

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 9, 2024

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, 2023.

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.

FORVIS 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 tandem.

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 130th anniversary of the City.

Centrally located within the state of 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 to the 2020 decennial United States Census dated April 1, 2020. The data confirmed population growth of 21.4% from the 2010 Census, 48.1% from 2000, and 116.8% from 1990. The Census Bureau also estimates that the City's population expanded further, to a total of 70,741 residents, by July 1, 2022.

The City's policy-making and legislative authority are vested in a governing council. The City Council consists of a mayor and five council members; all of whom are elected on a non-partisan basis. Three (3) council members are elected by ward and the remaining two (3), as well as the mayor, are 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 through the enactment of ordinances, resolutions, and motions. The Council is 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 key staff including department directors. Departments of the City include Community & Economic Development, Development Services, Diversity, Equity, and Inclusion, Emergency Medical Services, Engineering, Finance, Fire, Human Resources, Human Services, Legal, Parks & Recreation, Police, and Public Services.

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 considered a city department. This is in part because the library is appropriated funds by the City Council, and in addition library personnel and operations routinely follow the general operating policies and procedures of by the City.

Public elementary and secondary education services for residents of West Des Moines are provided by six separate public-school districts – the Des Moines, Norwalk, Van Meter, Waukee, West Des Moines, and Winterset district boundaries all include parts of the City. The City also hosts several parochial schools. Public water services are provided primarily by the West Des Moines Water Works with scant areas 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 31 of the preceding fiscal year. In 2023, this deadline was extended by the State Legislature to April 30 due to late changes affecting revenues for fiscal budget year 2023-24. Later in their 2023 lawmaking session, the State Legislature permanently moved the deadline date to April 30. The state mandates that the City will maintain legal spending control at the function level. These levels consist 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

As noted previously, based on the decennial US Census dated April 1, 2020, West Des Moines was ranked as the 6th largest city by population in the State of Iowa with a population of 68,723. Despite slipping to 7th based on estimated 2021 data, the City's role as a primary economic engine in the state is perhaps more accurately reflected by noting it: (a) ranks 3rd among cities in Iowa in total taxable property valuation with \$7.3 billion as of January 1, 2022, (b) ranked 2nd in hotel/motel tax collections with \$4.77 million during fiscal year 2023, and (c) ranked 4th in taxable retail sales with just under \$2.08 billion in retail goods and services sold within the City during fiscal 2022 (statewide fiscal 2023 date is not yet available).

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 2022 (most recently available data), the median household income in the City was \$82,345, which compares favorably to the State of Iowa median of \$70,571 and the national median of \$75,149.

Prior to 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. The hospitality sector has since recovered nicely, and while many employers have resumed typical office patterns, many others, including several larger local employers, have shifted to a hybrid or work-from-home model for many of their employees. This has negatively affected the valuation and occupancy rates of several of the City's numerous office park buildings and complexes. Also, as has been seen in other areas across the country, the city has seen the older of its two regional shopping malls steadily decline and now has many vacancies and has encountered financial difficulty.

Despite these ongoing economic challenges, other sectors are thriving. As alluded to above, hotel stays and associated dining, shopping, and entertainment activities continue to be very strong. West Des Moines has evolved into a state-level draw for youth sports and other leisure activities with the opening of the MidAmerican Energy Rec Plex in the fall of 2021,

making fiscal year 2023 the first full year of operations. The city's housing stock continues to expand 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. Retirement community options continue to grow as well. Fiscal 2023 saw 225 new single-family homes constructed along with 298 apartment units, and both totals continued a rising trend. As a comparison, a very strong fiscal 2022 saw 528 new single-family homes and 464 apartment units added. Rental rates and occupancy percentages continue to be above the average for the state and region.

Construction permits issued during the year continue to reflect the city's development. The main driver of overall permit valuations is the continued construction of Microsoft's data centers – during fiscal year 2022 the data center giant-initiated construction of its 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, to be constructed over a 3-to-5-year period at a cost of over \$1 billion for each center. The first two of their data centers are fully operational and the third center is nearing completion. After June 30, 2023, Microsoft acquired land towards the construction of a sixth data center, so obviously this sector of their business continues to grow rapidly, and the City has responded by investing in underlying necessary infrastructure (roadways, sewer, water, and fiber connections) to support their operations. The necessary infrastructure is being largely 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 to build around a 2036 Plan which includes the advancement of broadband access to all residents. Towards this goal, 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 \$60 million financed through the City's existing Debt Service levy. The project was largely completed by September 30, 2023, and five (5) separate providers of internet service have agreed to lease conduit space in the network, including one provider, Google Fiber, which as part of its agreement, agreed to serve all residents and businesses with their high-speed product. A second major provider, Lumen, has an agreement to eventually will grow its network to also serve all residents. The remaining three internet service companies are using portions of the network to provide business-to-business connectivity to their customers.

Development during fiscal 2023 also included more entertainment, dining, and retail spaces around the Jordan Creek Mall, highlighted by the initiation of new Top Golf and Dave & Busters facilities. Valley Junction continued its rapid development with new restaurants and mixed retail and apartment projects. In total, fiscal 2023 saw a total of 16 new commercial buildings with combined estimated value of \$680 million and \$1.22 billion of overall building permit activity (residential and commercial). This is significantly up from totals of \$307 million and \$360 million in each of the prior two fiscal years and ranks second all time in the city's history for overall activity.

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.

During Fiscal 2021, the City Council adopted a policy centered around general fund cash reserves. The policy states that the cash balance will meet or exceed 30% of annual total general fund expenditures. This reserve is 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 most 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 2023 General Obligation Bond sales, on April 21, 2023, S&P Global Ratings reviewed and reaffirmed its AAA / Stable rating to the City. Prior to that, on August 10, 2022, and again on October 5, 2022, Moody's Investor Services reviewed and reaffirmed its highest rating Aaa (Stable) related to the City's general obligation 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 lists the City's strong financial position and conservative fiscal management as strengths.

As of June 30, 2023, 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 \$5.4 million increase in the general fund during fiscal 2023, general fund reserves are maintained of \$49.1 million, or 61.7% of annual general fund expenditures.

During fiscal 2023, the City completed the first full year of operations of the \$60 million sports and recreation facility (the MidAmerican Energy Rec Plex) which serves the community with 2 NHL-sized ice sheets including an arena which can seat up to 1,500 for hockey and up to 2,400 for concerts and other events, 4 full hardwood basketball/volleyball courts, a 120 yard 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 operated by Des Moines University. The facility was 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. The revenues and usage during the first fiscal year dramatically exceeded expectations, with an estimated 750,000 users and spectators using the facility and overall revenues being close to those anticipated during the fourth year of operations as outlined in a feasibility study completed prior to construction.

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, 2022. This was the 30th 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.

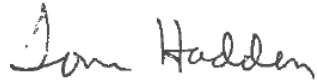
Additionally, for the 25th consecutive year the City received the GFOA's Distinguished Budget Presentation Award for its annual budget document related to the fiscal year beginning July 1, 2023. To qualify for the Distinguished Budget Presentation Award, the City's budget document was judged and deemed 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-five (25) 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 FORVIS 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



The Government Finance Officers Association of
the United States and Canada

presents this

AWARD OF FINANCIAL REPORTING ACHIEVEMENT

to

Finance Department
City of West Des Moines, Iowa



The Award of Financial Reporting Achievement is presented by the Government Finance Officers Association to the department or individual designated as instrumental in the government unit achieving a Certificate of Achievement for Excellence in Financial Reporting. A Certificate of Achievement is presented to those government units whose annual financial reports are judged to adhere to program standards and represents the highest award in government financial reporting.

Executive Director

Christopher P. Morill

Date: 11/21/2023

**City of West Des Moines, Iowa
List of Principal Officials
As of June 30, 2023**

Elected Officials

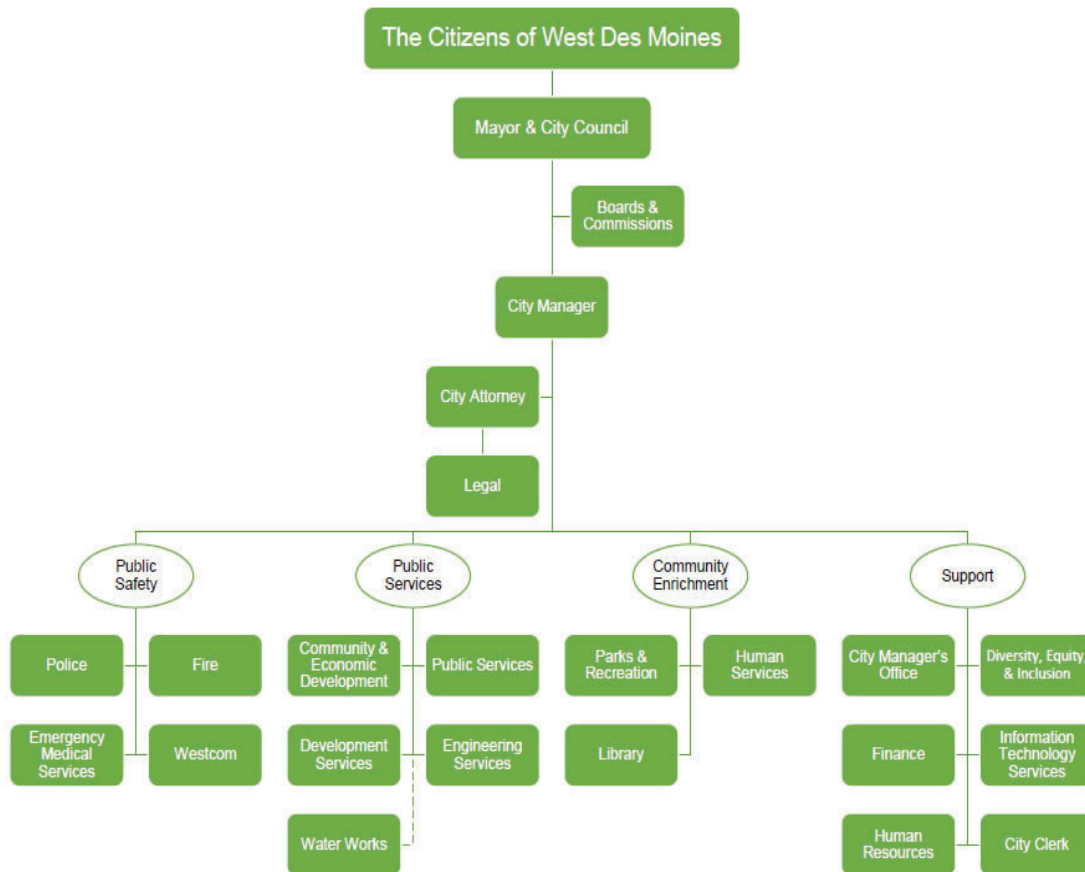
Russ Trimble	Mayor	Term Expires December 31, 2025
Renee Hardman	Councilmember, At Large	Term Expires December 31, 2025
Matthew McKinney	Councilmember, At Large	Term Expires December 31, 2027
Kevin Trevillyan	Councilmember, Ward 1	Term Expires December 31, 2025
Greg Hudson	Councilmember, Ward 2	Term Expires December 31, 2027
Doug Loots	Councilmember, Ward 3	Term Expires December 31, 2025

Appointed Officials

Tom Hadden, City Manager
Ryan Jacobson, City Clerk
Greta Truman, City Attorney

City of West Des Moines, Iowa
 Organizational Chart
 As of June 30, 2023

The City of West Des Moines Organizational Chart



---- Indicates Reports to Board