BUDGET SUMMARY

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 last ten 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 Revenues

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

General Fund Reserves

The General Fund balance goal should be set at a level equal to or slightly exceeding 25% of operating expenditures.

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. Secondly, 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, who have given the City AAA ratings, the highest rating issued by the agencies.

Capital Improvement Program

Annually, the City will assemble a Citizens Advisory Committee 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.

Capital Equipment Reserve Fund

The City will maintain a capital equipment reserve fund that will provide for the timely replacement of vehicles and heavy 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 requirements of bond covenants, and allow for the timely replacement/upgrading of capital equipment and facilities.

The FY 2010-11 Budget was drafted under guidelines listed on the previous page. Below are the significant short-term assumptions and policies utilized in developing the FY 2010-11 Budget:

Revenue Assumptions

- The proposed budget maintains the current property tax rate of $12.05 per thousand of taxable valuation.
- 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.
- Following City Council Spring 2007 approval of an increase in solid waste collection rates it will not be necessary to adjust those rates in the 2010-11 FY. As we approach subsequent year's budgets, however, the rates will need to be reviewed to ensure that revenues to this enterprise fund are adequate to meet expenditures.
- Similarly, following City Council 2007 approval of multi-year October 1st adjustments to the City's sanitary sewer fees, this enterprise fund should be able to meet Wastewater Reclamation Authority (WRA) operating expenses and debt payments associated with necessary conveyance system improvements.
- Continuing with the City's preference to be proactive, staff will be during the next few months, bringing forward recommendations as to sanitary sewer connection fee district per acre charges and sanitary sewer capital charges.

Expenditure & Fund Balance Assumptions

- 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 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.

Distribution of Property Tax Dollars for a $1,000,000 West Des Moines Commercial Property

Polk County - WDM Schools	
School	$13.64
County	6.83
RTA	0.38
Other	3.72
City	12.05
FY 09-10 Levy	**$36.62**

Dallas County - Waukee Schools	
School	$17.80
County	5.25
RTA	0.38
Other	1.59
City	12.05
FY 09-10 Levy	**$37.07**

	Actual FY 2008-09	**Budget FY 2009-10**	**Budget FY 2010-11**
Property Tax Calculation			
Assessed Valuation	$1,000,000	$1,000,000	$1,000,000
Rollback Percentage	99.73%	100.00%	100.00%
Taxable Value	$997,300	$1,000,000	$1,000,000
City Tax Rate per $1,000	$12.05	$12.05	$12.05
Total City Property Tax	**$12,017**	**$12,050**	**$12,050**

Distribution of Property Tax Dollars for a $200,000 West Des Moines Residence

Polk County - WDM Schools	
School	$13.64
County	6.83
RTA	0.38
Other	3.72
City	12.05
FY 09-10 Levy	**$36.62**

Dallas County - Waukee Schools	
School	$17.80
County	5.25
RTA	0.38
Other	1.59
City	12.05
FY 09-10 Levy	**$37.07**

	Actual FY 2008-09	**Budget FY 2009-10**	**Budget FY 2010-11**
Property Tax Calculation			
Assessed Valuation	$200,000	$200,000	$200,000
Rollback Percentage	44.08%	45.59%	46.91%
Taxable Value	$88,160	$91,180	$93,820
City Tax Rate per $1,000	$12.05	$12.05	$12.05
Gross City Tax	$1,062	$1,099	$1,131
Less City Share of Homestead Tax Credit	($58)	($58)	($58)
Total City Property Tax	**$1,004**	**$1,041**	**$1,073**

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Project Funds	Enterprise Funds	FY 2010-11 Budget
REVENUES						
Operating Revenues						
Property Taxes	$30,963,533	$5,980,980	$8,071,255			$45,015,768
TIF Revenues		10,766,297				10,766,297
Other City Taxes	3,208,080	74,020	90,963			3,373,063
Licenses and Permits	618,000					618,000
Use of Money and Property	219,400				1,860,000	2,079,400
Intergovernmental	3,497,032	4,804,704		6,651,500		14,953,236
Charges for Services	3,269,452				11,048,000	14,317,452
Special Assessments				100,000		100,000
Miscellaneous	582,308	777,000			6,292,000	7,651,308
Sub-total Operating Revenues	**$42,357,805**	**$22,403,001**	**$8,162,218**	**$6,751,500**	**$19,200,000**	**$98,874,524**
Other Financing Sources						
Proceeds of Long Term Debt	$5,000			$8,035,500		$8,040,500
Transfers In	13,153,045	212,208	8,792,898	12,510,500	7,612,685	42,281,336
Sub-total Other Financing Sources	**$13,158,045**	**$212,208**	**$8,792,898**	**$20,546,000**	**$7,612,685**	**$50,321,836**
TOTAL REVENUES & OTHER SOURCES	**$55,515,850**	**$22,615,209**	**$16,955,116**	**$27,297,500**	**$26,812,685**	**$149,196,360**
EXPENDITURES						
Operating Expenditures						
Personal Services	$33,832,049	$1,481,181			$925,650	$36,238,880
Supplies and Services	10,246,715	1,364,911			13,409,950	25,021,576
Universal Commodities	2,891,180	715,000			148,415	3,754,595
Non-Recurring/Non-Capital	550,377	97,000			50,000	697,377
Capital	1,058,318	341,381			1,447,770	2,847,469
Sub-total Operating Expenditures	**$48,578,639**	**$3,999,473**			**$15,981,785**	**$68,559,897**
Lease/Purchase or Installment Contract Expenditures	**$15,939**					**$15,939**
Total Operating Expenditures	**$48,594,578**	**$3,999,473**			**$15,981,785**	**$68,575,836**
Debt Service Expenditures		**$1,000,000**	**$16,955,116**		**$457,920**	**$18,413,036**
Capital Improvement Expenditures				**$18,962,000**	**$1,292,500**	**$20,254,500**
Total Expenditures	**$48,594,578**	**$4,999,473**	**$16,955,116**	**$18,962,000**	**$17,732,205**	**$107,243,372**
Transfers Out	**$6,891,426**	**$19,586,725**		**$8,165,500**	**$7,637,685**	**$42,281,336**
TOTAL EXPENDITURES/TRANSFERS OUT	**$55,486,004**	**$24,586,198**	**$16,955,116**	**$27,127,500**	**$25,369,890**	**$149,524,708**
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	**$29,846**	**($1,970,989)**		**$170,000**	**$1,442,795**	**($328,348)**
BEGINNING FUND BALANCE	**$14,100,439**	**$8,241,721**	**$8,034,896**	**($4,677,445)**	**$43,140,111**	**$68,839,722**
ENDING FUND BALANCE	**$14,130,285**	**$6,270,732**	**$8,034,896**	**($4,507,445)**	**$44,582,906**	**$68,511,374**
FUND BALANCE % OF EXPENDITURES	**29.08%**	**125.42%**	**47.39%**	**(23.77%)**	**251.42%**	**63.88%**

Revenues & Expenditures by Category

	ACTUAL FY 2007-08	ACTUAL FY 2008-09	REVISED BUDGET FY 2009-10	BUDGET FY 2010-11	INC(DEC) FY 2010-11 OVER FY 2009-10	% INC (DEC)
REVENUES						
Operating Revenues						
Property Taxes	$37,412,571	$40,700,708	$43,083,046	$45,015,768	$1,932,722	4.49%
TIF Revenues	16,258,279	14,193,555	12,929,711	10,766,297	(2,163,414)	(16.73%)
Other City Taxes	3,215,618	3,401,684	3,402,398	3,373,063	(29,335)	(0.86%)
Licenses and Permits	1,239,900	1,457,441	865,100	618,000	(247,100)	(28.56%)
Use of Money and Property	4,844,719	3,568,492	2,980,550	2,079,400	(901,150)	(30.23%)
Intergovernmental	8,977,289	13,864,073	15,758,867	14,953,236	(805,631)	(5.11%)
Charges for Services	12,473,850	14,748,244	14,645,750	14,317,452	(328,298)	(2.24%)
Special Assessments	120,639	811,801	100,000	100,000		
Miscellaneous	8,813,718	11,137,576	8,156,655	7,651,308	(505,347)	(6.20%)
Sub-total Operating Revenues	**$93,356,584**	**$103,883,573**	**$101,922,077**	**$98,874,524**	**($3,047,553)**	**(3.00%)**
Other Financing Sources						
Proceeds of Long Term Debt	$20,286,811	$113,958	$59,814,512	$8,040,500	($51,774,012)	(86.56%)
Transfers In	54,199,912	47,740,116	97,326,388	42,281,336	(55,045,052)	(56.56%)
Sub-total Other Financing Sources	**$74,486,724**	**$47,854,074**	**$157,140,900**	**$50,321,836**	**($106,819,064)**	**(67.98%)**
TOTAL REVENUES & OTHER SOURCES	**$167,843,307**	**$151,737,646**	**$259,062,977**	**$149,196,360**	**($109,866,617)**	**(42.41%)**
EXPENDITURES						
Operating Expenditures						
Personal Services	$30,869,695	$32,091,143	$35,402,735	$36,238,880	$836,145	2.36%
Supplies and Services	21,320,242	23,180,510	25,533,767	25,021,576	(512,191)	(2.00%)
Universal Commodities	3,029,104	3,230,645	3,690,370	3,754,595	64,225	1.74%
Non-Recurring/Non-Capital	812,770	709,472	890,420	697,377	(193,043)	(21.68%)
Capital	2,407,359	1,626,793	2,896,453	2,847,469	(48,984)	(1.69%)
Sub-total Operating Expenditures	**$58,439,170**	**$60,838,563**	**$68,413,745**	**$68,559,897**	**$146,152**	**0.21%**
Lease/Purchase or Installment Contract Expenditures	**$93,091**	**$30,980**	**$23,907**	**$15,939**	**($7,968)**	**(33.33%)**
Total Operating Expenditures	**$58,532,261**	**$60,869,543**	**$68,437,652**	**$68,575,836**	**$138,184**	**0.20%**
Debt Service Expenditures	**$31,317,574**	**$27,608,239**	**$68,066,391**	**$18,413,036**	**($49,653,355)**	**(72.95%)**
Capital Improvement Expenditures	**$16,681,400**	**$20,694,077**	**$33,634,905**	**$20,254,500**	**($13,380,405)**	**(39.78%)**
Total Expenditures	**$106,531,235**	**$109,171,859**	**$170,138,948**	**$107,243,372**	**($62,895,576)**	**(36.97%)**
Transfers Out	**$54,199,912**	**$47,740,116**	**$97,326,388**	**$42,281,336**	**($55,045,052)**	**(56.56%)**
TOTAL EXPENDITURES/TRANSFERS OUT	**$160,731,147**	**$156,911,975**	**$267,465,336**	**$149,524,708**	**($117,940,628)**	**(44.10%)**
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	**$7,112,160**	**($5,174,329)**	**($8,402,359)**	**($328,348)**	**$8,074,011**	**(96.09%)**
BEGINNING FUND BALANCE	**$75,304,250**	**$82,416,410**	**$77,242,081**	**$68,839,722**	**($8,402,359)**	**n/a**
ENDING FUND BALANCE	**$82,416,410**	**$77,242,081**	**$68,839,722**	**$68,511,374**	**($328,348)**	**n/a**
FUND BALANCE % OF EXPENDITURES	**77.36%**	**70.75%**	**40.46%**	**63.88%**		

Revenues & Expenditures by Fund

	ACTUAL FY 2007-08	ACTUAL FY 2008-09	REVISED BUDGET FY 2009-10	BUDGET FY 2010-11	INC(DEC) FY 2010-11 OVER FY 2009-10	% INC (DEC)
REVENUES						
Fund Revenues						
General Funds	$47,479,638	$53,242,590	$56,139,176	$55,515,850	($623,326)	(1.11%)
Special Revenue Funds	29,850,439	29,671,816	26,346,432	22,615,209	(3,731,223)	(14.16%)
Debt Service Funds	28,804,873	20,399,969	70,378,059	16,955,116	(53,422,943)	(75.91%)
Capital Project Funds	34,117,572	19,474,317	79,868,855	27,297,500	(52,571,355)	(65.82%)
Enterprise Funds	27,590,786	28,948,953	26,330,455	26,812,685	482,230	1.83%
Total Fund Revenues	**$167,843,307**	**$151,737,646**	**$259,062,977**	**$149,196,360**	**($109,866,617)**	**(42.41%)**
EXPENDITURES						
Fund Expenditures						
General Funds	$45,471,921	$50,078,240	$57,493,356	$55,486,004	($2,007,352)	(3.49%)
Special Revenue Funds	28,312,619	34,232,405	30,994,039	24,586,198	(6,407,841)	(20.67%)
Debt Service Funds	28,042,931	22,660,355	66,337,824	16,955,116	(49,382,708)	(74.44%)
Capital Project Funds	32,373,111	29,431,302	90,018,723	27,127,500	(62,891,223)	(49.86%)
Enterprise Funds	26,530,565	20,509,973	22,621,394	25,369,890	2,748,496	12.15%
Total Fund Expenditures	**$160,731,147**	**$156,911,975**	**$267,465,336**	**$149,524,708**	**($117,940,628)**	**(44.10%)**
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	**$7,112,160**	**($5,174,329)**	**($8,402,359)**	**($328,348)**	**$8,074,011**	**(96.09%)**
BEGINNING FUND BALANCE	**$75,304,250**	**$82,416,410**	**$77,242,081**	**$68,839,722**	**($8,402,359)**	**n/a**
ENDING FUND BALANCE	**$82,416,410**	**$77,242,081**	**$68,839,722**	**$68,511,374**	**($328,348)**	**n/a**
FUND BALANCE % OF EXPENDITURES	**77.36%**	**70.75%**	**40.46%**	**63.88%**		

Comparison of Amended Budget to Actual

	Amended Budget FY 2007-08	Actual FY 2007-08	Variance Favorable (Unfavorable)	Amended Budget FY 2008-09	Actual FY 2008-09	Variance Favorable (Unfavorable)
REVENUES						
Revenues						
Property Taxes	$37,530,923	$37,412,571	($118,352)	$40,783,461	$40,700,709	($82,752)
TIF Revenues	16,168,384	16,258,279	89,895	14,688,293	14,193,555	(494,738)
Other City Taxes	3,286,682	3,215,619	(71,063)	3,297,852	3,401,684	103,832
Licenses and Permits	944,000	1,239,900	295,900	1,312,200	1,457,440	145,240
Use of Money and Property	1,943,000	3,455,698	1,512,698	3,760,000	2,009,742	(1,750,258)
Intergovernmental	17,793,696	8,626,836	(9,166,860)	14,264,979	15,405,673	1,140,694
Charges for Services	11,476,200	12,603,991	1,127,791	13,890,150	14,751,260	861,110
Special Assessments	100,000	109,807	9,807	786,600	811,801	25,201
Miscellaneous	7,695,930	6,285,664	(1,410,266)	10,862,567	3,267,050	(7,595,517)
Total Revenues	**$96,938,815**	**$89,208,365**	**($7,730,450)**	**$103,646,102**	**$95,998,914**	**($7,647,188)**
EXPENDITURES						
Expenditures						
Public Safety	$21,581,845	$19,285,895	$2,295,950	$23,324,954	$20,692,061	$2,632,893
Public Works	8,175,130	7,222,303	952,827	8,249,836	9,212,032	(962,196)
Health and Social Services	1,045,352	1,013,531	31,821	1,083,711	1,068,302	15,409
Culture and Recreation	6,441,069	6,369,572	71,497	6,949,939	6,728,349	221,590
Community and Economic Development	6,206,010	5,721,841	484,169	7,146,532	6,434,853	711,679
General Government	6,360,687	4,834,942	1,525,745	6,099,891	4,689,574	1,410,317
Debt Service	31,724,989	30,638,165	1,086,824	28,700,419	27,183,405	1,517,014
Capital Outlay	37,121,800	18,015,390	19,106,410	44,641,310	20,783,005	23,858,305
Business Type	21,984,771	7,637,213	14,347,558	16,911,344	8,566,683	8,344,661
Total Expenditures	**$140,641,653**	**$100,738,852**	**$39,902,801**	**$143,107,936**	**$105,358,264**	**$37,749,672**
Excess (Deficiency) of Revenues Over Expenditures	**($43,702,838)**	**($11,530,487)**	**$32,172,351**	**($39,461,834)**	**($9,359,350)**	**$30,102,484**
Other Financing Sources, Net	**$19,077,000**	**$26,727,791**	**$7,650,791**	**$29,240,000**	**$5,280,162**	**($23,959,838)**
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	**($24,625,838)**	**$15,197,304**	**$39,823,142**	**($10,221,834)**	**($4,079,188)**	**$6,142,646**

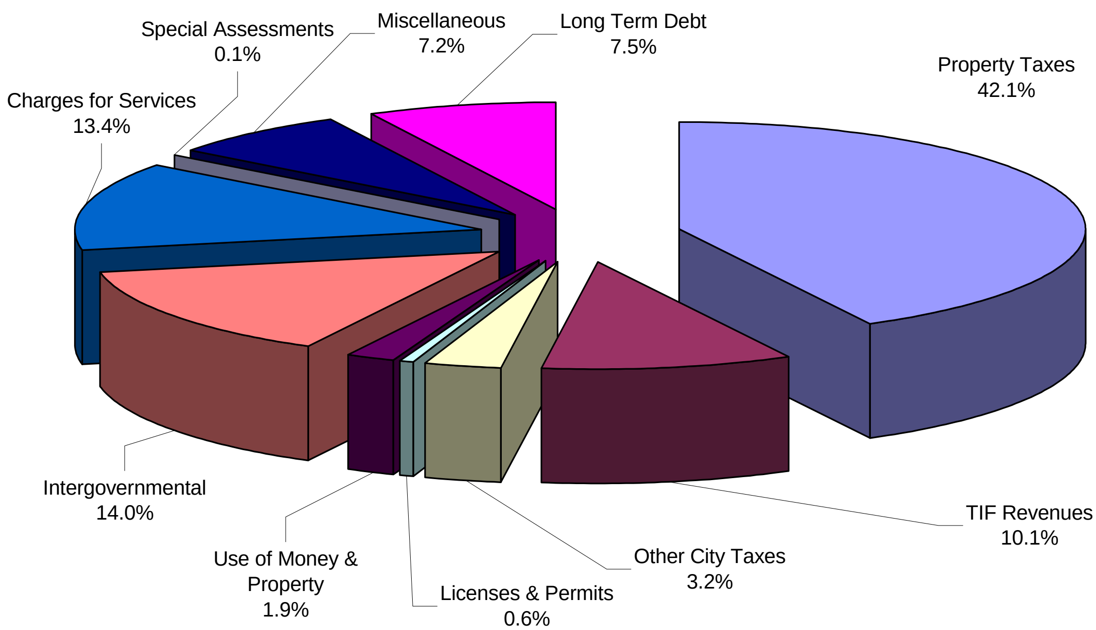
FY 2010-11 Expenditures Stated on a Program Basis

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Project Funds	Enterprise Funds	FY 2010-11 Budget
Expenditures and Other Financing Uses						
Public Safety	$21,876,220	$1,706,131				$23,582,351
Public Works	7,351,485	715,000				8,066,485
Health and Social Services	947,525	182,342				1,129,867
Culture and Recreation	7,168,329	130,000				7,298,329
Community and Economic Development	4,789,708	1,266,000				6,055,708
General Government	6,445,372					6,445,372
Debt Service Funds			17,971,055			17,671,055
Capital Project Funds				18,962,000		18,962,000
Total Government Activities	**$48,578,639**	**$3,999,473**	**$17,971,055**	**$18,962,000**		**$89,511,167**
Business-type/Enterprise Funds					$17,732,205	$17,732,205
Total Business-type/Enterprise					**$17,732,205**	**$17,732,205**
Total Expenditures	**$48,578,639**	**$3,999,473**	**$17,971,055**	**$18,962,000**	**$17,732,205**	**$107,243,372**

Revenue Highlights

The City of West Des Moines continues to build on its reputation as a growing city suburban to Des Moines, Iowa. A strong commercial base, coupled with a growing residential market, makes West Des Moines a desirable place to both live and work. In FY 2010-11 total operating revenues are projected to decrease by approximately 3.00% as compared to budget FY 2009-10. Property tax revenues, which account for approximately 42.1% of the City's total operating revenues, are projected to increase by approximately 4.49%.

Where the Money Comes From



Property Taxes

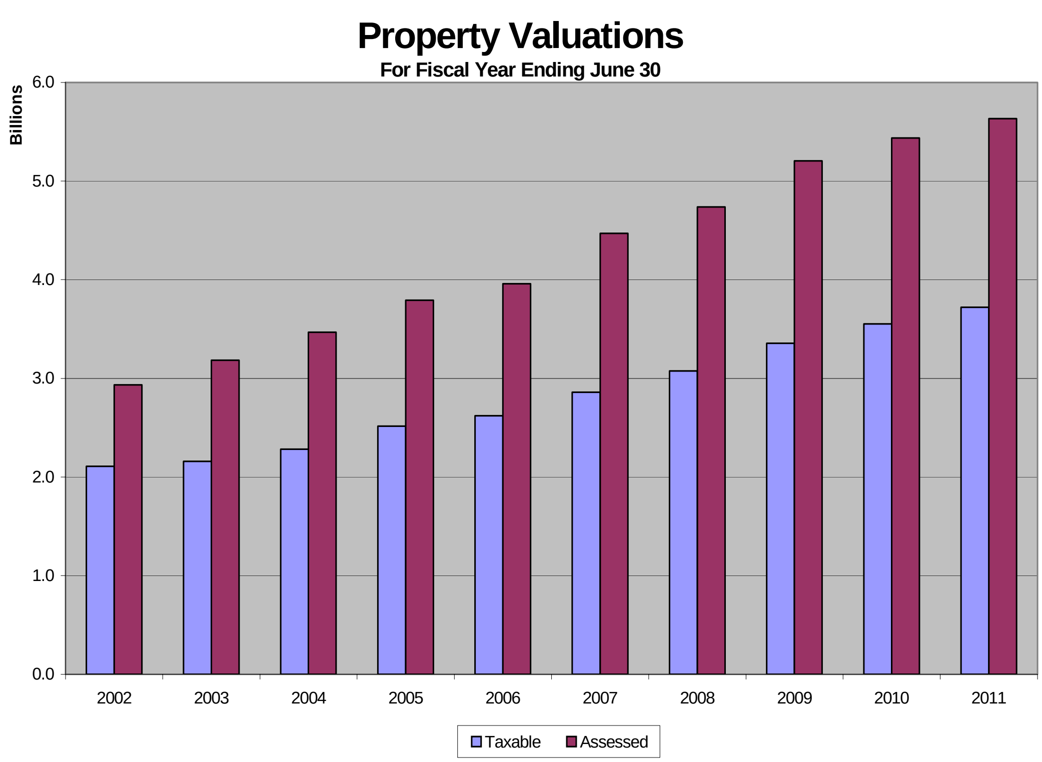
The budget maintains a property tax rate of $12.05/$1,000 of taxable valuation. The proposed ad valorem taxes levied against real and personal property in FY 2010-09 should generate approximately $45,015,768 which accounts for approximately 45.53% of the total operating revenue budgeted for the City. This projection, which is based on actual taxable valuations for January 1, 2009 as supplied by the Polk, Dallas and Warren County Auditors. As in past years, property taxes continue to be, not only the main revenue source for the City, but also one of the most stable. However, this stability is continually challenged by the erosion of the City's tax base due to state mandated rollbacks on commercial and residential property.

Property Taxes (Continued)

Residential Rollbacks

Taxable property in Iowa is categorized into distinct classes such as residential, commercial, industrial, or agricultural with each category having different procedures for assessing value for taxing purposes. To reduce the opportunity for dramatic tax shifts between classes from year to year, a statutory limit of 4% a year has been imposed commonly called the growth limitation. For example if statewide growth in any one class of property in any year exceeds 4%, the taxable value is reduced by a percentage so that growth of taxable valuation is at the 4% ceiling. This percentage is called the "rollback." Furthermore, residential property is subject to an additional restriction in which the state-wide growth in residential property cannot exceed the growth in agricultural property. In other words, the taxable growth of residential property is either 4% or equal to the growth in agricultural property, whichever is lower. Since the growth in agricultural property has been stagnant for several years (less than 1% a year), taxable residential property valuations have been artificially suppressed. This has brought to light one of the major limitations of the rollback formula in that it does not recognize the unique valuation characteristics present in different regions of the state. Because of this fact, economic development in some communities has been stifled and has resulted in the shifting of tax burdens from residential properties to other classes of property.

In spite of the budgetary constraints posed by the state rollbacks West Des Moines, through a combination of favorable economic conditions and judicious management over the past ten years, has experienced sustained increases of three to fifteen percent per year in the City's tax base. These increases have been invaluable in defraying the effects of the rollback. While it can be clearly seen from the chart below actual property valuations in FY 2010-11 have nearly doubled since FY 01-02, the effects of the state mandated rollbacks can also be seen. In FY 01-02, the City was able to generate revenues from 72% of its tax base. However ten years later, in FY 10-11, the City will only be able to generate revenue on 66% of its tax base.



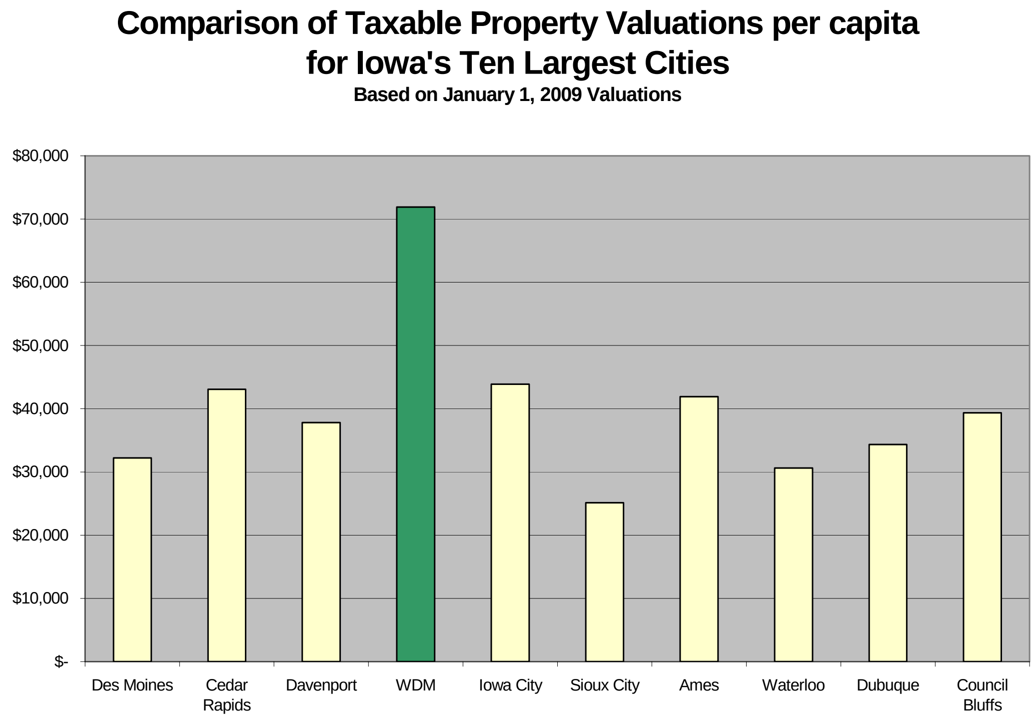
Property Taxes (Continued)

In FY 2010-11, the taxable value of residential properties will increase from 45.59% to 46.91% and the taxable value of commercial property will remain at 100.00%. The enclosed table is a ten-year history of the commercial and residential rollbacks in Iowa. It is important to note that in just ten years the taxable percentage of residential properties has decreased from 56.27% in FY 01-02, to 46.91% in FY 10-11. In other words, the City has lost the ability to generate taxes on over 9% of its residential property in just ten years. West Des Moines has experienced significant increases in its property tax base over the last ten years. The City's population has increased by 31% and the square miles covered by the City have more than doubled. As a result of the mandated rollback, it becomes a question as to whether the additional revenues from an artificially suppressed tax base are enough to meet the service level expectations of the citizens of West Des Moines.

Fiscal Year	Residential	Commercial
2001-02	56.27%	100.00%
2002-03	51.67%	97.77%
2003-04	51.39%	100.00%
2004-05	48.46%	99.26%
2005-06	47.96%	100.00%
2006-07	45.99%	99.15%
2007-08	45.56%	100.00%
2008-09	44.08%	99.73%
2009-10	45.59%	100.00%
2010-11	**46.91%**	**100.00%**

Rollback Effect in Comparable Cities

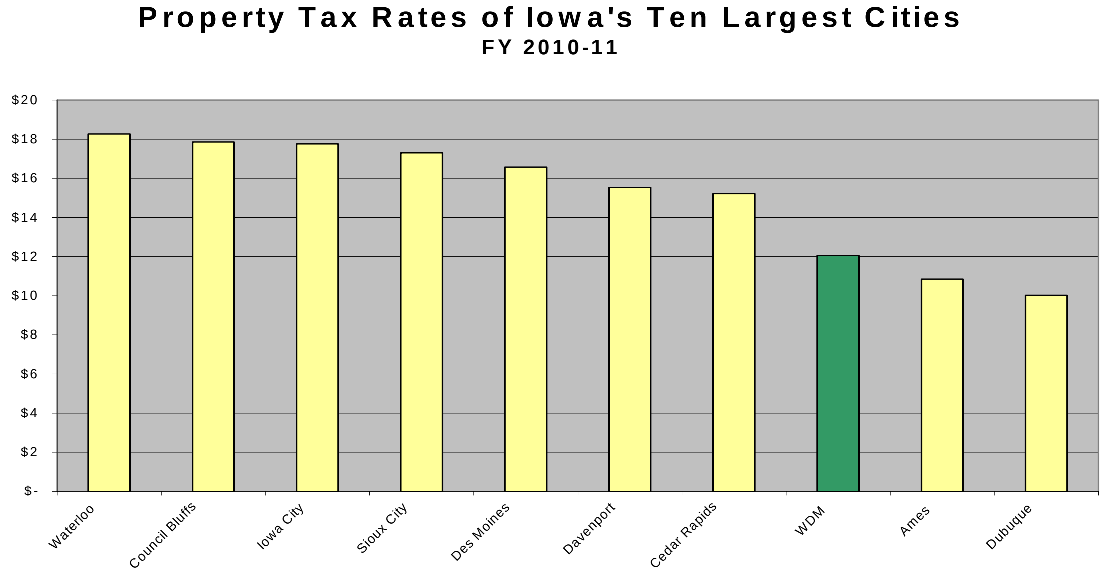
While the rollbacks have had a significant budgetary impact on the City of West Des Moines, they have not been as devastating as in other cities that rely heavily on the residential tax base to support City services. The precipitous decline of residential tax bases has forced most Iowa cities to increase rates just to support existing services. Nearly two-thirds of Iowa's cities are at the maximum levy rates for the general fund. Even at maximum rates, nearly 300 Iowa cities are facing declining revenues since actual residential growth cannot make up for rollback losses. West Des Moines is fortunate in having a strong commercial tax base, and is not subject to erratic swings in property tax revenues as some communities. In fact, West Des Moines is one of the few communities in the state where Commercial/Industrial property generates more tax revenues than residential property. This is further evidenced when you compare taxable property valuations per capita of Iowa's ten largest cites. West Des Moines' taxable valuation per capita not only is the highest of any of Iowa's ten largest cities, in some cases is more than double the per capita valuation of some cities with a greater population.



Long Term Forecast

Some experts predict that, over the next ten years, the residential rollback could decrease significantly. It is clear that the City must continue to build and improve its economic base in order to replace property tax dollars lost that may be lost from the residential rollback.

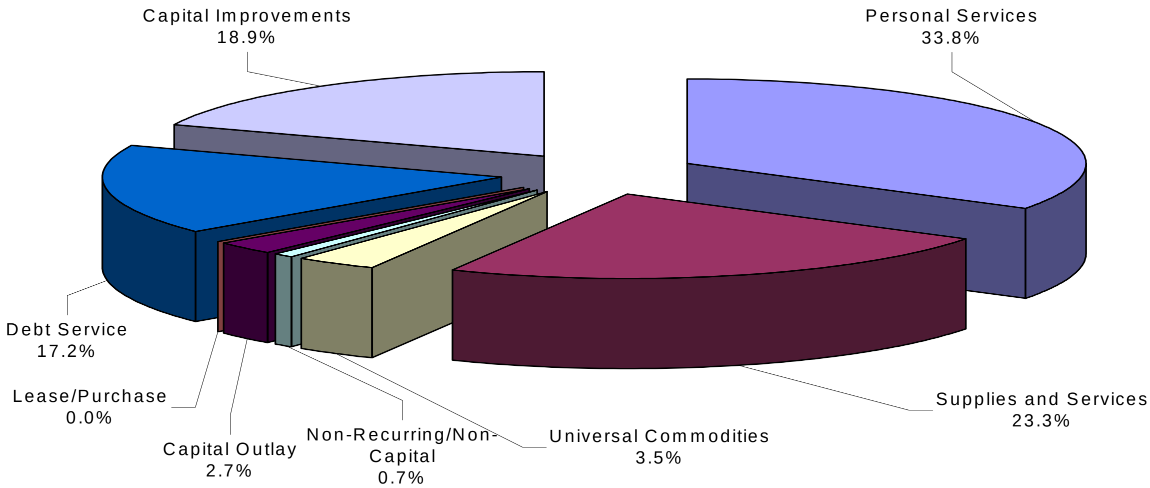
Presently the City's economic base could be classified as strong and diversified with no major employer or type of business in a dominating role. However, the City must be cautious and realize there are many factors that could directly and indirectly influence its tax base. International issues such as the consumption of oil, consumer demands for products, regional entertainment patterns, increased competition from neighboring communities, changes in federal policies, and foremost, unfunded state mandates, can restrict tax collections in any given year.


Property Tax Rates of Iowa's Ten Largest Cities
FY 2010-11
$20
$18
$16
$14
$12
$10
$8
$6
$4
$2
$-
Waterloo
Council Bluffs
Iowa City
Sioux City
Des Moines
Davenport
Cedar Rapids
WDM
Ames
Dubuque

Expenditure Highlights

Total expenditures for FY 2010-11 are projected to decrease by 36.97% when compared to the revised budget FY 2009-10. This decrease is primarily due to the refunding of several bond issues in FY 2009-10 to take advantage of historically low interest rates. When comparing the revised budget from FY 2009-10 to the adopted budget from FY 2010-11 you will notice that proceeds from long term debt and debt service expenditures are significantly higher in FY 2009-10 due to the refundings. The City's operating budget denotes an increase of 0.20% over budget FY 2009-10, which is primarily due to increased personnel expenditures.

Where the Money Goes



Personnel

The City measures both full and regular part-time positions based on full-time equivalents (FTE), which is the total estimated annual person hours required to fill a position for all or a portion of a year, divided by 2,080. It should be noted that, due to the seasonal nature of employment, temporary and volunteer workers are not included in this calculation. In FY 2010-11 FTE(s) are proposed to decrease by 2.00 positions bringing the City's total to 361.85 full-time equivalent positions. This represents an decrease in FTE(s) of 0.5% over FY 2009-10, and roughly a 29% increase since FY 1999-00.

City of West Des Moines Personnel by Cluster and Department

POSITIONS STATED IN FULL-TIME EQUIVALENTS (FTE)	ACTUAL FY 2007-08	ACTUAL FY 2008-09	BUDGET FY 2009-10	BUDGET FY 2010-11	CHANGE FROM FY 2009-10
Authorized Personnel by Department					
Community Enrichment					
Human Services	12.00	12.00	12.25	12.25	0.00
Library	23.60	23.60	23.60	23.60	0.00
Parks & Recreation	25.50	25.75	25.75	25.75	0.00
Sub-total Community Enrichment	**61.10**	**61.35**	**61.60**	**61.60**	**0.00**
Public Safety					
Emergency Services	39.25	39.25	39.25	39.25	0.00
Fire Department	51.00	51.00	51.00	51.00	0.00
Police Department	82.75	85.75	85.75	85.75	0.00
Sub-total Public Safety	**173.00**	**176.00**	**176.00**	**176.00**	**0.00**
Public Services					
Community & Economic Development	5.00	5.00	5.00	5.00	0.00
Development Services	24.00	24.00	23.00	22.00	(1.00)
Public Works	68.00	68.00	67.00	66.00	(1.00)
Sub-total Public Services	**97.00**	**97.00**	**95.00**	**93.00**	**(2.00)**
Support Services					
Administrative Services	9.50	9.50	9.75	9.75	0.00
City Manager's Office	4.00	4.00	4.00	4.00	0.00
Human Resources	4.50	4.50	4.50	4.50	0.00
Information Services	10.00	10.00	10.00	10.00	0.00
Legal	3.00	3.00	3.00	3.00	0.00
Sub-total Support Services	**31.00**	**31.00**	**31.25**	**31.25**	**0.00**
Total Authorized Personnel	**362.10**	**365.35**	**363.85**	**361.85**	**(2.00)**
Authorized Personnel by Fund					
Enterprise Funds	8.00	8.00	8.00	8.00	0.00
General Funds	354.10	357.35	355.85	353.85	(2.00)
Total Authorized Personnel	**362.10**	**365.35**	**363.85**	**361.85**	**(2.00)**

Key Assumptions for FY 2010-11

Salary Increases

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%.

Medical Insurance Rates

Medical insurance rates are projected to increase by 10% from FY 2009-10.

Pension and Retirement Benefits

The projected City contribution rates for FY 10-11 are as follows:

- 19.90% for sworn police officers and fire personnel (MFPRSI).
- 6.95% for full and regular part-time personnel (IPERS).
- 9.95% for paid-on-call firefighters (IPERS).

Other Pay

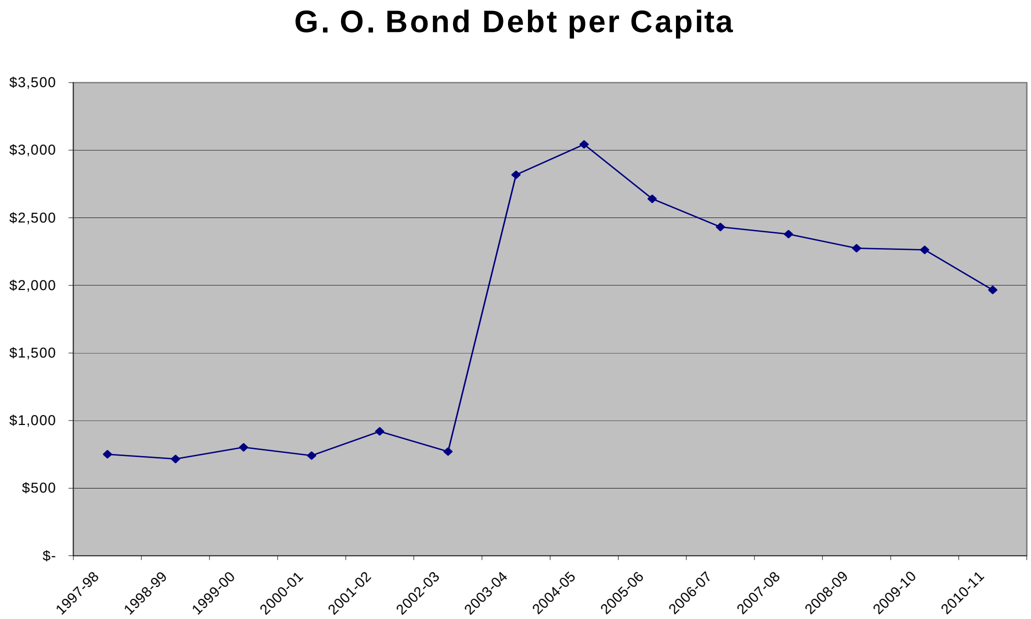
This category includes the City's deferred compensation plan, longevity pay, life insurance, and other miscellaneous pay categories.

Description of Long Term Debt Obligations

The City of West Des Moines has experienced tremendous amount of growth in recent years. Since 1990, the population of West Des Moines has increased by 38.73%, and the square miles of the City have more than doubled, both of which created an unprecedented demand in West Des Moines for infrastructure and capital projects. For instance, as a city expands its citizens will need more parks, roads, bridges, and public safety facilities, just to name a few. This demand for public sector investment has made the issuance of debt an increasingly important component in City programs. The City of West Des Moines utilizes two basic forms of long-term debt; general obligation bonds and revenue bonds. The difference between these two types of bonds is that general obligation bonds are backed by the full faith and credit (i.e.taxes) of the City. Revenue bonds, in contrast, are not fully guaranteed by a governmental entity; rather, they are guaranteed only from the revenue source(s) designated in the bond resolution.

Debt Management

The planning, development, and implementation of debt management is an important component in a local government's overall capital program. A decision to borrow money can bind a city to a stream of debt service payments that can last twenty years or more. Therefore, it is imperative that cities develop and abide by a debt management policy. The City Council agreed that debt issuance should not require the City's overall property tax rate to exceed $12.05/$1,000 of valuation. Before the issuance of debt, the City Council listens to the recommendation of a citizens committee which annually reviews and prioritizes the capital needs of the City. The Council then determines, as a part of the annual budget, the amount of debt to be issued. It is important to note the increase in General Obligation bond debt per capita in FY 03-04 is related to the City's aggressive Capital Improvement Program. Moody's Investors Services and Standard & Poor's rating agencies have issued ratings of AAA highest issued by the agencies. These high ratings result in a more attractive bidding environment and, therefore, a more favorable interest rate for the City when bonds are sold. Traditionally the City issues seventeen (17) year bonds, except for the case of municipal buildings where bonds are issued with a nineteen (19) year term. Sales of general obligation bonds are usually prepared on a level debt formula which means that the total amount of principal and interest due each year is roughly the same.



Long Term Debt Schedule

	Estimated Balance June 30, 2010	FY 2010-11 Additions	FY 2010-11 Reductions	Estimated Balance June 30, 2011
Debt Subject to Constitutional Limitation				
General Obligation Debt	$138,890,000	$8,035,500	$45,190,000	$101,735,500
Tax Increment Financing Bonds				
Rise Loans/IDOT	346,646		71,330	285,316
Lease Purchase/Other Debt	2,735,617	110,000	929,952	1,915,665
Sub-total Debt Subject to Limitation	**$141,982,263**	**$8,145,500**	**$46,191,282**	**$103,936,481**
Revenue Bonds & Capital Loan Notes				
WRA Debt	38,071,524		795,130	37,276,394
Sewer Debt	2,164,000		393,000	1,771,000
Sub-total Revenue Bonds & Capital Loan Notes	**$40,235,524**		**$1,188,130**	**$39,047,394**
Total Long-Term Debt	**$182,217,787**	**$8,145,500**	**$47,379,412**	**$142,983,875**

Municipal Debt Capacity

Article IX, Section 3 of the Iowa Constitution limits the indebtedness of any governmental entity to not more than five percent (5%) of the valuation of the property located within the jurisdiction. The restriction applies to general obligation bonds, lease purchases, certain long-term borrowing, and T.I.F. debt. With the valuation of all property in West Des Moines at nearly six billion dollars, the City's constitutional debt limit is $299,934,593. The City estimates its direct debt or debt that is subject to the limitation will be $103,936,481 at June 30, 2011. This leaves an available margin of $195,998,112 with approximately 34.65% of the available statutory debt limit being obligated.

Actual Property Valuation	
January 1, 2009	$5,998,691,853
Statutory Percentage	5.00%
Statutory Debt Limit	**$299,934,593**
Estimated Direct Debt at June 30, 2011	
General Obligation Bonds	$101,735,500
Tax Increment Financing Bonds	
Rise Loans/IDOT	285,316
Lease Purchase/Other Debt	1,915,665
Total Outstanding Direct Debt	**$103,936,481**
Available Debt Margin	**$195,998,112**
Percentage Obligated	**34.65%**