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 twelve 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, if needed. 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 2012-13 Budget was drafted under guidelines listed on the previous page. Below are the significant short-term assumptions and policies utilized in developing the FY 2012-13 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 $5.16 million dollars in Road Use Tax Funds. Approximately $4.36 million in Road Use Tax funds are being utilized for street related expenditures (CIP and operating) and the purchase of land for the planned Public Services Facility. The remaining funds will be used for street lighting.
- In 2007 the City Council approved changes to the residential solid waste collection fees and, coupled with a new service provider contracted through the Metro Waste Authority, we believe those fees will remain adequate for 2012-13 and perhaps longer.
- Sanitary sewer service fees were also revised, with annual rate adjustments starting in 2007 and we believe those proactive steps preclude the need for additional fee modifications in 2012-13.
- Continuing with the City's preference to be proactive on enterprise fund revenues rather than reactive, the City Council in 2010 approved actions indexing both sanitary sewer capital charges as well as sanitary connection fee district per acre charges.

Expenditure & Fund Balance Assumptions

- One new position is being recommended in the proposed budget, the addition of a second Assistant City Attorney.
- In light of current economic conditions, we have continued to focus on long-term financial planning. Three teams have been 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 $1,100,000 in reoccurring operational costs. Given the success of these teams and new processes, we will continue the initiative.
- Employee compensation will follow past practice in that we have or are negotiating bargaining unit contracts for approximately 198 union employees and 145 full time non-union employees. New full time employees continue to be enrolled in the City's health plans added in July 2010, if allowed by union contract, and pension benefits are under the purview of the State.
- Bargaining unit employees will received cost-of-living adjustments ranging from 2.00% to 3.00% in agreement with the terms of their respective contracts. The Fire & Library bargaining units are currently in negotiations for multi-year contracts. In addition to cost of living increases, bargaining unit employees are eligible to receive step increases with the number of steps being dependent upon performance and employee classification.

- Non-represented employees will receive a 2% cost-of-living adjustment on July 1,2012. 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 2% of total wages. Some non-represented employees will receive a 1.5% performance increase and a very limited number could receive a 3% performance increase.
- 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 2012-13 FY will be 26.12% as compared to 24.76% for 2011-12 FY. The increased rate amounts to an additional $77,000 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 8.07% in 2011-12 FY to 8.67% in 2012-13 FY. The IPERS rate increase is equivalent to $82,000 in additional pension costs to the City. Of the City's 365 FTE(s), 112 employees participate in the Municipal Fire and Police Retirement System of Iowa, and the remaining 253 employees are enrolled in Iowa Public Employees Retirement System.
- 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.
- The proposed budget reflects the carryover of cash to ensure the 2012-2013 FY budget maintains prudent general fund balances, which protect the City of West Des Moines' financial integrity. The total revenues are $54,424,160 and total expenditures are $54,378,851. We project that the City's General Fund balance on June 30, 2013 will be in excess of 34 percent ($16,836,261) 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	$13.85
County	6.81
RTA	0.40
Other	3.80
City	12.05
FY 11-12 Levy	**$36.91**

Dallas County - Waukee Schools	
School	$17.80
County	4.28
RTA	0.40
Other	1.56
City	12.05
FY 11-12 Levy	**$36.09**

	Actual FY 2010-11	**Budget FY 2011-12**	**Budget FY 2012-13**
Property Tax Calculation			
Assessed Valuation	$1,000,000	$1,000,000	$1,000,000
Rollback Percentage	100.00%	100.00%	100.00%
Taxable Value	$1,000,000	$1,000,000	$1,000,000
City Tax Rate per $1,000	$12.05	$12.05	$12.05
Total City Property Tax	**$12,050**	**$12,050**	**$12,050**

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

Polk County - WDM Schools	
School	$13.85
County	6.81
RTA	0.40
Other	3.80
City	12.05
FY 11-12 Levy	**$36.91**

Dallas County - Waukee Schools	
School	$17.80
County	4.28
RTA	0.40
Other	1.56
City	12.05
FY 11-12 Levy	**$36.09**

	Actual FY 2010-11	**Budget FY 2011-12**	**Budget FY 2012-13**
Property Tax Calculation			
Assessed Valuation	$200,000	$200,000	$200,000
Rollback Percentage	46.91%	48.53%	50.75%
Taxable Value	$93,820	$97,060	$101,500
City Tax Rate per $1,000	$12.05	$12.05	$12.05
Gross City Tax	$1,131	$1,170	$1,223
Less City Share of Homestead Tax Credit	($58)	($58)	($58)
Total City Property Tax	**$1,073**	**$1,112**	**$1,165**

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Project Funds	Enterprise Funds	FY 2012-13 Budget
REVENUES						
Operating Revenues						
Property Taxes	$30,358,552	$6,971,285	$8,338,548			$45,668,385
TIF Revenues		13,495,197				13,495,197
Other City Taxes	3,319,553	89,494	95,313			3,504,360
Licenses and Permits	871,800					871,800
Use of Money and Property	75,800				1,626,065	1,701,865
Intergovernmental	3,408,513	5,557,500		1,570,000	12,500	10,548,513
Charges for Services	4,194,231				11,479,000	15,673,231
Special Assessments						
Miscellaneous	704,075	954,950			6,485,000	8,144,025
Sub-total Operating Revenues	**$42,932,524**	**$27,068,426**	**$8,433,861**	**$1,570,000**	**$19,602,565**	**$99,607,376**
Other Financing Sources						
Proceeds of Long Term Debt				$8,000,000		$8,000,000
Proceeds of Capital Assets Sales	6,000					6,000
Transfers In	11,485,636	58,200	8,992,806	11,538,500	5,858,500	37,933,642
Sub-total Other Financing Sources	**$11,491,636**	**$58,200**	**$8,992,806**	**$19,538,500**	**$5,858,500**	**$45,939,642**
TOTAL REVENUES & OTHER SOURCES	**$54,424,160**	**$27,126,626**	**$17,426,667**	**$21,108,500**	**$25,461,065**	**$145,547,018**
EXPENDITURES						
Operating Expenditures						
Personal Services	$33,948,731	$2,096,657			$1,296,780	$37,342,168
Supplies and Services	10,236,676	1,379,671			13,331,050	24,947,397
Universal Commodities	2,860,362	788,000			174,560	3,822,922
Non-Recurring/Non-Capital	552,607	103,500			180,000	836,107
Capital	629,868	261,500			1,922,370	2,813,738
Sub-total Operating Expenditures	**$48,228,244**	**$4,629,328**			**$16,904,760**	**$69,762,332**
Lease/Purchase or Installment Contract Expenditures	**$137,750**	**$72,000**				**$209,750**
Total Operating Expenditures	**$48,365,994**	**$4,701,328**			**$16,904,760**	**$69,972,082**
Debt Service Expenditures		**$1,225,016**	**$17,426,667**		**$462,920**	**$19,114,603**
Capital Improvement Expenditures				**$13,278,500**	**$5,608,500**	**$18,887,000**
Total Expenditures	**$48,365,994**	**$5,926,344**	**$17,426,667**	**$13,278,500**	**$22,976,180**	**$107,973,685**
Transfers Out	**$6,012,857**	**$18,031,285**		**$8,081,000**	**$5,808,500**	**$37,933,642**
TOTAL EXPENDITURES/TRANSFERS OUT	**$54,378,851**	**$23,957,629**	**$17,426,667**	**$21,359,500**	**$28,784,680**	**$145,907,327**
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	**$45,309**	**$3,168,997**		**($251,000)**	**($3,323,615)**	**($360,309)**
BEGINNING FUND BALANCE	**$16,790,952**	**$20,165,186**	**$4,299,805**	**$1,349,875**	**$51,201,180**	**$93,806,998**
ENDING FUND BALANCE	**$16,836,261**	**$23,334,183**	**$4,299,805**	**$1,098,875**	**$47,877,565**	**$93,446,689**
FUND BALANCE% OF EXPENDITURES	**34.81%**	**393.73%**	**24.67%**	**8.28%**	**208.38%**	

Revenues & Expenditures by Category

	ACTUAL FY 2009-10	ACTUAL FY 2010-11	REVISED BUDGET FY 2011-12	BUDGET FY 2012-13	INC(DEC) FY 2012-13 OVER FY 2011-12	% INC (DEC)
REVENUES						
Operating Revenues						
Property Taxes	$43,026,062	$45,155,124	$45,901,436	$45,668,385	($233,051)	(0.51%)
TIF Revenues	12,870,419	10,722,622	12,264,794	13,495,197	1,230,403	10.03%
Other City Taxes	3,322,007	3,390,370	3,457,252	3,504,360	47,108	1.36%
Licenses and Permits	1,017,767	1,023,653	818,050	871,800	53,750	6.57%
Use of Money and Property	2,378,643	2,005,787	1,747,653	1,701,865	(45,788)	(2.62%)
Intergovernmental	12,803,180	18,940,666	9,953,766	10,548,513	594,747	5.98%
Charges for Services	14,456,585	16,178,277	14,731,996	15,673,231	941,235	6.39%
Special Assessments	219,979	285,121				
Miscellaneous	8,107,218	8,532,366	7,871,008	8,144,025	273,017	3.47%
Sub-total Operating Revenues	**$98,201,860**	**$106,233,986**	**$96,745,955**	**$99,607,376**	**$2,861,421**	**2.96%**
Other Financing Sources						
Proceeds of Long Term Debt	$57,942,320	$5,831,752	$8,500,000	$8,000,000	($500,000)	(5.88%)
Proceeds of Capital Assets Sales		253,193	5,000	6,000	1,000	20.00%
Transfers In	87,633,695	48,091,742	35,807,958	37,933,642	2,125,684	5.94%
Sub-total Other Financing Sources	**$145,576,015**	**$54,176,687**	**$44,312,958**	**$45,939,642**	**$1,626,684**	**3.67%**
TOTAL REVENUES & OTHER SOURCES	**$243,777,875**	**$160,410,673**	**$141,058,913**	**$145,547,018**	**$4,488,105**	**3.08%**
EXPENDITURES						
Operating Expenditures						
Personal Services	$34,095,597	$33,902,497	$37,878,508	$37,342,168	($536,340)	(1.42%)
Supplies and Services	22,267,149	23,733,090	26,161,040	24,947,397	(1,213,643)	(4.64%)
Universal Commodities	3,419,100	3,463,239	3,828,359	3,822,922	(5,437)	(0.14%)
Non-Recurring/Non-Capital	805,767	718,865	682,944	836,107	153,163	22.43%
Capital	2,631,976	3,214,317	1,662,518	2,813,738	1,151,220	69.25%
Sub-total Operating Expenditures	**$63,219,589**	**$65,032,008**	**$70,213,369**	**$69,762,332**	**($451,037)**	**(0.64%)**
Lease/Purchase or Installment Contract Expenditures	**$136,838**	**$84,707**	**$212,000**	**$209,750**	**($2,250)**	**(1.06%)**
Total Operating Expenditures	**$63,356,427**	**$65,116,715**	**$70,425,369**	**$69,972,082**	**($453,287)**	**(0.64%)**
Debt Service Expenditures	**$61,928,603**	**$18,654,853**	**$19,230,605**	**$19,114,603**	**($116,002)**	**(0.60%)**
Capital Improvement Expenditures	**$18,911,335**	**$24,104,114**	**$15,421,128**	**$18,887,000**	**$3,465,872**	**22.47%**
Total Expenditures	**$144,196,365**	**$107,875,682**	**$105,077,102**	**$107,973,685**	**$2,896,583**	**2.76%**
Transfers Out	**$87,633,695**	**$48,091,742**	**$35,807,958**	**$37,933,642**	**$2,125,684**	**5.94%**
TOTAL EXPENDITURES/TRANSFERS OUT	**$231,830,060**	**$155,967,424**	**$140,885,060**	**$145,907,327**	**$5,022,267**	**3.56%**
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	**$11,947,815**	**$4,443,249**	**$173,853**	**($360,309)**	**($534,162)**	**(59.72%)**
BEGINNING FUND BALANCE	**$77,242,081**	**$89,189,896**	**$93,633,145**	**$93,806,998**	**$173,853**	**n/a**
ENDING FUND BALANCE	**$89,189,896**	**$93,633,145**	**$93,806,998**	**$93,446,689**	**($360,309)**	**n/a**
FUND BALANCE% OF EXPENDITURES	**61.85%**	**86.80%**	**89.27%**	**86.55%**		

Revenues & Expenditures by Fund

	ACTUAL FY 2009-10	ACTUAL FY 2010-11	REVISED BUDGET FY 2011-12	BUDGET FY 2012-13	INC(DEC) FY 2012-13 OVER FY 2011-12	% INC (DEC)
REVENUES						
Fund Revenues						
General Funds	$55,709,987	$55,505,513	$56,129,322	$54,424,160	($1,705,162)	(3.04%)
Special Revenue Funds	27,416,280	24,930,455	24,909,085	27,126,626	2,217,541	8.90%
Debt Service Funds	61,076,399	17,197,472	18,290,267	17,426,667	(863,600)	(4.72%)
Capital Project Funds	74,206,257	33,691,684	22,467,986	21,108,500	(1,359,486)	6.05%
Enterprise Funds	25,368,952	29,085,549	19,262,253	25,461,065	6,198,812	32.18%
Total Fund Revenues	**$243,777,875**	**$160,410,673**	**$141,058,913**	**$145,547,018**	**$4,488,105**	**3.08%**
EXPENDITURES						
Fund Expenditures						
General Funds	$56,771,480	$53,116,091	$56,120,918	$54,378,851	($1,742,067)	(3.10%)
Special Revenue Funds	20,277,134	24,762,902	24,939,926	23,957,629	(982,297)	(3.94%)
Debt Service Funds	61,480,686	17,207,833	17,570,475	17,426,667	(143,808)	(0.82%)
Capital Project Funds	73,079,698	36,533,791	24,874,986	21,359,500	(3,515,486)	(14.13%)
Enterprise Funds	20,221,062	24,346,807	17,378,755	28,784,680	11,405,925	65.63%
Total Fund Expenditures	**$231,830,060**	**$155,967,424**	**$140,885,060**	**$145,907,327**	**$5,022,267**	**3.56%**
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	**$11,947,815**	**$4,443,249**	**$173,853**	**($360,309)**	**($543,162)**	**(59.72%)**
BEGINNING FUND BALANCE	**$77,242,081**	**$89,189,896**	**$93,633,145**	**$93,806,998**	**$173,853**	**n/a**
ENDING FUND BALANCE	**$89,189,896**	**$93,633,145**	**$93,806,998**	**$93,446,689**	**($360,309)**	**n/a**
FUND BALANCE% OF EXPENDITURES	**61.85%**	**86.80%**	**89.27%**	**86.55%**		

Comparison of Amended Budget to Actual

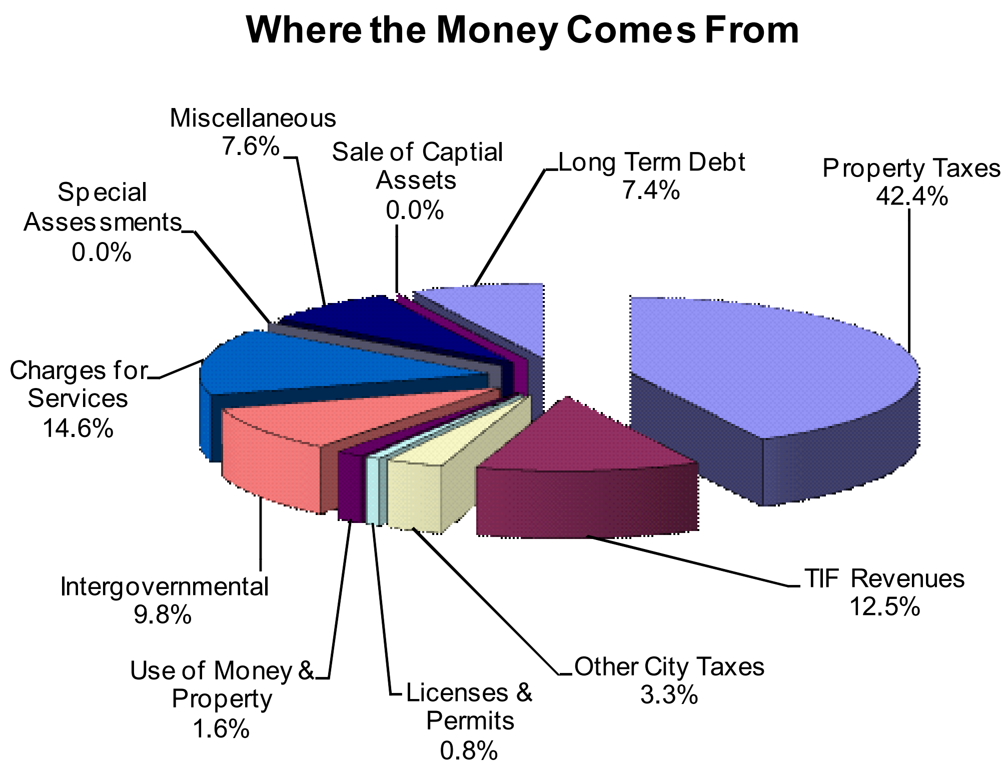
	Amended Budget FY 2009-10	Actual FY 2009-10	Variance Favorable (Unfavorable)	Amended Budget FY 2010-11	Actual FY 2010-11	Variance Favorable (Unfavorable)
REVENUES						
Revenues						
Property Taxes	$43,083,063	$43,026,062	($57,001)	$45,015,780	$45,155,124	$139,344
TIF Revenues	12,929,711	12,870,419	(59,292)	10,766,297	10,722,622	(43,675)
Other City Taxes	3,402,381	3,322,007	(80,374)	3,373,051	3,390,370	17,319
Licenses and Permits	865,100	1,017,767	152,667	815,100	1,023,653	208,553
Use of Money and Property	2,980,550	2,378,643	(601,907)	1,968,900	2,005,787	36,887
Intergovernmental	15,758,867	12,803,180	(2,955,687)	15,785,736	18,940,666	3,154,930
Charges for Services	14,645,750	14,456,585	(189,165)	14,706,052	16,178,277	1,472,225
Special Assessments	100,000	219,979	119,979	160,000	285,121	125,121
Miscellaneous	8,156,655	8,107,218	(49,437)	8,129,133	8,532,366	403,233
Total Revenues	**$101,922,077**	**$98,201,860**	**($3,720,217)**	**$100,720,049**	**$106,233,986**	**$5,513,937**
EXPENDITURES						
Expenditures						
Public Safety	$23,364,427	$22,253,601	$1,110,826	$24,343,445	$23,491,177	$852,268
Public Works	8,428,755	7,802,639	626,116	7,739,250	7,086,669	652,581
Health and Social Services	1,137,918	1,052,791	85,127	1,131,097	1,082,744	48,353
Culture and Recreation	7,272,662	6,940,454	332,208	7,362,306	6,843,789	518,517
Community and Economic Development	6,551,991	5,745,298	806,693	6,424,402	6,192,918	231,484
General Government	6,469,926	5,644,419	825,507	6,540,127	5,908,043	632,084
Debt Service	67,631,675	61,606,818	6,024,857	18,658,454	18,280,558	377,896
Capital Outlay	32,783,605	18,403,692	14,379,913	22,263,995	22,491,072	(227,077)
Business Type	16,497,989	14,746,653	1,751,336	19,591,109	16,498,712	3,092,397
Total Expenditures	**$170,138,948**	**$144,196,365**	**$25,942,583**	**$114,054,185**	**$107,875,682**	**$6,178,503**
Excess (Deficiency) of Revenues Over Expenditures	**($68,216,871)**	**($45,994,505)**	**$22,222,366**	**($13,334,136)**	**($1,641,696)**	**$11,692,440**
Other Financing Sources, Net	**$59,814,512**	**$57,942,320**	**($1,872,192)**	**$5,837,032**	**$6,084,945**	**$247,913**
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	**($8,402,359)**	**$11,947,815**	**$20,350,174**	**($7,497,104)**	**$4,443,249**	**$11,940,353**

FY 2012-13 Expenditures Stated on a Program Basis

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Project Funds	Enterprise Funds	FY 2012-13 Budget
Expenditures and Other Financing Uses						
Public Safety	$22,223,427	$2,418,500				$24,641,927
Public Works	6,917,575	788,000				7,705,575
Health and Social Services	929,978	212,624				1,142,602
Culture and Recreation	7,213,475	167,000				7,380,475
Community and Economic Development	4,830,417	1,043,204				5,873,621
General Government	6,113,372					6,113,372
Debt Service Funds	137,750	1,297,016	17,426,667			18,861,433
Capital Project Funds				13,278,500		13,278,500
Total Government Activities	**$48,365,994**	**$5,926,344**	**$17,426,667**	**$13,278,500**		**$84,997,505**
Business-type/Enterprise Funds					$22,976,180	$22,976,180
Total Business-type/Enterprise					**$22,976,180**	**$22,976,180**
Total Expenditures	**$48,365,994**	**$5,926,344**	**$17,426,667**	**$13,278,500**	**$22,976,180**	**$107,973,685**

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 2012-13 total operating revenues are projected to increase by approximately 2.96% as compared to budget FY 2011-12. Property tax revenues, which account for approximately 42.4% of the City's total operating revenues, are projected to increase by approximately 0.51%.



Property Taxes

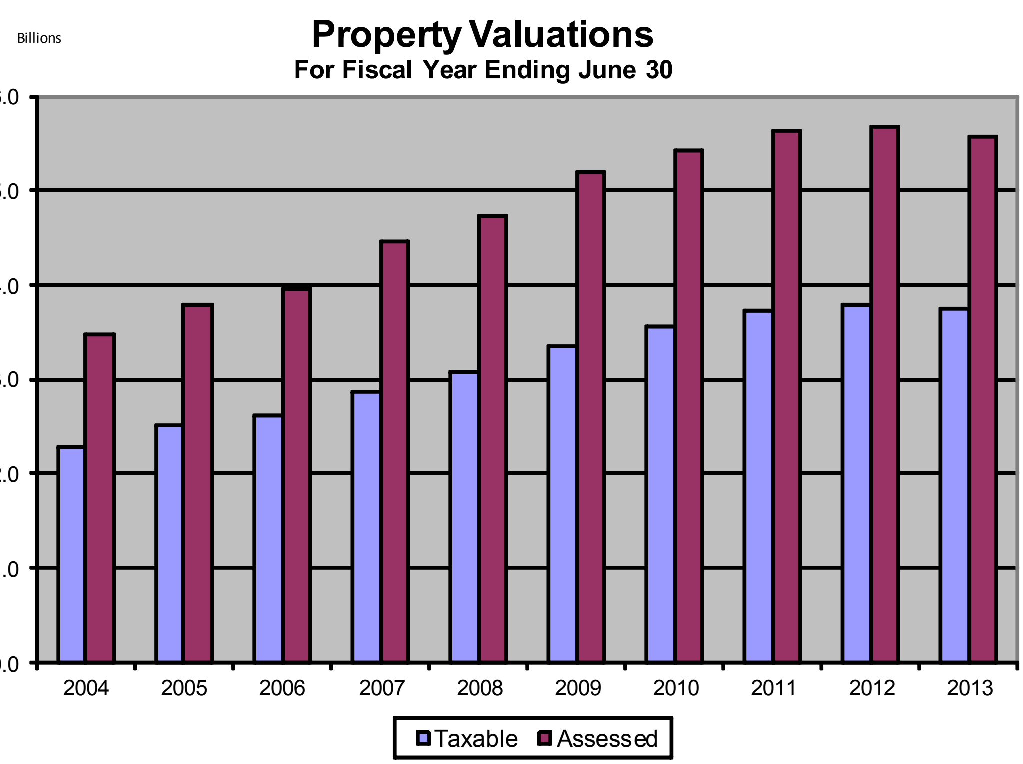
The budget maintains a property tax rate of $12.05/$1,000 of taxable valuation. The proposed ad valorem taxes levied against real and personal property in FY 2012-13 should generate approximately $45,668,385 which accounts for approximately 45.85% of the total operating revenue budgeted for the City. This projection, which is based on actual taxable valuations for January 1, 2011 as supplied by the Polk, Dallas, Warren, and Madison 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 valuation in FY 12-13 have increased over fifty percent since FY 03-04, the effects of the state mandated rollbacks can also be seen. In addition, for the first time in over a decade, overall valuations decreased from the previous year. Due to the



Property Taxes (Continued)

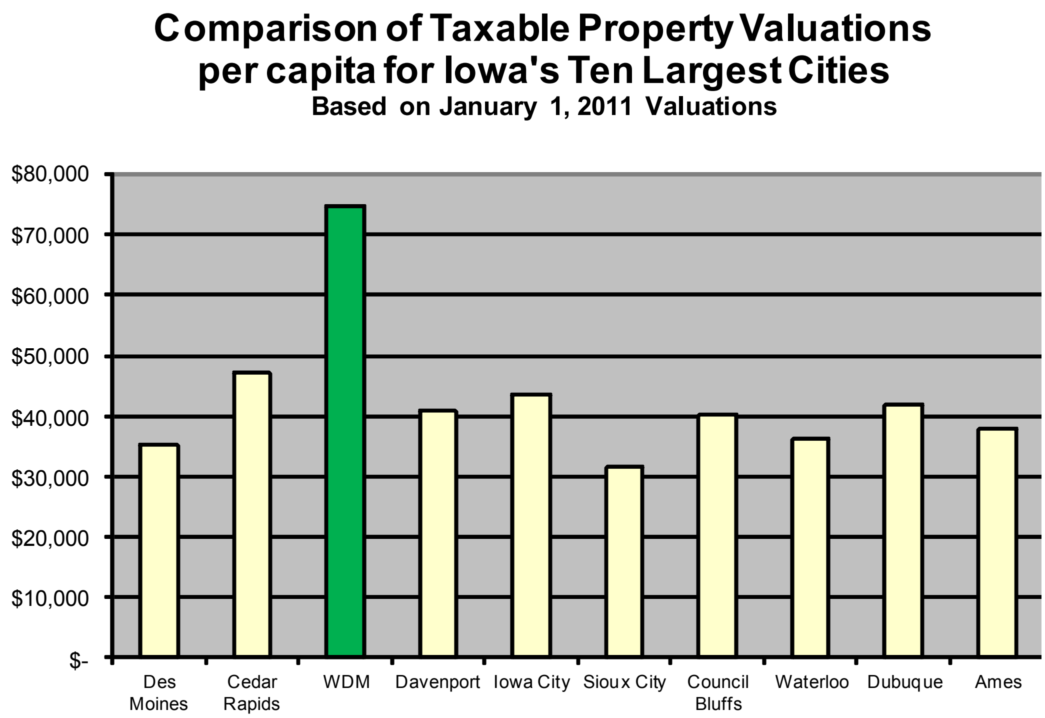
decline in the economy, numerous properties have received reductions from the county assessors, or in some cases county or state review board.

In FY 2012-13, the taxable value of residential properties will increase from 48.53% to 50.75% 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 51.39% in FY 03-04, to 50.75% in FY 12-13. In other words, the City has lost the ability to generate taxes on a portion 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 22% 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
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%
2011-12	48.53%	100.00%
2012-13	**50.75%**	**100.00%**

Rollback Effect in Comparable Cities

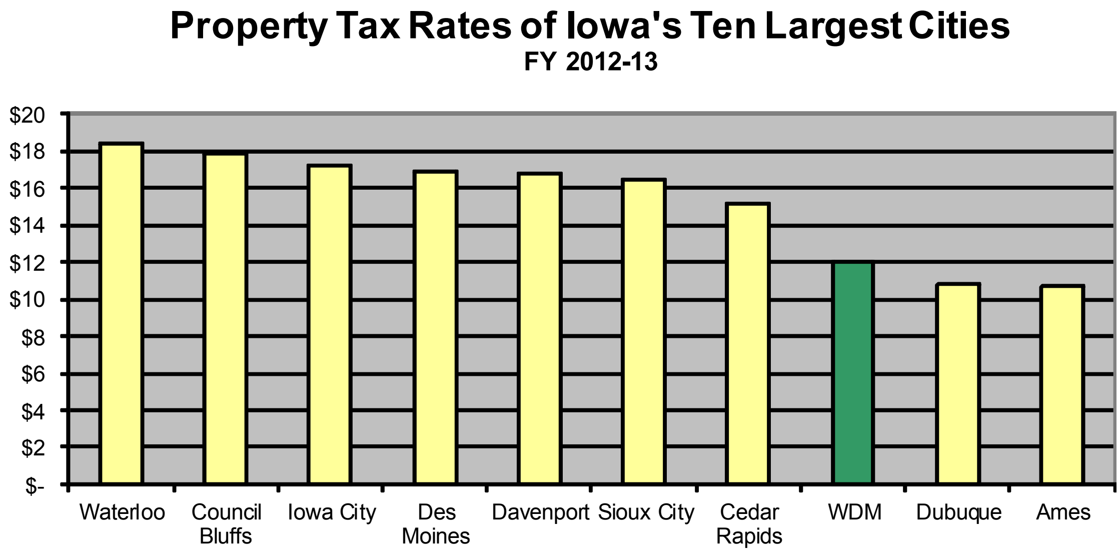
While the rollbacks have had a significant budgetary impact on the City of West Des Moines, they have not been as devastating as in other cities that rely heavily on the residential tax base to support City services. The precipitous decline of residential tax bases has forced most Iowa cities to increase 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

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.

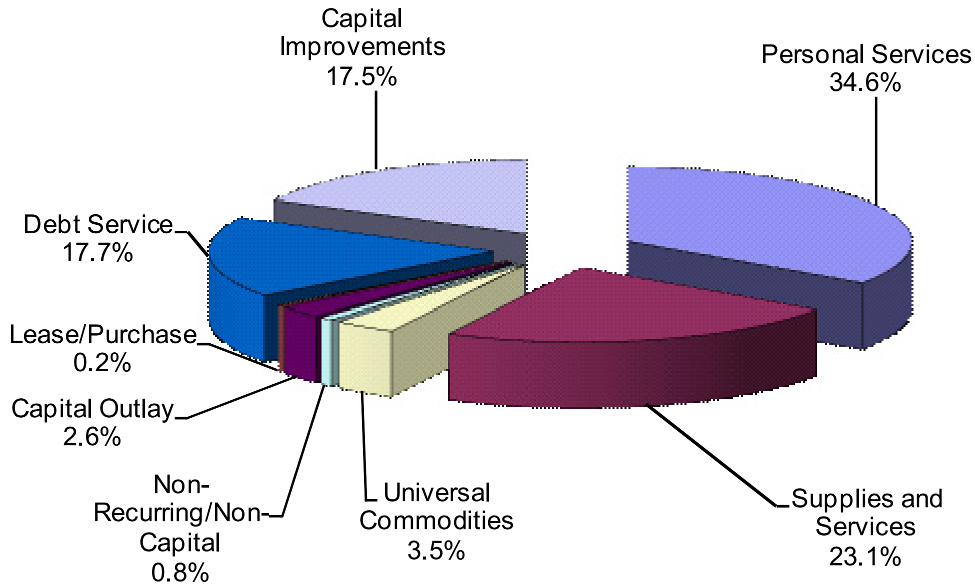
Changes proposed in the Iowa Legislature, if ultimately approved, could have a dramatic effect on revenues. Particularly impactful would be the implementation of a rollback program for commercial property, similar to the program in place for residential property. Also, due to a high concentration of apartment property in West Des Moines, a proposed change in classification from commercial to residential property would negatively impact revenues. The City has been very successful over the past 10-20 years in building adequate cash reserves and would be in a position to absorb a certain amount of change for the immediate term, but the results of a long-term structural deficit may result in increased fees/taxes or the reduction of certain services and programs.


Property Tax Rates of Iowa's Ten Largest Cities
FY 2012-13
$20
$18
$16
$14
$12
$10
$8
$6
$4
$2
$-
Waterloo
Council Bluffs
Iowa City
Des Moines
Davenport
Sioux City
Cedar Rapids
WDM
Dubuque
Ames

Expenditure Highlights

Total expenditures for FY 2012-13 are projected to increase by 3.56% when compared to the revised budget FY 2011-12. The City's operating budget denotes an decrease of 0.64% over budget FY 2011-12, which is primarily due to decreased supplies and services 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 2012-13 FTE(s) are proposed to decrease by 5.25 positions bringing the City's total to 365.00 full-time equivalent positions. This represents an decrease in FTE(s) of 1.4% over FY 2011-12, and roughly a 20% increase since FY 2002-03.

City of West Des Moines Personnel by Cluster and Department

POSITIONS STATED IN FULL-TIME EQUIVALENTS (FTE)	ACTUAL FY 200-10	ACTUAL FY 2010-11	BUDGET FY 2011-12	BUDGET FY 2012-13	CHANGE FROM FY 2011-12
Authorized Personnel by Department					
Community Enrichment					
Human Services	12.25	12.25	12.25	12.25	0.00
Library	23.60	23.60	22.50	22.50	0.00
Parks & Recreation	25.75	25.75	25.00	25.00	0.00
Sub-total Community Enrichment	**61.60**	**61.60**	**59.75**	**59.75**	**0.00**
Public Safety					
Emergency Medical & Communication Services	45.25	47.25	51.25	50.25	(1.00)
Fire Department	51.00	51.00	50.00	50.00	0.00
Police Department	87.00	86.00	84.00	83.75	(0.25)
Sub-total Public Safety	**183.25**	**184.25**	**185.25**	**184.00**	**(1.25)**
Public Services					
Community & Economic Development	5.50	5.50	4.50	4.50	0.00
Development Services	23.00	22.00	22.20	20.20	(2.00)
Public Works	68.00	67.00	67.80	64.80	(3.00)
Sub-total Public Services	**96.50**	**94.50**	**94.50**	**89.50**	**(5.00)**
Support Services					
City Manager's Office	4.00	4.00	4.00	5.00	1.00
Finance	9.50	9.50	9.75	8.75	(1.00)
Human Resources	4.50	4.50	4.00	4.00	0.00
Information Technologies Services	10.00	10.00	10.00	10.00	0.00
Legal	3.00	3.00	3.00	4.00	1.00
Sub-total Support Services	**31.00**	**31.00**	**30.75**	**31.75**	**1.00**
Total Authorized Personnel	**372.35**	**371.35**	**370.25**	**365.00**	**(5.25)**
Authorized Personnel by Fund					
Enterprise Funds	8.00	8.00	8.00	8.00	0.00
General Funds	364.35	363.35	362.25	357.00	(5.25)
Total Authorized Personnel	**372.35**	**371.35**	**370.25**	**365.00**	**(5.25)**

Key Assumptions for FY 2012-13

Salary Increases

Employee compensation will follow past practice in that we have bargaining unit contracts for approximately 198 employees and 145 full time employees are not represented by unions. New employees continue to be enrolled in the City's newly created health plans, if allowed by bargaining agreements, and pension benefits are under the purview of the State.

Bargaining unit employees will receive cost-of-living adjustments ranging from 2.00% to 3.00% in agreement with the terms of their respective contracts on July 1st. The Fire & Library bargaining units are currently in negotiations for multi-year contracts. In addition to cost of living increases, bargaining unit employees are eligible to receive step increases with the number of steps being dependent upon performance and employee classification.

Non-represented employees are budgeted to receive a 2% cost-of-living adjustment on July 1, 2012. Those who are not at the maximum of their pay grade may still be eligible to receive step increases based upon job performance. These step increases in total will not exceed 2% of total wages. Some non-represented employees will receive a 1.5% performance increases and a very limited number could receive a 3% performance increase.

Medical Insurance Rates

Medical insurance rates are projected to increase by 10% from FY 2011-12.

Pension and Retirement Benefits

The projected City contribution rates for FY 12-13 are as follows:

- 26.12% for sworn police officers and fire personnel (MFPRSI).
- 8.67% for full and regular part-time personnel (IPERS).
- 10.27% for paid-on-call firefighters and emergency medical services personnel (IPERS).

Other Pay

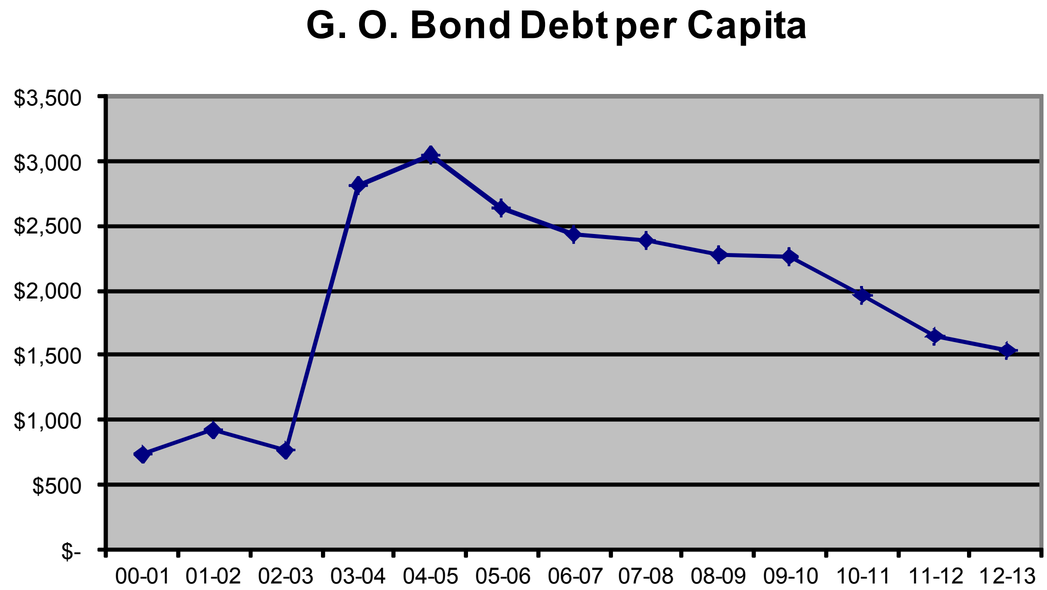
This category includes the City's deferred compensation plan, longevity pay, life insurance, and other miscellaneous pay categories.

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 78.56%, 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, 2012	FY 2012-13 Additions	FY 2012-13 Reductions	Estimated Balance June 30, 2013
Debt Subject to Constitutional Limitation				
General Obligation Debt	$92,040,000	$8,250,000	$13,145,000	$87,145,000
Tax Increment Financing Bonds				
Rise Loans/IDOT	3,823.214		1,432,450	2,390,764
Lease Purchase/Other Debt	1,366,292		405,204	961,088
Sub-total Debt Subject to Limitation	**$97,229,506**	**$8,250,000**	**$14,982,654**	**$90,496,852**
Revenue Bonds & Capital Loan Notes				
WRA Debt	40,681,561		931,044	39,750,517
Sewer Debt	1,364,000		422,000	942,000
Sub-total Revenue Bonds & Capital Loan Notes	**$42,045,561**		**$1,353,044**	**$40,692,517**
Total Long-Term Debt	**$139,275,067**	**$8,250,000**	**$16,335,698**	**$131,189,369**

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 over six billion dollars, the City's constitutional debt limit is $302,261,538. The City estimates its direct debt
or debt that is subject to the limitation will be $90,496,852 at June 30, 2013. This leaves an avail-

able margin of $211,764,686 with approximately 29.94% of the available statutory debt limit being obligated.

Actual Property Valuation	
January 1, 2011	$6,045,230,764
Statutory Percentage	5.00%
Statutory Debt Limit	**$302,261,538**
Estimated Direct Debt at June 30, 2013	
General Obligation Bonds	$87,145,000
Tax Increment Financing Bonds	
Rise Loans/IDOT	2,390,764
Lease Purchase/Other Debt	961,088
Total Outstanding Direct Debt	**$90,496,852**
Available Debt Margin	**$211,764,686**
Percentage Obligated	**29.94%**