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 Aa1 and AAA ratings respectively, this is the second highest rating issued by Moody's and the highest rating issued by Standard & Poor's.

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 2008-09 Budget was drafted under guidelines listed on the previous page. Below are the significant short-term assumptions and policies utilized in developing the FY 2008-09 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 $4.0 million dollars in Road Use Tax Funds. Approximately $3.35 million in Road Use Tax funds are being utilized for street related expenditures (CIP and operating). The remaining $650,000 will be used for street lighting. This will effectively use all of the 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 2008-09 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.

Expenditure & Fund Balance Assumptions

- In the FY 2008-09 budget, we continue, in a conservative fashion, efforts to increase staff to meet the needs of our growing community. The proposed budget reflects the hiring of two full-time patrol officers to focus on traffic safety and enforcement. Funds have also been included to upgrade the existing naturalist position in the Parks and Recreation department from ¾ time to full-time. The Principal Charity Classic has committed $10,000 in funding for FY 08-09, which is proposed to fund a seasonal/intermittent program outreach worker position in the Human Services department.
- With one minor exception, the budget includes a continuation of existing employee compensation and benefit programs with the recommendation that hourly non-union employees be provided life insurance up to their annual salary (currently ½ annual salary).
- 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 3.2%) for those individuals. This percentage is slightly above 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 prior years by systematically reducing the health insurance fund balance. During the last half of FY 04-05 and the entire 05-06 FY costs far exceeded the revenues and, in effect, reduced our June 30, 2006 fund balance to the point that we were advised, by the Iowa Insurance Division, "the plan has reported a significant deficit which must be dealt with during the current plan year". We have been pro-active in dealing with this situation by raising rates by 46.5% in 2005-06, 30% in 2006-07 and 6% in 2007-08. Those efforts appear to have been successful as we have eliminated the "def-icit" in the fund balance with the upcoming budget reflecting a 10% increase in rates to par-

rtially restore a working fund balance. Elected officials and staff will be working with Frank Berlin and Associates in reviewing our current plan and identifying cost saving options.

- The proposed budget reflects a 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 08-09 will be 18.75% as compared to 25.48% for FY 07-08. Conversely, the proposed budget reflects an increase in the contribution rate for Iowa Public Employees Retirement System. The City's contribution rate will increase from 6.05% in FY 07-08 to 6.35% in FY 08-09.
- Senior staff members from the cities of Clive, Urbandale and West Des Moines have recommended the relocation of WestCom operations to the lower level of new Public Safety Station #19 with the proposed Capital Improvement budget reflecting the design/construction and equipping of the relocated facilities. If the City Councils from all three entities approve going forward with this relocation, an architect will examine future Law Enforcement Center remodeling options as well as a staff/Council review of Police Department staffing needs when WestCom moves to Station #19.
- The FY 2008-2009 budget maintains minimum general fund balances, which protect the City of West Des Moines' financial integrity. The total revenues are $50,287,289 and total expenditures are $48,812,021. We project that the City's General Fund balance on June 30, 2009 will be slightly in excess of 26 percent ($11,618,569) 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	$13.70
County	6.84
Other	4.26
City	12.05
FY 07-08 Levy	**$36.85**

Dallas County - Waukee Schools	
School	$17.80
County	5.76
Other	2.12
City	12.05
FY 07-08 Levy	**$37.73**

	Actual FY 2006-07	Budget FY 2007-08	Budget FY 2008-09
Property Tax Calculation			
Assessed Valuation	$1,000,000	$1,000,000	$1,000,000
Rollback Percentage	99.15%	100.00%	99.73%
Taxable Value	$991,500	$1,000,000	$997,300
City Tax Rate per $1,000	$11.95	$12.05	$12.05
Total City Property Tax	**$11,848**	**$12,050**	**$12,017**

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

Polk County - WDM Schools	
School	$13.70
County	6.84
Other	4.26
City	12.05
FY 07-08 Levy	**$36.85**

Dallas County - Waukee Schools	
School	$17.80
County	5.76
Other	2.12
City	12.05
FY 07-08 Levy	**$37.73**

	Actual FY 2006-07	**Budget FY 2007-08**	**Budget FY 2008-09**
Property Tax Calculation			
Assessed Valuation	$200,000	$200,000	$200,000
Rollback Percentage	45.99%	45.56%	44.08%
Taxable Value	$91,980	$91,120	$88,160
City Tax Rate per $1,000	$11.95	$12.05	$12.05
Gross City Tax	$1,099	$1,098	$1,062
Less City Share of Home-stead Tax Credit	($57)	($58)	($58)
Total City Property Tax	**$1,042**	**$1,040**	**$1,004**

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Project Funds	Enterprise Funds	FY 2008-09 Budget
REVENUES						
Operating Revenues						
Property Taxes	$27,772,813	$5,468,883	$7,541,765			$40,783,461
TIF Revenues		14,688,293				14,688,293
Other City Taxes	2,874,137	78,617	95,098			3,047,852
Licenses and Permits	945,500					945,500
Use of Money and Property	910,000	50,000	500,000		1,100,000	2,560,000
Intergovernmental	3,973,878	4,731,001		3,200,000		11,904,879
Charges for Services	2,668,650				10,225,000	12,893,650
Special Assessments				200,000		200,000
Miscellaneous	372,955	1,284,212			6,140,000	7,797,167
Sub-total Operating Revenues	**$39,517,933**	**$26,301,006**	**$8,136,863**	**$3,400,000**	**$17,465,000**	**$94,820,802**
Other Financing Sources						
Proceeds of Long Term Debt	$5,000			$29,235,000		$29,240,000
Transfers In	10,762,540	66,275	$10,582,024	31,615,000	5,435,538	58,461,377
Sub-total Other Financing Sources	**$10,767,540**	**$66,275**	**$10,582,024**	**$60,850,000**	**$5,435,538**	**$87,701,377**
TOTAL REVENUES & OTHER SOURCES	**$50,285,473**	**$26,367,281**	**$18,718,887**	**$64,250,000**	**$22,900,538**	**$182,522,179**
EXPENDITURES						
Operating Expenditures						
Personal Services	$31,558,494	$1,496,357			$592,300	$33,647,151
Supplies and Services	8,880,939	1,481,330			11,765,378	22,127,647
Universal Commodities	2,485,985	650,000			142,900	3,278,885
Non-Recurring/Non-Capital	588,348	205,500			50,000	843,848
Capital	1,120,468	495,605			181,850	1,797,923
Sub-total Operating Expenditures	**$44,634,234**	**$4,328,792**			**$12,732,428**	**$61,695,454**
Lease/Purchase or Installment Contract Expenditures	**$30,982**					**$30,982**
Total Operating Expenditures	**$44,665,216**					**$44,665,216**
Debt Service Expenditures		**$2,325,550**	**$18,218,887**		**$454,360**	**$20,998,797**
Capital Improvement Expenditures				**$33,835,000**	**$980,000**	**$34,815,000**
Total Expenditures	**$44,665,216**	**$6,654,342**	**$18,218,887**	**$33,835,000**	**$14,166,788**	**$117,540,233**
Transfers Out	**$4,146,805**	**$18,334,034**		**$29,365,000**	**$6,615,538**	**$58,461,377**
TOTAL EXPENDITURES/TRANSFERS OUT	**$48,812,021**	**$24,988,376**	**$18,218,887**	**$63,200,000**	**$20,782,326**	**$176,001,610**
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	**$1,473,452**	**($1,378,905)**	**$500,000**	**$1,050,000**	**$2,118,212**	**$3,762,759**
BEGINNING FUND BALANCE	**$10,143,301**	**$10,210,247**	**$5,921,198**	**$7,353,148**	**$11,451,770**	**$45,079,664**
ENDING FUND BALANCE	**$11,616,753**	**$8,831,342**	**$6,421,198**	**$8,403,148**	**$13,569,982**	**$48,842,423**
FUND BALANCE % OF EXPENDITURES	**26.01%**	**132.72%**	**35.24%**	**24.84%**	**95.79%**	**41.55%**

Revenues & Expenditures by Category

	ACTUAL FY 2005-06	ACTUAL FY 2006-07	REVISED BUDGET FY 2007-08	BUDGET FY 2008-09	INC(DEC) FY 2008-09 OVER FY 2007-08	% INC (DEC)
REVENUES						
Operating Revenues						
Property Taxes	$30,634,935	$34,343,088	$37,530,923	$40,783,461	$3,252,538	8.67%
TIF Revenues	10,089,944	14,857,246	16,168,384	14,688,293	(1,480,091)	(9.15%)
Other City Taxes	2,756,013	2,978,325	3,036,682	3,047,852	11,170	0.37%
Licenses and Permits	973,262	975,003	944,000	945,500	1,500	0.16%
Use of Money and Property	4,134,119	5,012,999	1,943,000	2,560,000	617,000	31.76%
Intergovernmental	8,859,318	9,490,340	17,718,696	11,904,879	(5,813,817)	(32.81%)
Charges for Services	9,814,549	13,715,374	11,476,200	12,893,650	1,417,450	12.35%
Special Assessments	389,576	278,887	100,000	200,000	100,000	100.00%
Miscellaneous	5,964,985	12,527,005	7,229,430	7,797,167	567,737	7.85%
Sub-total Operating Revenues	**$73,616,703**	**$93,638,270**	**$96,147,315**	**$94,820,802**	**($1,326,513)**	**(1.38%)**
Other Financing Sources						
Proceeds of Long Term Debt	$6,339,836	$443,515	$19,077,000	$29,240,000	$10,163,000	53.27%
Transfers In	34,267,412	38,518,076	45,293,917	$58,461,377	13,167,460	29.07%
Sub-total Other Financing Sources	**$40,607,258**	**$38,961,591**	**$64,370,917**	**$87,701,377**	**$23,330,460**	**26.24%**
TOTAL REVENUES & OTHER SOURCES	**$114,223,961**	**$132,599,861**	**$160,518,232**	**$182,522,179**	**$22,003,947**	**13.71%**
EXPENDITURES						
Operating Expenditures						
Personal Services	$26,134,337	$28,812,619	$33,242,518	$33,647,151	$404,633	1.22%
Supplies and Services	16,413,667	17,720,966	21,510,052	22,127,647	617,595	2.87%
Universal Commodities	2,716,837	2,915,549	3,030,398	3,278,885	248,487	8.20%
Non-Recurring/Non-Capital	435,760	702,912	746,236	843,848	97,612	13.08%
Capital	2,355,423	2,370,212	2,227,290	1,797,923	(429,367)	(19.28%)
Sub-total Operating Expenditures	**$48,056,024**	**$52,522,257**	**$60,756,494**	**$61,695,454**	**$938,960**	**1.55%**
Lease/Purchase or Installment Contract Expenditures	**$77,905**	**$87,534**	**$87,612**	**$30,982**	**($56,630)**	**(64.64%)**
Total Operating Expenditures	**$48,133,929**	**$52,609,790**	**$60,844,106**	**$61,726,436**	**$882,330**	**1.45%**
Debt Service Expenditures	**$19,476,031**	**$19,283,259**	**$22,422,187**	**$20,998,797**	**($1,423,390)**	**(6.35%)**
Capital Improvement Expenditures	**$15,556,172**	**$15,790,009**	**$44,629,100**	**$34,815,000**	**($9,814,100)**	**(21.99%)**
Total Expenditures	**$83,166,132**	**$87,683,058**	**$127,895,393**	**$117,540,233**	**($10,355,160)**	**(8.10%)**
Transfers Out	**$34,267,411**	**$38,518,076**	**$55,153,917**	**$58,461,377**	**$3,307,460**	**6.00%**
TOTAL EXPENDITURES/TRANSFERS OUT	**$117,433,547**	**$126,201,133**	**$183,049,310**	**$176,001,610**	**($7,047,700)**	**(3.85%)**
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	**($3,209,586)**	**$6,398,728**	**($22,531,078)**	**$3,762,759**	**$26,293,837**	**(116.70%)**
BEGINNING FUND BALANCE	**$64,421,600**	**$61,212,014**	**$67,610,742**	**$45,079,664**	**($22,531,078)**	**n/a**
ENDING FUND BALANCE	**$61,212,014**	**$67,610,742**	**$45,079,664**	**$48,842,423**	**$3,762,759**	**n/a**
FUND BALANCE % OF EXPENDITURES	**73.60%**	**77.11%**	**35.25%**	**41.55%**		

Revenues & Expenditures by Fund

	ACTUAL FY 2005-06	ACTUAL FY 2006-07	REVISED BUDGET FY 2007-08	BUDGET FY 2008-09	INC(DEC) FY 2008-09 OVER FY 2007-08	% INC (DEC)
REVENUES						
Fund Revenues						
General Funds	$38,785,195	$42,803,944	$46,841,057	$50,285,473	$3,444,416	7.35%
Special Revenue Funds	18,386,903	26,566,975	28,363,759	26,367,281	(1,966,478)	(7.04%)
Debt Service Funds	15,379,819	16,978,149	18,346,731	18,718,887	372,156	2.03%
Capital Project Funds	24,039,236	18,996,777	46,825,000	64,250,000	17,425,000	37.21%
Enterprise Funds	17,632,808	27,254,016	20,141,685	22,900,538	2,758,853	13.70%
Total Fund Revenues	**$114,223,961**	**$132,599,861**	**$160,518,232**	**$182,522,179**	**$22,003,947**	**13.71%**
EXPENDITURES						
Fund Expenditures						
General Funds	$38,324,065	$41,603,300	$46,980,307	$48,812,021	$1,831,714	3.90%
Special Revenue Funds	17,111,987	22,422,270	34,065,609	24,988,376	(9,077,233)	(26.65%)
Debt Service Funds	16,917,825	16,198,476	17,918,638	18,218,887	300,249	1.68%
Capital Project Funds	27,783,335	20,783,310	53,156,800	63,200,000	10,043,200	18.89%
Enterprise Funds	17,296,335	25,193,777	30,927,956	20,782,326	(10,145,630)	(32.80%)
Total Fund Expenditures	**$117,433,547**	**$126,201,133**	**$183,049,310**	**$176,001,610**	**($7,047,700)**	**(3.85%)**
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	**($3,209,586)**	**$6,398,728**	**($22,531,078)**	**$3,762,759**	**$26,293,837**	**n/a**
BEGINNING FUND BALANCE	**$64,421,600**	**$61,212,014**	**$67,610,742**	**$45,079,664**	**($22,531,078)**	**n/a**
ENDING FUND BALANCE	**$61,212,014**	**$67,610,742**	**$45,079,664**	**$48,842,423**	**$3,762,759**	**n/a**
FUND BALANCE % OF EXPENDITURES	**73.60%**	**77.11%**	**35.25%**	**41.55%**		

Comparison of Amended Budget to Actual

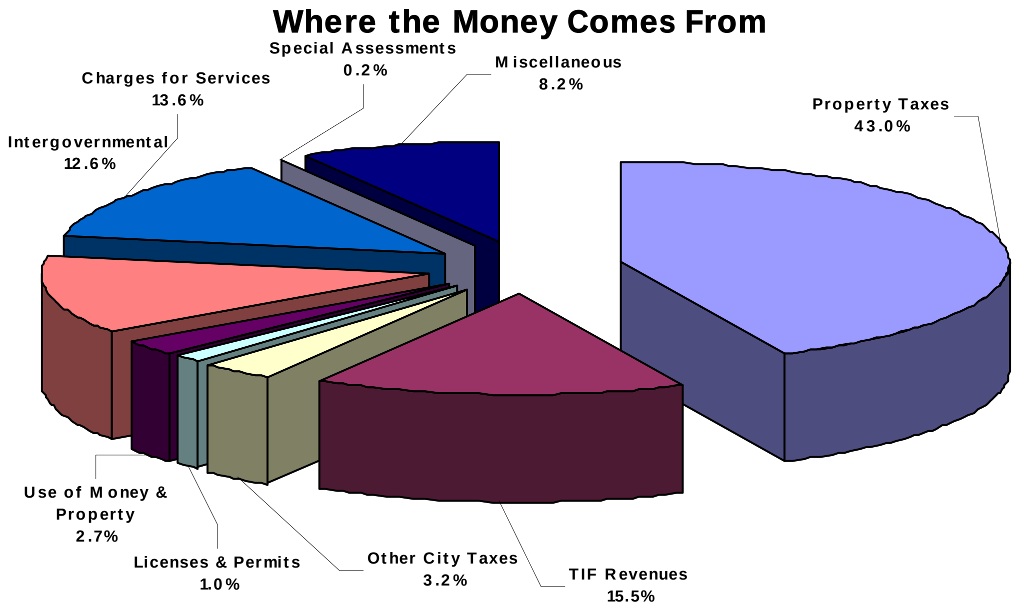
	Amended Budget FY 2005-06	Actual FY 2005-06	Variance Favorable (Unfavorable)	Amended Budget FY 2006-07	Actual FY 2006-07	Variance Favorable (Unfavorable)
REVENUES						
Revenues						
Property Taxes	$30,883,977	$30,634,936	($249,041)	$34,606,504	$34,343,089	($263,415)
TIF Revenues	10,060,000	10,089,944	29,944	14,165,000	14,857,246	692,246
Other City Taxes	2,577,502	2,756,013	178,511	2,930,336	2,978,326	47,990
Licenses and Permits	967,500	973,262	5,762	981,700	975,003	(6,697)
Use of Money and Property	2,888,550	4,134,120	1,245,570	3,350,900	3,479,538	128,638
Intergovernmental	7,583,522	8,859,318	1,275,796	12,643,625	9,406,490	(3,237,135)
Charges for Services	9,553,900	9,814,549	260,649	10,021,300	13,935,488	3,914,188
Special Assessments	100,000	389,576	289,576	100,000	289,719	189,719
Miscellaneous	4,480,700	5,964,985	1,484,285	6,744,050	5,979,574	(764,476)
Total Revenues	**$69,095,651**	**$73,616,703**	**$4,521,052**	**$85,543,415**	**$86,244,473**	**$701,058**
EXPENDITURES						
Expenditures						
Public Safety	$16,269,511	$16,684,916	($415,405)	$19,908,473	$18,065,698	$1,842,775
Public Works	7,191,020	6,740,461	450,559	7,682,969	6,735,605	947,364
Health and Social Services	896,996	881,171	15,825	1,065,630	947,846	118,142
Culture and Recreation	5,604,831	5,677,963	(73,132)	5,979,548	5,924,537	55,011
Community and Economic Development	3,937,943	3,609,890	328,053	4,243,073	3,827,632	415,516
General Government	4,677,301	4,114,285	563,016	6,064,980	4,544,709	1,520,271
Debt Service	18,078,975	17,938,911	140,064	20,236,984	18,600,079	1,636,905
Capital Outlay	18,658,000	14,906,924	3,751,076	26,842,030	16,086,159	10,755,871
Business Type	10,891,567	12,611,613	(1,720,046)	19,985,427	6,978,644	13,006,783
Total Expenditures	**$86,206,144**	**$83,166,132**	**$3,040,010**	**$112,009,114**	**$81,710,476**	**$30,298,638**
Excess (Deficiency) of Revenues Over Expenditures	**($17,110,493)**	**($9,549,429)**	**$1,481,042**	**($26,465,699)**	**$4,533,997**	**$30,999,696**
Other Financing Sources, Net	**$6,091,920**	**$6,339,846**	**$247,926**	**$6,425,000**	**$9,853,382**	**$3,428,382**
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	**($11,018,573)**	**($3,209,583)**	**$1,728,968**	**($20,040,699)**	**$14,387,379**	**$34,428,078**

FY 2008-09 Expenditures Stated on a Program Basis

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Project Funds	Enterprise Funds	FY 2008-09 Budget
Expenditures and Other Financing Uses						
Public Safety	$19,945,211	$2,150,105				$22,095,316
Public Works	7,025,385	650,000				7,675,385
Health and Social Services	874,461	181,275				1,055,736
Culture and Recreation	6,669,736	155,000				6,824,736
Community and Economic Development	4,191,965	1,192,412				5,384,377
General Government	5,927,476					5,927,476
Debt Service Funds	30,968	2,325,550	18,218,887			20,575,419
Capital Project Funds				33,835,000		33,835,000
Total Government Activities	**$44,665,216**	**$6,654,342**	**$18,218,887**	**$33,835,000**		**$103,373,445**
Business-type/Enterprise Funds					$14,166,788	$14,166,788
Total Business-type/Enterprise					**$14,166,788**	**$14,166,788**
Total Expenditures	**$44665,216**	**$6,654,342**	**$18,218,887**	**$33,835,000**	**$14,166,788**	**$117,540,233**

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 2008-09 revenues are projected to increase by approximately 13.71% over budget FY 2007-08. Property tax revenues, which account for approximately 43.01% of the City's total operating revenues, are projected to increase by approximately 8.67%.



Property Taxes

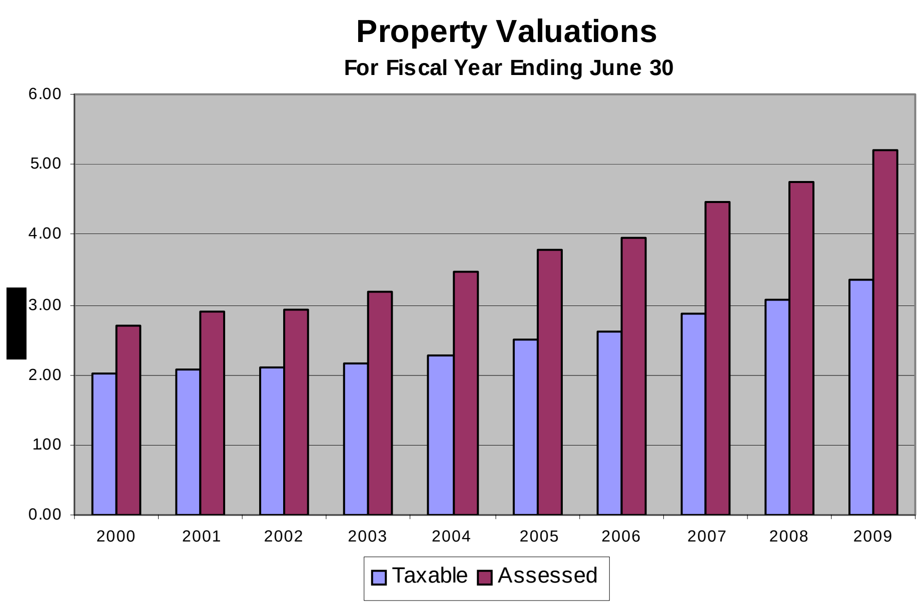
The budget maintains a property tax rate of $12.05/$1,000 of taxable valuation. The proposed ad valorem taxes levied against real and personal property in FY 2008-09 should generate approximately $40,783,461 which accounts for approximately 43.04% of the total operating revenue budgeted for the City. This projection, which is based on actual taxable valuations for January 1, 2007 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 2008-09 have nearly doubled since FY 99-00, the effects of the state mandated rollbacks can also be seen. In FY 99-00, the City was able to generate revenues from 74% of its tax base. However ten years later, in FY 08-09, the City will only be able to generate revenue on 64% of its tax base.



Property Taxes (Continued)

In FY 2008-09, the taxable value of residential properties will decrease from 45.56% to 44.08% and the taxable value of commercial property will decrease from 100.00% to 99.73%. 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 56.48% in FY 99-00, to 44.08% in FY 08-09. In other words, the City has lost the ability to generate taxes on over 12% 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.

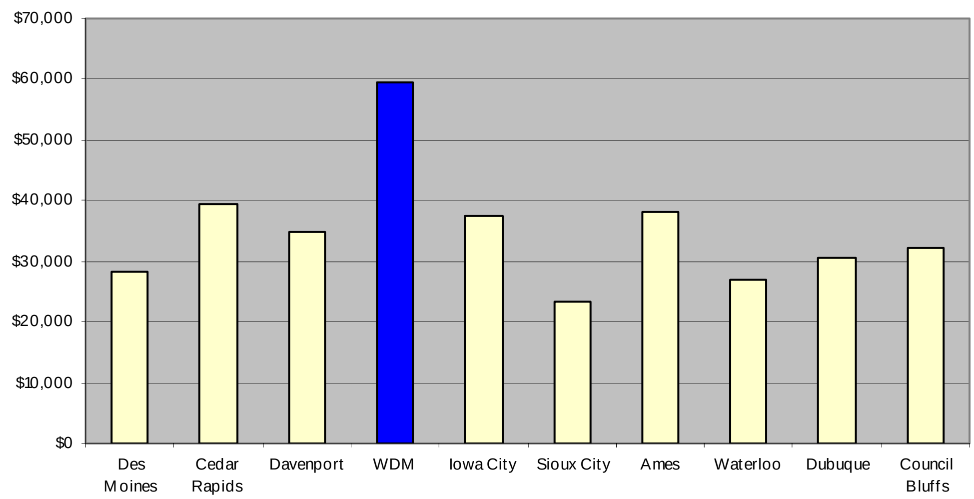
Fiscal Year	Residential	Commercial
1990-00	56.48%	100.00%
2000-01	54.85%	98.35%
2001-02	56.27%	100.00%
2002-03	51.67%	97.77%
2003-04	51.39%	100.00%
2004-05	48.46%	99.26%
2005-06	47.96%	100.00%
2006-07	45.99%	99.15%
2007-08	45.56%	100.00%
2008-09	44.08%	99.73%

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.

Comparison of Taxable Property Valuations per Capita For Iowa's Ten Largest Cities

Based on January 1, 2006 Valuations



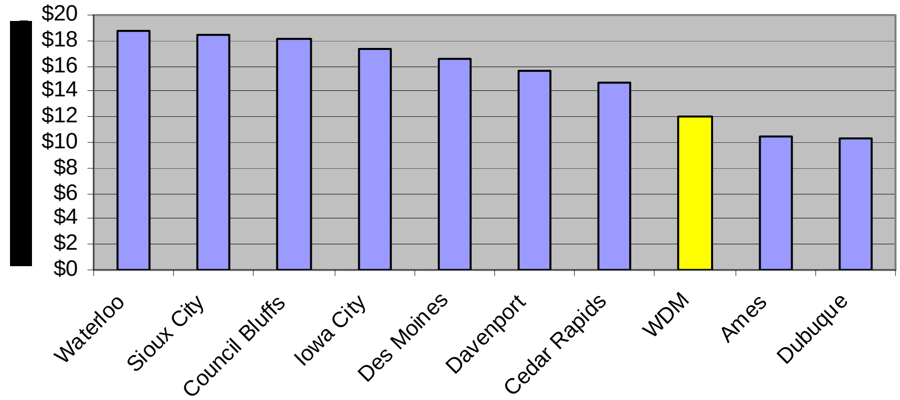
Long Term Forecast

Some experts predict that, over the next ten years, the residential rollback could decrease two to three percentage points a year. 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

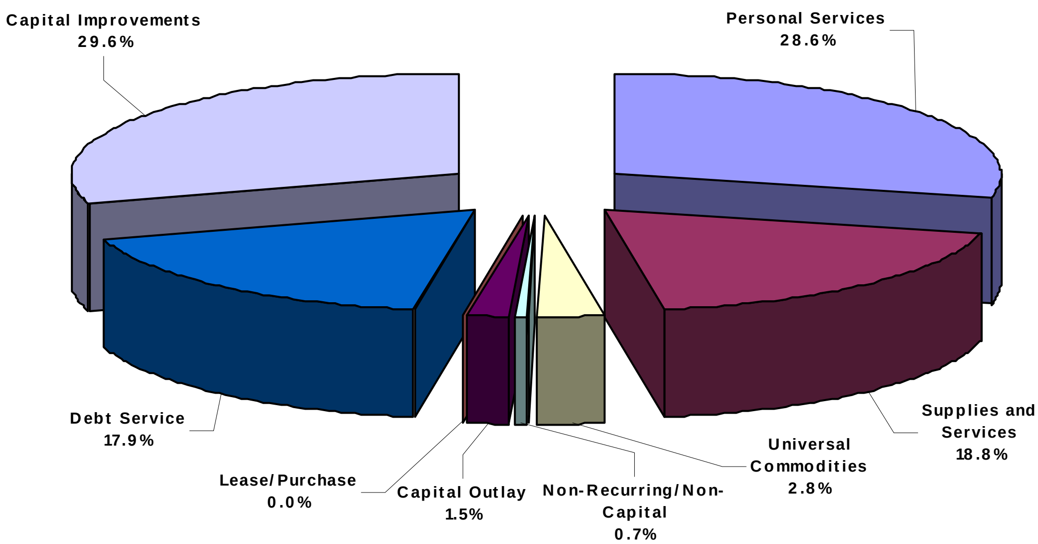
FY 2007-08



Expenditure Highlights

Total expenditures for FY 2008-09 are projected to decrease by 8.10% when compared to the revised budget FY 2007-08. This decrease is primarily due to the City's extensive Capital Improvement Program, which due to timing of projects necessitated a large increase in the revised budget FY 2007-08. This is not uncommon as the fiscal year does not necessarily match up with the construction season. Thus many projects that were originally budgeted in FY 2006-07 needed to be carried over into FY 2007-08. The City's operating budget denotes an increase of 1.45% over budget FY 2007-08, 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 2008-09 FTE(s) are proposed to increase by 2.25 positions bringing the City's total to 363.85 full-time equivalent positions. This represents an increase in FTE(s) of 0.7% over FY 07-08, and roughly a 39% increase since FY 1998-99. Proposed personnel additions for FY 08-09 are listed on the following page.

New/Additional Employees for FY 08-09

Department	New/Additional Position	Number of Positions	Reasoning Behind Proposal	Budgetary Impact
Police	Patrol Officers	2.00	Traffic Safety/Enforcement	$155,000
Parks & Recreation	Naturalist	0.25	Upgrade 3/4 time position to full-time	27,950
Totals		**2.25**		**$182,950**

City of West Des Moines Personnel by Cluster and Department

POSITIONS STATED IN FULL-TIME EQUIVALENTS (FTE)	ACTUAL FY 2005-06	ACTUAL FY 2006-07	BUDGET FY 2007-08	BUDGET FY 2008-09	CHANGE FROM FY 2007-08
Authorized Personnel by Department					
Community Enrichment					
Human Services	12.00	12.00	12.00	12.00	0.00
Library	23.60	23.60	23.60	23.60	0.00
Parks & Recreation	23.75	23.75	25.50	25.75	0.25
Sub-total Community Enrichment	**59.35**	**59.35**	**61.10**	**61.35**	**0.25**
Public Safety					
Emergency Medical Services	16.00	19.00	19.00	19.00	0.00
Fire Department	36.00	51.00	51.00	51.00	0.00
Police Department	82.75	82.75	82.75	84.75	2.00
WestCom	18.25	20.25	20.25	20.25	0.00
Sub-total Public Safety	**156.00**	**173.00**	**173.00**	**175.00**	**2.00**
Public Services					
Community Development	22.00	0.00	0.00	0.00	0.00
Community & Economic Development	0.00	5.00	5.00	5.00	0.00
Development Services	0.00	24.00	24.00	24.00	0.00
Public Works	71.00	66.00	68.00	68.00	0.00
Sub-total Public Services	**93.00**	**95.00**	**97.00**	**97.00**	**0.00**
Support Services					
Administrative Services	9.25	9.50	9.50	9.50	0.00
City Manager's Office	4.00	4.00	4.00	4.00	0.00
Human Resources	4.00	4.00	4.00	4.00	0.00
Information Services	7.00	9.00	10.00	10.00	0.00
Legal	3.00	3.00	3.00	3.00	0.00
Sub-total Support Services	**27.25**	**29.50**	**30.50**	**30.50**	**0.00**
Total Authorized Personnel	**335.60**	**356.85**	**361.60**	**363.85**	**2.25**
Authorized Personnel by Fund					
General Funds	329.60	350.85	353.60	355.85	2.25
Enterprise Funds	6.00	6.00	8.00	8.00	0.00
Total Authorized Personnel	**335.60**	**356.85**	**361.60**	**363.85**	**2.25**

Key Assumptions for FY 2008-09

Salary Increases

The budget includes a continuation of existing employee benefits. Included in the document is a 3.5 percent pay increase for non-represented employees. While this amount is slightly below the rate of inflation, it is equal to or less than cost of living increases for bargaining unit (Union) employees. In addition to the cost of living increases, many employees will receive step increases. The number of steps is dependent upon employee classification, i.e. bargaining unit agreement or administrative position.

Medical Insurance Rates

Medical insurance rates are projected to increase by 10%. The family rate for health insurance is projected to be $1,368 per month, with the City's share at $1,217.52. Single coverage for City employees is projected to be $496.11 per month with the City paying $486.19. Dental insurance is projected to be $27.32 per month for single coverage and $88.06 for family coverage, with the City's share at $27.32.

Pension and Retirement Benefits

The projected City contribution rates for FY 08-09 are as follows:

- 18.75% for sworn police officers and fire personnel (MFPRSI).
- 6.35% for full and regular part-time personnel (IPERS).
- 9.23% for paid-on-call firefighters (IPERS).

Other Pay

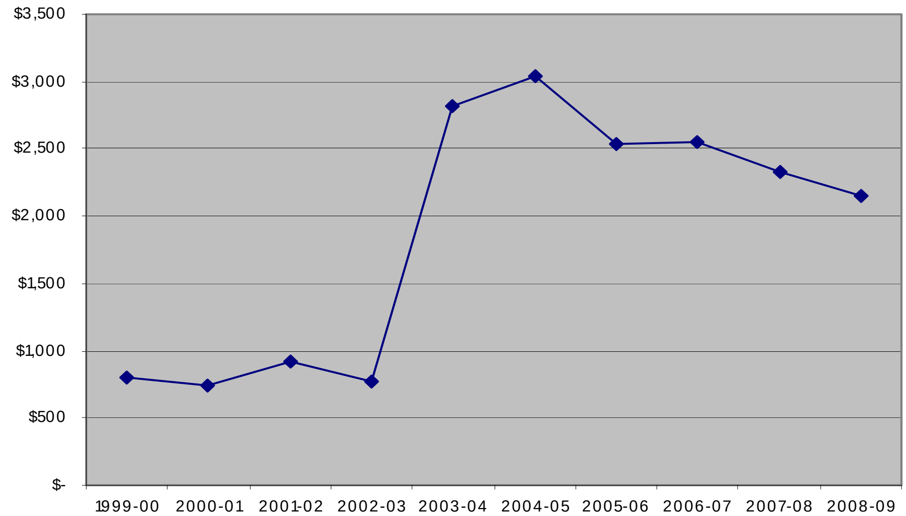
This category includes the City's deferred compensation plan, longevity pay, life insurance, and other miscellaneous pay categories.

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 very aggressive Capital Improvement Program. Moody's Investors Services and Standard & Poor's rating agencies have issued ratings of Aa1 and AAA respectively, the second highest rating issued by Moody's and the highest issued by Standard & Poor's. 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 twelve (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, 2008	FY 2008-09 Additions	FY 2008-09 Reductions	Estimated Balance June 30, 2009
Debt Subject to Constitutional Limitation				
General Obligation Debt	$116,435,000	$6,500,000	$11,940,000	$110,995,000
Tax Increment Financing Bonds	5,890,000		1,895,000	3,995,000
Rise Loans/IDOT	220,921		71,330	149,591
Lease Purchase/Other Debt	183,020		132,035	50,985
Sub-total Debt Subject to Limitation	**$122,728,941**	**$6,500,000**	**$14,038,365**	**$115,190,576**
Revenue Bonds & Capital Loan Notes				
WRA Debt	22,267,031		1,822,793	20,444,238
Sewer Debt	2,912,000		367,000	2,545,000
Sub-total Revenue Bonds & Capital Loan Notes	**$25,179,031**		**$2,189,793**	**$22,989,238**
Total Long-Term Debt	**$147,907,972**	**$6,500,000**	**$16,228,158**	**$138,179,814**

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 in excess of five billion dollars, the City's constitutional debt limit is $284,667,391. The City estimates its direct debt or debt that is subject to the limitation will be $115,190,576 at June 30, 2009. This leaves an available margin of $169,476,815 with approximately 40.46% of the available statutory debt limit being obligated.

Actual Property Valuation	
January 1, 2007	$5,693,347,823
Statutory Percentage	5.00%
Statutory Debt Limit	**$284,667,391**
Estimated Direct Debt at June 30, 2009	
General Obligation Bonds	$110,995,000
Tax Increment Financing Bonds	3,995,000
Rise Loans/IDOT	149,591
Lease Purchase/Other Debt	50,985
Total Outstanding Direct Debt	**$115,190,576**
Available Debt Margin	**$169,476,815**
Percentage Obligated	**40.46%**