



## EXECUTIVE OVERVIEW





THE CITY OF  
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January 21, 2006

Honorable Mayor Meyer and City Council members:

I respectfully present the proposed budget for the City of West Des Moines for the fiscal year beginning July 1, 2006. **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 Mayor and City Council each year.** The adopted budget will authorize resources and establish a direction for our programs and services for the coming year.

As the Mayor and City Council review the FY 2006-07 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 2005-2006 fiscal year, the seventh consecutive year receiving this honor.**

It is vital that the Mayor and City Council 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 FY 2005-06, 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, 2004. This is the twelfth 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 February 2005, the City's bond rating on outstanding general obligation debt was upgraded by Standard & Poor's from AA+ to 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 upgrade is **“based on continued strong management of the city's high growth rate, along with strong management of the city's financial position.”**

### *FY 2006-07 Budget Highlights*

- The budget proposes a property tax rate of \$11.95 per thousand of taxable valuation as compared to the current rate of \$11.725 per thousand. This new rate was derived by subtracting \$.27/\$1,000 in taxing authority recently approved for the Regional Transit Agency (RTA) and adding \$.50/\$1,000 for an enhanced fire and ambulance presence in our community. Fire and EMS staffing plans will be explained, in detail, at the budget work sessions.
- In the FY 2006-07 budget, we continue, in a conservative fashion, efforts to increase staff to meet the needs of our growing community. The enhanced fire and ambulance presence represents 15 new positions with the hiring of those individuals being strategically staged during the year. Responding to needs identified both internally and by the development community, the proposed budget reflects the hiring of a Traffic Engineer with the expectation that at least one-half of the costs would be generated from fees associated with providing that service. The final full time position being recommended will be for technology and/or addressing (mapping) needs - Senior Staff will be refining the duties and responsibilities for this individual but, for budgeting purposes only, the position is reflected as an Associate Planner in Community Development.
- The budget includes a continuation of existing employee compensation and benefit programs.

As has been our practice since the 2000-01 FY inception of a pay plan for non-represented employees the budget includes a pay increase (this year 4.1%) for those individuals. This percentage is slightly below the rate of inflation (based on annual September CPI-W benchmarks) but equal to the increase for International Union of Operating Engineers (various Park/Recreation and Public Works personnel) bargaining unit employees. In addition to cost of living increases, a number of employees are eligible to receive step increases with the number of steps being dependent upon performance and employee classification, i.e. bargaining unit agreement or administrative position.

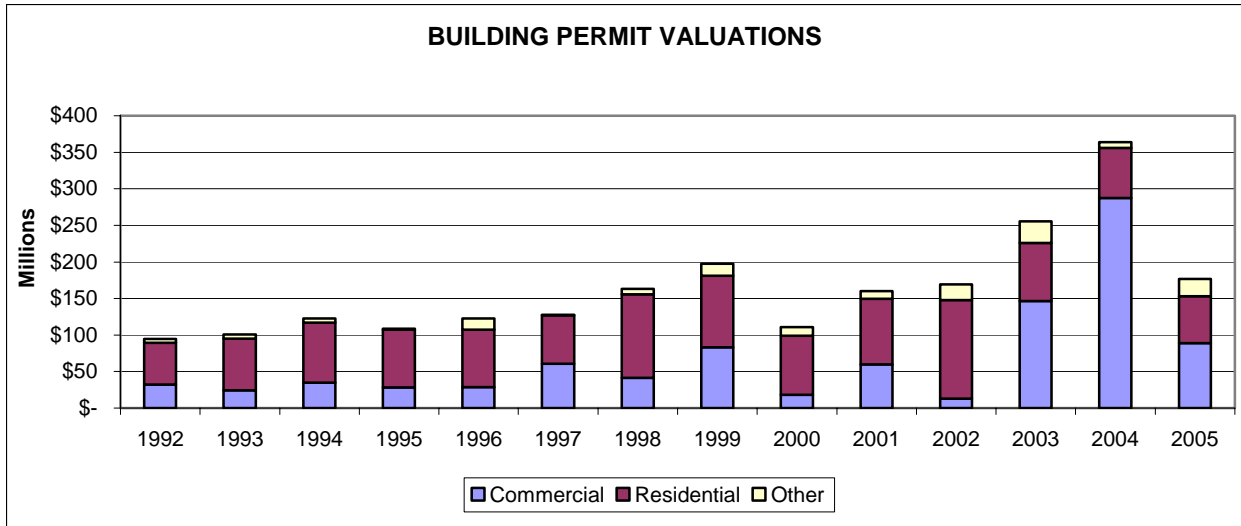
The City was able to mitigate the rising cost of health insurance in recent years by systematically reducing the health insurance fund balance. During the first half of FY 04-05 paid health and prescription claims totaled approximately \$992,000 which was in line with the planned reduction in fund balance. The FY 05-06 budget was formed under the assumption that claim activity would continue at a similar rate for the remaining half of FY 04-05. However, paid health and prescription claims in the January to June 2005 period totaled approximately \$1,900,000 or nearly double what was incurred during the first half of the year. As a result city paid health insurance rates for the current budget year increased 46.5% over FY 04-05. When a 10% to 12% increase is then factored in for 06-07 FY the upcoming years health insurance costs are approximately \$1,600,000 over the amount included in the 2004-05 FY budget.

- In order to maximize the amount of general fund dollars available, approximately \$2.025 million in Road Use Tax funds are being utilized for street related expenditures. With \$650,000 of the same funds being used for street lighting and approximately \$1,350,000 being used for debt incurred for IDOT work on Iowa 5 overpasses the City will effectively be using all of the Road Use Tax funds received from the state for operational purposes.
- The proposed budget reflects a slight decrease in the contribution rate for the Municipal Fire and Police Retirement System of Iowa. The City's contribution rate of covered wages for FY 06-07 will be 27.75% as compared to 28.21% for FY 05-06.
- The City continues its support of the Youth Justice Initiative. The Police department facilitated an agreement with the West Des Moines Community School District where the school district will be responsible for 75% of program costs and the City will be responsible for 25% (\$24,463).
- There will be a need to increase solid waste collection rates during FY 06-07, with the amount of the increase being determined after the Metro Waste Authority announces disposal rate changes for the upcoming year(s).
- As members of WestCom (consolidated dispatch services), the cities of Clive, Urbandale and West Des Moines continue to explore the possibility of collaboration with Polk County where the entities would join together to form a new entity called MetroCom. The proposed budget does not reflect the switch to MetroCom as we have neither received a formal proposal from Polk County nor has the City Council been asked to render a decision as to a merger. If the change to MetroCom occurs during FY 06-07 savings generated from that collaboration would be available for building/equipment improvements and/or staffing changes that may be deemed necessary at the Law Enforcement Center.
- **The FY 2006-2007 budget maintains minimum fund balances, which protect the City of West Des Moines' financial integrity.** The total revenues are \$41,627,155 and total expenditures are \$40,908,740. We project that the City's General Fund balance on June 30, 2007 will be slightly in excess of 25 percent (**\$9,419,414**) of operating expenditures which is sufficient for meeting unexpected shortfalls in revenues or demands on future fund resources.



***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. **In 2005, the total building permit valuation was in excess of \$176,762,000. This is the fourth best performance in the history of our community. 2005 commercial building permit values totaled approximately \$88,879,000.**



***BUDGET IN BRIEF***

***Revenues***

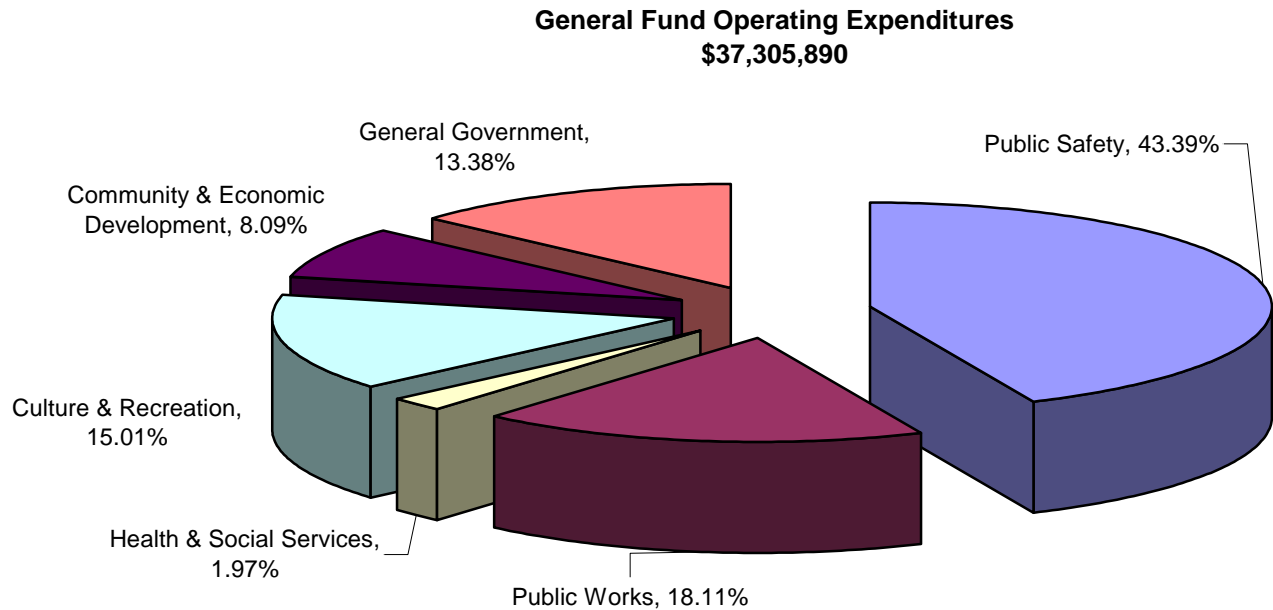
The City of West Des Moines continues to build on its reputation as one of the fastest growing cities in the State of Iowa. A strong commercial base, coupled with a growing commercial market, makes a very strong local economy.

**In 2006-07, General fund operating revenues of \$32,969,305 are projected to increase by 8.83% compared to FY 2005-06. Property tax revenues, accounting for 70 percent of the City’s general fund revenue, are projected to increase by 5.07% compared to FY 2005-06.**

It is important to note that in excess of \$480,857,000 in taxable value remains included in the City’s four Tax Increment Finance Districts. This is nearly \$4,750,000 (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 fire stations to bridges to vital roads and utility systems.

West Des Moines’ taxable valuation per capita of approximately \$54,000 is the highest of Iowa’s ten largest cities. Based on current commercial and residential growth, we believe this trend will continue.

## *Expenditures*



**The City's General Fund operating expenditures total \$37,305,890 and denotes an increase of 12.10% (\$4,027,063) over the FY 2005-06 budget.**

**The City of West Des Moines' total number of full time equivalents (FTE's) is 356.85, an increase of 21.25 persons over the level approved for the 2005-06 FY.** 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.

### ***Capital Improvement Plan***

The Capital Improvement Plan is presented within this document. 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 need funding. 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 through 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 by committing up to 2.1 million dollars for street/road maintenance. This is the third highest amount spent in the history of the City of West Des Moines for road maintenance.

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

The City of West Des Moines Mayor, City Council and staff have taken 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, Community Development, Water Works

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

### ***General Fund Reserve Balances***

West Des Moines is currently in a strong financial position which is best depicted by the City's unrestricted general fund balance that is projected to be \$9,419,414 at June 30, 2007. This represents approximately 25% of estimated FY 2006-07 operating expenditures, with 25% to 30% being the working guideline used by the City as an optimum fund balance level. Even though the current balance is within the 25% to 30% level, it is important to note that departmental needs are projected to exceed revenues over the next three years.

### ***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. A major portion of the funding for these programs comes from the Hotel/Motel tax, which was passed by West Des Moines voters in 1984. For FY 2006-07, the contribution to metropolitan-based organizations is expected to exceed \$1,000,000.

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 Urbandale, Clive, Windsor Heights and Johnston have formed WestHelp, a multi-jurisdictional housing rehabilitation entity.
- ◆ The Cities of West Des Moines, Clive and Urbandale continue discussions regarding a Western Fire District, based on the WestCom model. We expect significant discussions and progress on this opportunity for collaboration in 2006 and into the future.
- ◆ The City has cooperative agreements with West Des Moines Water Works and the City of Waukee to provide computer support services. The positions funded through those agreements have resulted in more timely Help Desk support for all three entities.
- ◆ During 2005, the City entered into an agreement with the City of Urbandale to provide Human Resources services.
- ◆ The Cities of Clive, Urbandale, Windsor Heights and West Des Moines entered into an agreement for the consolidated Suburban Emergency Response Team (SERT). This agreement unites the Cities' part-time police tactical teams and critical incident negotiators to provide specialized tactical and crisis negotiation responses to critical incidents and high risk situations.
- ◆ Other collaborative ventures continued, including our agreement with Dallas County for West Des Moines' Emergency Medical Services Department to provide administrative and billing functions for that county's ambulance service.

## *Conclusion*

Recognizing that growth in the City's population, calls for service and recent annexations, the proposed budget reflects a significant staffing increase for our Fire and Emergency Medical Services departments. It is my belief that these new employees, and the resulting property tax rate increase, will enhance the safety of West Des Moines citizens and those that work and visit our community.

The City of West Des Moines' budget is increasingly difficult to balance due to the growing number of beneficial projects, which need funding. While the overall financial health of our growing community is excellent, the needs of our departments continue to outpace available revenues. In fact, the requests of the departments exceeded available revenues by over \$2 million. The unfunded requests are included in the proposed budget document for review by the Mayor and City Council.

**In order to assure that the City's human and physical infrastructure keeps up with the City's growth additional revenue enhancements will be necessary in the future.** Current service demands and limited revenue growth will necessitate a thorough review of all aspects of our revenues and expenditures in an effort to control future tax increases.

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 and Budget Analyst Jamie Schug, worked collaboratively and effectively as we reviewed and developed the 2006-07 budget. This budget could not have been developed without the combined efforts of all those involved.

I would also like to thank the Mayor and City Council members 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