** includes sanitary sewer, solid waste, stormwater, fiber conduit utility, Westcom dispatch, and the MidAmerican Energy Company RecPlex.

Fund Types							
Fund	Governmental Funds	Proprietary Funds	Fiduciary Funds		Major Fund	Non-Major Funds	Included In Budget
<b>General Fund</b>	X				X		X
<b>Special Revenue:</b>							
Road Use Tax	X				X		X
Local Option Sales Tax	X				X		X
Rehab/Economic Development	X					X	X
Employee Benefits	X					X	X
Tax Increment Financing	X				X		X
Police & Fire Retirement	X					X	X
Parks	X					X	X
Public Art	X					X	X
Library	X					X	X
Police	X					X	X
Youth Justice Initiative	X					X	X
Human Services	X					X	X
EMS	X					X	X
<b>Debt Service</b>	X				X		X
<b>Capital Projects</b>	X				X		X
<b>Enterprise:</b>							
Sanitary Sewer		X			X		X
Solid Waste		X				X	X
Storm Water		X			X		X
Fiber Conduit Utility		X			X		X
MidAmerican Energy RecPlex		X			X		X
Westcom		X			X		X
E911		X				X	X
<b>Internal Service:</b>							
Technology Replacement		X				X	X
Vehicle Replacement		X				X	X
Vehicle Maintenance		X				X	X
Health Insurance		X				X	X
Worker's Compensation		X				X	X
<b>Trust &amp; Agency:</b>							
Section 125 Plan			X		N/A	N/A	
Housing Escrow			X		N/A	N/A	
Developer Bonds			X		N/A	N/A	
Police Agency			X		N/A	N/A	

**BUDGET PROCESS & STRUCTURE**

**MATRIX OF FUNDS/PROGRAMS**

Fund	Budget Program									
	Public Safety	Health & Social Services	Culture & Recreation	Public Works	Community & Economic Development	General Government	Debt Service	Capital Projects	Business Type/ Enterprise	Non Program
<b>General Fund</b>										
General	X	X	X	X	X	X				
Insurance						X				
Hotel/Motel Tax			X		X					
<b>Special Revenue:</b>										
Road Use Tax				X						
Local Option Sales Tax						X				
Rehab/Economic Development		X			X					
Employee Benefits						X				
Tax Increment Financing					X					
Police & Fire Retirement	X									
Parks			X							
Public Art			X							
Library			X							
Police	X									
Youth Justice Initiative	X									
Human Services		X								
EMS	X									
<b>Debt Service</b>							X			
<b>Capital Projects</b>								X		
<b>Enterprise:</b>										
Sanitary Sewer									X	
Solid Waste									X	
Storm Water									X	
Fiber Conduit Utility									X	
MidAmerican Energy RecPlex									X	
Westcom									X	
E911									X	
<b>Internal Service:</b>										
Technology Replacement										X
Vehicle Replacement										X
Vehicle Maintenance										X
Health Insurance										X
Worker's Compensation										X
<b>Trust &amp; Agency:</b>										
Section 125 Plan										X
Housing Escrow										X
Developer Bonds										X
Police Agency										X