



## EXECUTIVE OVERVIEW





THE CITY OF  
**West Des Moines®**  
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'AAA'  
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January 23, 2010

Honorable City Council members:

I respectfully present the proposed budget for the City of West Des Moines for the fiscal year beginning July 1, 2010. **As the City's financial and spending plan for the year, the adoption of the budget is undoubtedly the single-most important action taken by the City's elected officials each year.** The adopted budget will authorize resources and establish a direction for our programs and services for the coming year.

As you review the 2010-11 FY budget, it is the Staff's belief that the budget format enhances the citizens of West Des Moines' understanding of the budget process and the services they will receive. **We are very proud that the Government Finance Officer's Association of the United States and Canada has voted to award our budget document the Distinguished Budget Presentation Award for the 2009-2010 fiscal year, the eleventh consecutive year receiving this honor.**

It is vital that the City's policy makers are provided with information needed to ensure that the budget document reflects the public interest. **It is our hope that the budget document serves as an effective policy document, financial planning tool, operational tool and communication device.**

#### *Recent Accomplishments in Financial Management*

As we move into the second half of the 2009-10 FY, we are pleased to make particular note of two accomplishments in the management of the City's financial resources.

- **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, 2008. This is the sixteenth 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 accounting principles generally accepted in the United States of America and applicable legal requirements.

- **In November 2009, the City’s bond rating on outstanding general obligation debt was reaffirmed by Standard & Poor’s at AAA.** AAA is the highest rating that can be achieved and West Des Moines is the only Standard & Poor’s AAA rated city in the state of Iowa. In their published rating report, Standard & Poor’s notes **“The City’s financial position is strong due to the maintenance of a large general fund balance and conservative financial management.”**

***2010-11 FY Budget Highlights***

- The proposed budget maintains the current property tax rate of \$12.05 per thousand dollars of taxable valuation.
- No new positions are recommended in the proposed budget.
- In light of current economic conditions, we have increased our focus on long-term financial planning. Three teams were formed to assist in making projections and recommendations, the Revenue Estimating Team, Personnel Expenditure Estimating Team and the Position Review Team. The Revenue Estimating Team’s function is to project taxable valuation and other major revenue components such as hotel/motel taxes, building permits and interest income. The Personnel Expenditure Estimating Team’s function is to project costs associated with personnel, such as wages, health/medical insurance and pension contributions. The Position Review Team’s function is to examine vacant positions and make a recommendation to the City Manager regarding the future of the position. Recommendations may include filling the position, merging the position and duties with another position, changing the position title/pay grade, leaving the position vacant for a specified amount of time, or eliminating the position. Implementation of recommendations from the Position Review Team has saved the City nearly \$400,000 in reoccurring operational costs. Given the success of these teams and new processes, we will continue the initiative with vigilance and validation.
- Employee compensation will follow past practice in that we have bargaining unit contracts for approximately 150 employees and the remaining non-represented employees compensation is tied to the CPI-W. New employees continue to be enrolled in the City’s newly created health plans and pension benefits are under the purview of the State.

Bargaining unit employees will receive cost-of-living-adjustments ranging from 3.25% to 3.50% in agreement with the terms of their respective contracts. In addition to cost of living increases, a number of bargaining unit employees are eligible to receive step increases with the number of steps being dependent upon performance and employee classification.

Considering the CPI-W was negative for September of 2009, non-represented employees will receive no cost-of-living adjustment. Those who are not at the maximum of their pay grade may still be eligible to receive a step increase based upon job performance. These step increases will not exceed an average of 2%.

- The City of West Des Moines will receive approximately \$4.6 million dollars in Road Use Tax Funds. Approximately \$3.89 million in Road Use Tax funds are being utilized for street related expenditures (CIP and operating). The remaining \$715,000 will be used for street lighting. This will effectively use all of the current year Road Use Tax funds received from the State of Iowa.

- The proposed budget reflects an increase in the contribution rate for the Municipal Fire and Police Retirement System of Iowa (MFPRSI). The City's contribution rate of covered wages for 2010-11 FY will be 19.90% as compared to 17.00% for 2009-10 FY. The increased rate amounts to an additional \$116,000 in annual pension costs. The proposed budget also reflects an increase in the contribution rate for Iowa Public Employees Retirement System (IPERS). The City's contribution rate will increase from 6.65% in 2009-10 FY to 6.95% in 2010-11 FY. The IPERS rate increase is equivalent to \$21,000 in additional pension costs to the City.

Recognizing that investment returns for both pension systems are less than what is required to meet future needs, expectations are that increase(s) in contribution rates will be necessary in future budgets.

- In 2007 the City Council approved changes to the residential solid waste collection fees and sanitary sewer service fees and we believe those proactive steps preclude the need for increases in those fees in 2010-11.

Continuing with the City's preference to be proactive rather than reactive staff will be, during the next few months, bringing forward recommendations as to sanitary sewer connection fee district per acre charges and as to sanitary sewer capital charges.

- **The proposed budget reflects the carryover of cash to ensure the 2010-2011 FY budget maintains prudent general fund balances, which protect the City of West Des Moines' financial integrity.** The total revenues are \$55,515,850 and total expenditures are \$55,486,004. We project that the City's General Fund balance on June 30, 2011 will be in excess of 29 percent (**\$14,130,285**) of annual operating expenditures which is sufficient for meeting unexpected shortfalls in revenues or demands on future fund resources.

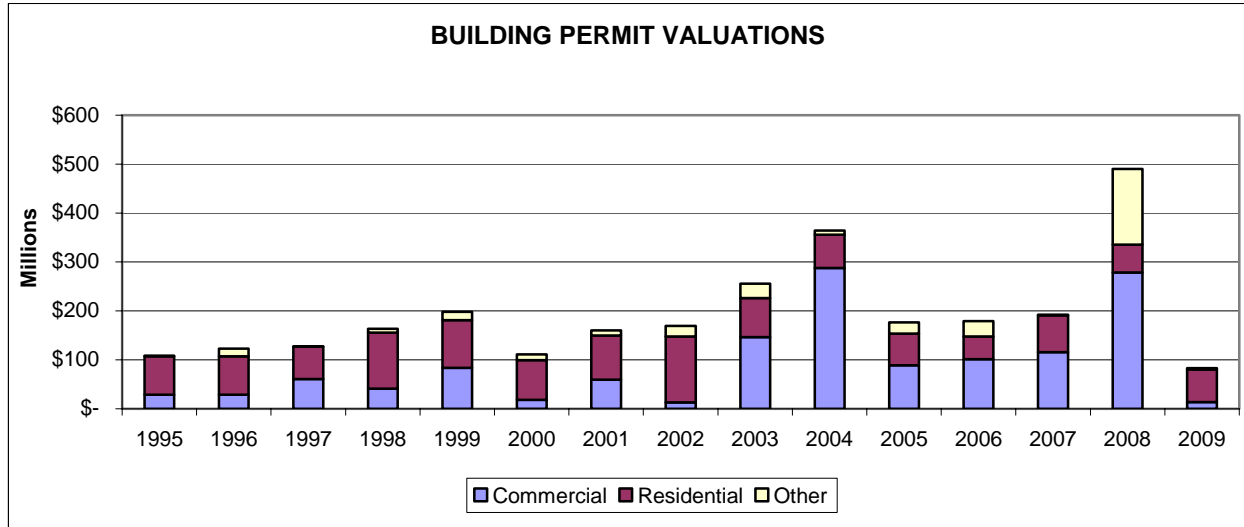
### ***Outlook for 2011-12 FY and Beyond***

Given the slowdown in the economy, we have spent considerable time projecting revenues and expenditures to ensure adequate funding of services will be available in the following budget cycles. The starting point for all projections is to deliver the same high-level of service to our community, use very conservative revenue assumptions, leave the tax rate unchanged and maintain adequate staffing levels. As fiscal variables become clear, we will continue to monitor the next two budget cycles. Examples of variables we are most concerned with include the pronounced slowdown of private taxable development, the anemic sub-1% earnings rate on our investments, the substantial increases of mandated pension contributions, and the likely return to annual reductions in the residential rollback.



### *Local Economy/Development Activity Highlights*

The City of West Des Moines continues to be one of fastest growing cities in the State of Iowa. As of the 2005 special census we had 51,744 residents, which is a 63 percent increase in population since 1990 and 11.5 percent since 2000. As of October 1, 2009, staff estimates the City's population to be 57,143. **In calendar year 2009, the total building permit valuation was slightly in excess of \$82,760,000. The downturn in development activity is a concern for this and future budget years. Staff will continue to monitor the economy and make budget recommendations and adjustments as necessary.**



### ***BUDGET IN BRIEF***

#### ***Revenues***

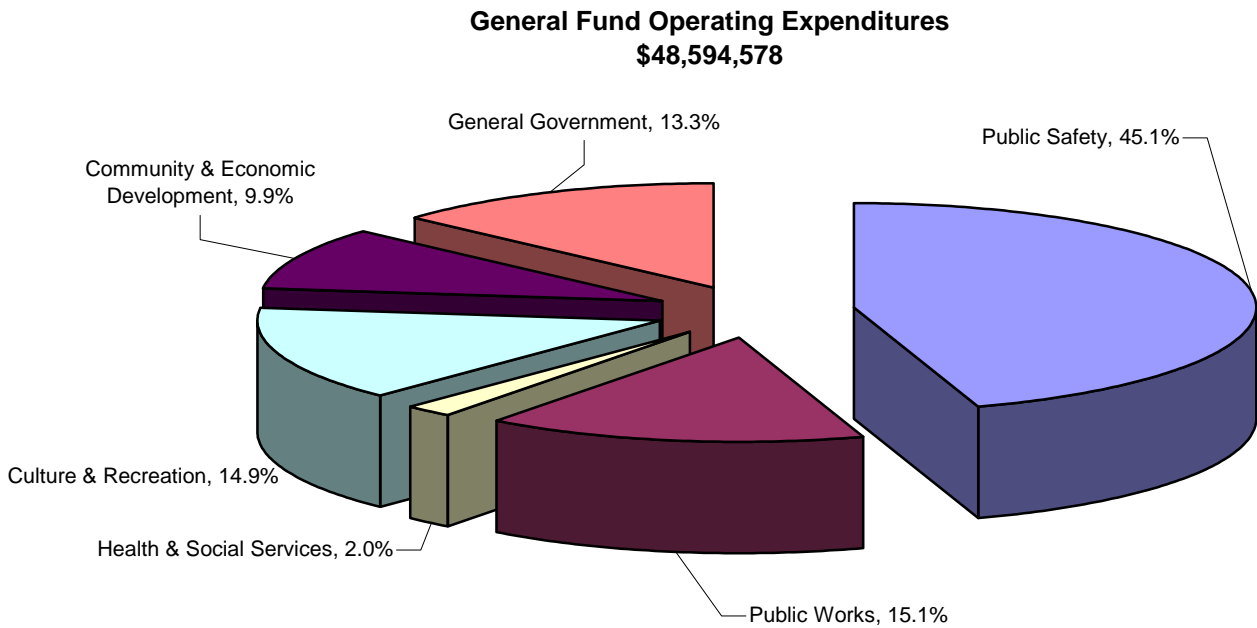
The City of West Des Moines continues to experience significant growth. However, much of the recent commercial growth will not translate into additional funding for operating budgets. The two hospitals will likely be 100% tax exempt and the AVIVA office building tax revenues will be used to pay for the surrounding infrastructure for several years to come. The City has built a strong base in commercial property including two regional malls and extensive office and medical clinics along Westtown Parkway. There are numerous vacant parcels along Mills Civic Parkway that will enable further commercial growth once the economy rebounds.

**In 2010-11, General fund operating revenues of \$42,357,805 are projected to decrease by 0.47% compared to 2009-10 FY.** Several factors contributed to the increase in property tax revenue including growth in property valuations, the most significant being the retirement of the Valley Junction/Railroad Avenue TIF district, which allowed the release of slightly more than \$100,000,000 in taxable value. Two significant general fund revenue sources are projected to decrease for FY 2010-11. Interest earnings are projected to be \$175,000 compared to \$785,000 in FY 2009-10. Building Permit revenues are projected to fall by \$35,000 to a total of \$350,000 for FY 2010-11.

It is important to note that in excess of \$360,600,000 in taxable value remains included in the City's Tax Increment Finance Districts. This is over \$3,600,000 (estimated) in tax dollars that is excluded from general fund resources. Also important are the number of public infrastructure projects that have been completed with TIF dollars, projects ranging from public safety facilities to bridges to vital roads and utility systems.

West Des Moines' taxable valuation per capita of over \$78,000 is the highest of Iowa's ten largest cities.

**Expenditures**



**The City's General Fund operating expenditures total \$48,594,578 and denote a decrease of 0.15% (\$71,143) less than the 2009-10 FY budget.** The largest percent of expenditures continues to be in the Public Safety program area with 45.1% of General Fund.

Police and Fire pension costs are accounted for outside the General Fund but do utilize a property tax levy for funding. Anticipated increases in contributions to the Police and Fire pension system may reduce the property tax capacity of the General Fund in future budget cycles.

**The City of West Des Moines' total number of full time equivalents (FTE's) is 361.85 which is a decrease of 2.00 from the level approved for the 2009-10 FY. This will be the second consecutive year that the City has reduced the number of employees.** The impact of accelerating personnel costs must be closely evaluated and monitored as there are a number of new position requests that were not included in this budget due to financial constraints. Self-insured healthcare costs are projected to increase by 10%. IPERS pension contributions increased by \$21,000 in FY 2010-11 and are projected to increase at an even faster pace in the future.

## *Capital Improvement Plan*

A citizen committee developed the Capital Improvement Plan, with technical assistance from the City staff. The City's capital plan is increasingly challenging to complete due to the number of beneficial projects which compete for limited funding. The plan identifies definitive funding for projects over the next three years that honors previous commitments and continues to adhere to the \$2.00/\$1,000 debt service rate limitation. Proposed projects are identified for the fourth and fifth year of the plan, but the funding is tentative or listed as "to-be-determined".

Assuming the same annual allocations are given to all the CIP categories, except for Street Construction which differs greatly year to year, the bonding capacity remaining within the three-year planning horizon is \$2,500,000. The Citizens Committee voted to allocate an additional \$500,000 a year for Pavement Rehabilitation, up to \$50,000 for improvements to the 1<sup>st</sup> Street medians, and \$1,950,000 to the development of Valley View Park.

There are two basic approaches to funding capital projects. These are pay-as-you-go and pay-as-you-use. Pay-as-you-go means paying for the capital project out of current revenues at the time of expenditure. Pay-as-you-use means borrowing to finance the expenditure with debt service payments being made from revenues generated throughout the useful life of the project. West Des Moines uses a mix of finance approaches to finance capital projects. Capital projects are financed through bonds, reserves, grants, developer contributions and other governmental sources.

In addition to our efforts to extend infrastructure improvements to our developing areas we will continue present efforts in the older neighborhoods. The CIP commits substantial resources to resolve stormwater, sanitary sewer and paving issues in the Valley Junction area. The consultant report was finished in 2009 and construction will start in the 2010-11 fiscal cycle.

## *Strategic Planning/Quality Improvement Process/Clusters/Goal Setting*

The City of West Des Moines Mayor, City Council and staff have pursued a number of initiatives to define the direction for the city organization and community. **These measures include a citizen attitude survey, employee survey, new mission statement, employee value statement and the Balanced Scorecard Strategic Planning process (see Balanced Scorecard Section).**

The City staff has committed to enhancing the level of the services provided to our customers through the quality team process. This has involved extensive training of city personnel in quality tools and techniques. City employees have formed a number of teams that are examining and making recommendations on a wide range of city-wide and departmental issues. The quality team process is guided by a group of city employees representing all city departments.

In order to improve communications and break down departmental barriers the concept of organizational clusters was introduced several years ago. Four clusters within the City organization have been formed with each of the clusters being comprised of similar departments that are closely related in function and common issues.

**Community Enrichment Cluster:** Parks and Recreation, Human Services, Library

**Public Safety Cluster:** Fire, EMS, Police, WestCom

**Public Services Cluster:** Public Works, Development Services, Community and Economic Development, Water Works

**Support Services Cluster:** City Manager's Office, Administrative Services, City Attorney's Office, Human Resources, and Information Technology Services

Better relationships, synergies, and efficiencies have been established through the increased interactions of the departments. Departments have become more strategic partners as they embrace long-term issues and address strategic planning issues. The organizational clusters are a natural complement to the City's quality process as the City organization continually looks to improve.

A new section was added last year to the Budget document to illustrate the goals of the elected officials and the aligned strategies being implemented by staff. A description of each of the prioritized goals is provided along with updated status and progress. Several of the goals are directly tied to the budget. The most evident example is the stable tax rate being recommended for 2010-11 FY. Additionally, we are proactively protecting the tax rate from future year fiscal challenges by controlling costs (no new positions for 2010-11 FY), establishing prudent reserves and closely monitoring future year revenues and expenditures. This section will continue to be updated frequently as strategies are fulfilled and new initiatives are identified.



### ***Hotel/Motel Revenues***

Hotel/Motel Tax, authorized by West Des Moines voters in 1984, is expected to generate \$2,550,000 in the upcoming year. Of those revenues 2/7<sup>ths</sup> will automatically go to the Greater Des Moines Convention and Visitors Bureau, 2/7<sup>ths</sup> will flow (per agreement) to BRAVO, 2/7<sup>ths</sup> (subject to City Council approval), will be used for city park/recreation/tourist activities and the remaining 1/7<sup>th</sup> will be available for distribution to other City Council designated entities. For 2010-11 FY, the contribution to metropolitan-based organizations will exceed \$1,450,000.

### ***Regional Cooperation***

The City of West Des Moines continues to support programs that better the quality of life for all residents of the metro area. Besides direct financial support, the City of West Des Moines contributes to the Metro in many other ways. Here are some examples:

- ◆ Choose Des Moines Communities
- ◆ Wastewater Reclamation Authority
- ◆ Metro Planning Organization
- ◆ West Des Moines, Urbandale and Clive conduct joint fire/rescue training.
- ◆ West Des Moines and Clive jointly share a Fire/EMS facility
- ◆ The City provides animal control services to the City of Clive.
- ◆ The West Des Moines Police Department is involved in many metro-based activities, ranging from traffic task forces to narcotic trafficking.
- ◆ The City has committed \$1,300,000, over a multi-year period, to the Iowa Events Center.
- ◆ The City of West Des Moines, along with the Cities of Ankeny, Altoona, Clive, Grimes, Johnston, Pleasant Hill, Urbandale and Windsor Heights have formed Metro Home Improvement Program, a multi-jurisdictional housing rehabilitation entity. This program is a collaborative effort of nine metro cities with the purpose of preserving affordable housing stock in these communities.
- ◆ During 2008, the City entered into an agreement with Iowa Health Systems to provide administration and operation of emergency medical services. The resulting public-private partnership, Iowa EMS Alliance, avoids duplication of services while maintaining high quality care for the citizens of West Des Moines and the patients of Iowa Health.
- ◆ The City continues an agreement with Dallas County for West Des Moines' Emergency Medical Services Department to provide administrative and billing functions for that county's ambulance service.
- ◆ The City partnered with several metro-area communities to build a salt storage facility.

*Conclusion*

The City of West Des Moines' budget is increasingly difficult to balance due to the growing number of beneficial projects, which our departments have identified and are included in the proposed budget document for review by the City's policy makers.

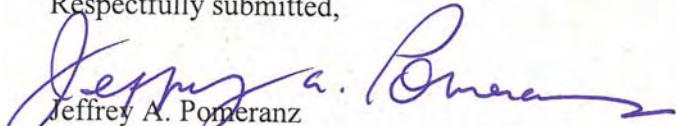
**In order to assure that the City's human and physical infrastructure keeps pace with the City's growth, additional user-fee revenue enhancements, strategic expenditure reductions and potential restructuring will likely be necessary in the future.** Current service demands and limited revenue growth will necessitate a thorough and continuous review of all aspects of our revenues and expenditures.

I must express my personal thanks to members of the City staff for their diligent efforts to develop budgets that reflect the needs of their individual departments.

A special note of thanks and appreciation should go to the members of the Administrative Services staff for excellent performance in gathering, analyzing and presenting information clearly and accurately. The budget preparation team, composed of Administrative Services Director Jody Smith, Assistant City Manager Scott Sanders and Budget Manager Jamie Schug, worked collaboratively and effectively as we reviewed and developed the 2010-11 budget. This budget could not have been developed without the combined efforts of all those involved.

I would also like to thank the City's elected officials for your interest and support in planning and conducting the financial operations of the city in a responsible and progressive manner.

Respectfully submitted,



Jeffrey A. Pomeranz  
City Manager