

**Debt Service Fund**

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of general obligation bonds. General obligation bonds are the most common type of bonds issued by a city. The taxable valuation of all real property located in the city is pledged to pay them.

There are two types of general obligation bonds: essential corporate purpose and general corporate purpose. Bonds issued for a general corporate purpose require a public election with a 60% majority vote. Examples of general corporate purpose bonds include those issued for swimming pools, libraries, city halls, fire stations, and police stations. Bonds issued for an essential corporate purpose need only the approval of a resolution by a majority of the city council at an official meeting, following a published notice and hearing. Examples of essential corporate purpose bonds include those issued for street and bridge construction, refinancing of debt, park improvements and flood control.

The Statement of Net Assets from the City's Comprehensive Annual Financial Report accounts for general obligation debt backed by the full faith and credit of the City of Bettendorf. As of July 1, 2011 total general obligation debt in the Governmental Activities amounts to \$78,845,900.

As of July 1, 2011 the City also has \$7,615,000 of general obligation bonds outstanding in the Sewer Enterprise Fund; \$384,100 of general obligation bonds outstanding in the Family Museum Enterprise Fund, \$6,015,000 of general obligation bonds outstanding in the Storm Water Enterprise Fund, \$640,000 of general obligation bonds outstanding in the Recycling/Solid Waste Fund and \$12,510,000 of general obligation notes outstanding in the QC Waterfront Convention Center Fund, each of which are included in the Enterprise Funds section of the budget document.

The City currently has fourteen general obligation bond issues outstanding as of July 1, 2011. The bonds have interest rates ranging from 1.25% to 6.00% and mature in varying annual amounts, with the final maturities due in the year ending June 30, 2030. A brief description of these issues are listed below:

- **JUNE 1, 2003 \$4,080,000 SERIES 2003A GENERAL OBLIGATION BONDS**

Proceeds of these bonds will be used to finance various public improvement projects specified in the City's Capital Improvement Plan.

These bonds were rated Aa3 from Moody's Investors Service.

- **JUNE 1, 2004, \$3,570,000 SERIES 2004A GENERAL OBLIGATION BONDS**

Proceeds of these bonds will be used to finance various public improvement projects specified in the City's Capital Improvement Plan.

These bonds were rated Aa3 from Moody's Investors Service.

- **JUNE 1, 2004, \$4,534,050 SERIES 2004B GENERAL OBLIGATION BONDS**

Proceeds of these bonds will be used to refund the June 1, 2005 through the June 1, 2012 maturities of the City's \$10,074,033 General Obligation Bonds, Series 1995, dated July 1, 1995. The refunding is being conducted to achieve interest cost savings.

These bonds were rated Aa3 from Moody's Investors Service.

- **JUNE 1, 2005, \$4,590,000 SERIES 2005A GENERAL OBLIGATION BONDS**

Proceeds of these bonds will be used to finance various public improvement projects specified in the City's Capital Improvement Plan.

These bonds were rated Aa3 from Moody's Investors Service.

- **JUNE 1, 2006, \$4,580,000 SERIES 2006A GENERAL OBLIGATION BONDS**

Proceeds of these bonds will be used to finance various public improvement projects specified in the City's Capital Improvement Plan.

These bonds were rated Aa3 from Moody's Investors Service.

- **JULY 1, 2006, \$6,300,000 SERIES 2006B GENERAL OBLIGATION REFUNDING BONDS**

Proceeds of these bonds will be used to refund the June 1, 2007 through the June 1, 2015 maturities of the City's \$6,275,000 General Obligation Bonds, Series 1998A, dated April 1, 1998. The refunding is being conducted to achieve interest cost savings.

These bonds were rated Aa3 from Moody's Investors Service.

- **FEBRUARY 1, 2007, \$3,760,000 SERIES 2007A GENERAL OBLIGATION REFUNDING BONDS**

Proceeds of these bonds will be used to refund the remaining June 1, 2008 through the June 1, 2015 maturities of the City's \$3,488,150 General Obligation Bonds, Series 2000A, dated May 1, 2000. The refunding is being conducted to achieve interest cost savings.

These bonds were rated Aa3 from Moody's Investors Service.

- **JUNE 1, 2007, \$5,095,000 SERIES 2006A GENERAL OBLIGATION BONDS**

Proceeds of these bonds will be used to finance various public improvement projects specified in the City's Capital Improvement Plan.

These bonds were rated Aa3 from Moody's Investors Service.

- **JUNE 1, 2008, \$10,540,000 SERIES 2008A GENERAL OBLIGATION BONDS**

Proceeds of these bonds will be used to finance various public improvement projects specified in the City's Capital Improvement Plan.

These bonds were rated Aa2 from Moody's Investors Service.

- **MARCH 1, 2009, \$13,700,000 SERIES 2009A GENERAL OBLIGATION BONDS**

Proceeds of these bonds will be used to finance various public improvement projects specified in the City's Capital Improvement Plan.

These bonds were rated Aa2 from Moody's Investors Service.

- **JUNE 1, 2010, \$14,400,000 SERIES 2010A GENERAL OBLIGATION BONDS**

Proceeds of these bonds will be used to finance various public improvement projects specified in the City's Capital Improvement Plan.

These bonds were rated Aa1 from Moody's Investors Service.

- **JUNE 1, 2010, \$7,180,000 SERIES 2010B**

Proceeds of these bonds will be used to refund the remaining June 1, 2012 through the June 1, 2021 maturities of the City's \$4,015,000 General Obligation Bonds, Series 2001A, dated June 1, 2001 and to refund the remaining June 1, 2012 through the June 1, 2022 maturities of the City's \$3,030,000 General Obligation Bonds, Series 2002A, dated June 1, 2002. The refunding is being conducted to achieve interest cost savings.

These bonds were rated Aa1 from Moody's Investors Service.

- **JUNE 1, 2011, \$15,235,000 SERIES 2011A GENERAL OBLIGATION BONDS**

Proceeds of these bonds will be used to finance various public improvement projects specified in the City's Capital Improvement Plan.

These bonds were rated Aa1 from Moody's Investors Service.

- **JUNE 1, 2011, \$795,000 SERIES 2011A GENERAL OBLIGATION TIF REFUNDING BONDS**

Proceeds of these bonds will be used to refund the remaining June 1, 2012 through the June 1, 2018 maturities of the City's \$1,360,000 General Obligation TIF Bonds, Series 2003, dated June 1, 2003. The refunding is being conducted to achieve interest cost savings.

These bonds were rated Aa1 from Moody's Investors Service.

**SUMMARY OF BOND ISSUES:**

General Obligation and TIF Debt outstanding as of July 1, 2011 consists of the following individual issues:

Descriptions	Date Of Issue	Amount Issued	Interest Rates	Outstanding July 1, 2011
Various Public Improvements	June 2003	4,080,000	1.25-3.85%	2,570,000
Various Public Improvements(1)	June 2004	3,570,000	2.25-5.00%	2,410,000
Refunding(2)	June 2004	4,534,050	3.00-4.00%	450,900
Various Public Improvements	June 2005	4,590,000	3.00-4.50%	3,370,000
Various Public Improvements(3)	June 2006	4,580,000	4.125-4.50%	3,605,000
Refunding	July 2006	6,300,000	5.00-4.05%	3,090,000
Refunding	Feb 2007	3,760,000	3.80-3.90%	2,270,000
Various Public Improvements	June 2007	5,095,000	3.50-4.375%	4,310,000
Various Public Improvements(4)	June 2008	10,540,000	3.50-5.00%	8,285,000
Various Public Improvements	March 2009	13,700,000	2.50-4.50%	11,460,000
Various Public Improvements(5)	June 2010	14,400,000	2.00-4.10%	13,815,000
Refunding	June 2010	7,180,000	2.00-3.50%	7,180,000
Various Public Improvements(6)	June 2011	15,235,000	2.00-6.00%	15,235,000
TIF Refunding	June 2011	795,000	2.00-6.00%	795,000
<b>Total General Obligation Bonds</b>				<b>\$78,845,900</b>

(1) The portion of these G.O. bonds relating to the Sewer Enterprise Fund, \$1,380,000 and the Storm Water Enterprise Fund \$1,380,000 are properly accounted for in the Enterprise Funds section of this document.

(2) The portion of these G.O. bonds relating to the Family Museum Fund. \$384,100, are properly accounted for in the Enterprise Funds section of this document.

(3) The portion of these G.O. bonds relating to the Sewer Enterprise Fund. \$2,005,000, are properly accounted for in the Enterprise Funds section of this document.

(4) The portion of these G.O. bonds relating to the Sewer Enterprise Fund, \$2,195,000 and the Storm Water Enterprise Fund \$2,200,000 are properly accounted for in the Enterprise Funds section of this document

(5) The portion of these G.O. bonds relating to the Recycling/Solid Waste Fund, \$640,000 and the Storm Water Enterprise Fund \$2,435,000 are properly accounted for in the Enterprise Funds section of this document.

(6) The portion of these G.O. bonds relating to the Sewer Enterprise Fund, \$2,035,000 are properly accounted for in the Enterprise Funds section of this document.

**SUMMARY OF PRINCIPAL AND INTEREST MATURITIES:**

Annual debt service requirements to service all outstanding indebtedness accounted for in the Governmental Activities as of July 1, 2011 are as follows:

<b>Bonds in Debt Service Funds</b>		
<b>Year ending June 30:</b>	<b>Principal</b>	<b>Interest</b>
2012	5,975,900.00	3,006,806.92
2013	5,780,000.00	2,773,428.94
2014	5,375,000.00	2,601,306.01
2015	4,975,000.00	2,436,130.81
2016	4,440,000.00	2,270,538.00
2017-2021	22,770,000.00	9,078,142.16
2022-2026	20,195,000.00	4,745,393.99
2027-2030	9,335,000.00	947,015.02
<b>Total</b>	<b>78,845,900.00</b>	<b>27,858,761.85</b>

**LEGAL DEBT MARGIN:**

The State of Iowa limits the amount of general obligation and tax increment financing debt that a City may issue. This limitation amounts to 5% of actual valuation of all property within the city limits. The computation for the legal debt margin for the City of Bettendorf as of June 30, 2011 is computed as follows:

January 2009 100% assessed valuation	\$2,734,995,434
Plus: Public Gas & Electric Utilities	82,943,113
Plus: Captured Tax Increment Value	109,976,866
Less: Military Exemption	(4,197,554)
<b>Total assessed valuation of the property in the City of Bettendorf</b>	<b>\$2,923,717,859</b>
Debt Limit, 5% of total actual valuation	\$146,185,893
Less debt applicable to debt limit:	
Debt service general obligation bonds & notes	78,050,900
Debt service TIF general obligation and TIF revenue bonds	13,305,000
Enterprise general obligation bonds	14,654,100
<b>Legal debt margin</b>	<b>\$40,175,893</b>
<b>Percent of legal debt margin used</b>	<b>72.52%</b>

**CURRENT TRENDS AND ISSUES:**

Budgeted property tax collections in the Debt Service Fund are \$8,496,770 for FY 2011/12 compared to \$8,214,500 for FY 2010/11. This is an increase of 3.44% mainly due to an increase in property valuations. Revenues from property taxes, interest earnings, and other city taxes total the amount necessary to support debt service principal and interest payments of \$8,878,670. Three of the City's bond issues will be paid off in the next four years.

The City's overall debt is structured with a rapid payout of principal and decreasing total annual debt service requirements annually through FY 2029/30. The fund balance in this fund is projected to stay relatively stable through FY 15/16. Tax base growth and a rapid payout continue to moderate the City's debt burden. Detailed debt analyses can be found throughout the remaining pages of this section.

**CITY OF BETTENDORF**  
**STATEMENT OF REVENUE, EXPENDITURES & CHANGES IN FUND BALANCES**  
**DEBT SERVICE FUND**  
**FY 2007/08 through FY 2011/12**

	FY 2007/08	FY 2008/09	FY 2009/10	FY 2010/11	FY 2011/12	\$ Inc (Dec)	% Inc (Dec)
	Actual	Actual	Actual	Amended	Budget	from 10/11	from 10/11
<b>Revenue:</b>							
Property taxes	6,151,660	6,790,453	7,108,873	8,215,200	8,496,770	281,570	3.43%
Other city taxes	241,122	265,991	269,237	284,470	303,269	18,799	6.61%
Special assessments	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	4,004	4,288	4,176	4,253	4,253	-	0.00%
Charges for services	-	-	-	-	-	-	-
Interest	323,264	135,750	105,972	75,801	200,000	124,199	163.85%
Fines & forfeitures	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Total revenue</b>	<b>6,720,050</b>	<b>7,196,482</b>	<b>7,488,258</b>	<b>8,579,724</b>	<b>9,004,292</b>	<b>424,568</b>	<b>4.95%</b>
<b>Expenditures:</b>							
Public Safety							
Public Works							
Health & Social Services							
Culture & Recreation							
Community & Economic Deveopment							
General Government							
Debt service:	6,434,356	6,503,779	6,921,818	15,435,139	8,878,670	(6,556,469)	-42.48%
Capital Projects							
<b>Total expenditures</b>	<b>6,434,356</b>	<b>6,503,779</b>	<b>6,921,818</b>	<b>15,435,139</b>	<b>8,878,670</b>	<b>(6,556,469)</b>	<b>-42.48%</b>
Revenue over(under) expenditures	285,694	692,703	566,440	(6,855,415)	125,622	6,981,037	-101.83%
<b>Financing sources (uses):</b>							
Operating transfers in	-	-	-	-	-	-	-
Operating transfers out	(398,106)	(611,290)	(593,353)	(596,836)	(597,195)	(359)	0.06%
Proceeds from bonds			7,325,964				
Payment to bond escrow agent	(3,821,388)						
<b>Financing sources (uses), net</b>	<b>(4,219,494)</b>	<b>(611,290)</b>	<b>6,732,611</b>	<b>(596,836)</b>	<b>(597,195)</b>	<b>(359)</b>	<b>0.06%</b>
<b>over (under) expenditures and other</b>	<b>(3,933,800)</b>	<b>81,413</b>	<b>7,299,051</b>	<b>(7,452,251)</b>	<b>(471,573)</b>	<b>6,980,678</b>	<b>-93.67%</b>
Fund balances, beginning	4,658,472	724,672	806,085	8,105,136	652,885	(7,452,251)	-91.94%
Residual equity transfer in (out)							
Fund balances, ending	724,672	806,085	8,105,136	652,885	181,312	(471,573)	-72.23%

**City of Bettendorf**  
**Debt Service Fund**  
**FY 2011/12 Budget**

Fiscal Year:	FY 2010/11	FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16
Taxable property value	1,641,539,932	1,698,653,991	1,747,914,957	1,798,604,490	1,850,764,021	1,904,436,177
Percentage increase from previous year	2.90%	3.48%	2.90%	2.90%	2.90%	2.90%
Tax levy	5.00000	5.00000	5.00000	5.00000	5.00000	5.00000
<b>Debt Service Fund:</b>						
Property taxes levied	8,207,700	8,493,270	8,739,575	8,993,022	9,253,820	9,522,181
Less uncollected	-	-	-	-	-	-
Delinquent taxes	6,500	3,500	5,500	5,500	5,500	5,500
Other city taxes	285,470	303,269	305,000	305,000	305,000	305,000
Intergovernmental	4,253	4,253	4,600	4,600	4,600	4,600
Interest	200,000	200,000	200,000	200,000	200,000	200,000
<b>Total revenues</b>	<b>8,703,923</b>	<b>9,004,292</b>	<b>9,254,675</b>	<b>9,508,122</b>	<b>9,768,920</b>	<b>10,037,281</b>
Principal retirement & Interest	(15,435,139)	(8,878,670)	(9,144,847)	(9,178,559)	(9,311,381)	(9,277,211)
<b>Total expenditures</b>	<b>(15,435,139)</b>	<b>(8,878,670)</b>	<b>(9,144,847)</b>	<b>(9,178,559)</b>	<b>(9,311,381)</b>	<b>(9,277,211)</b>
Transfer out to Garbage/Recycling	-	-	(136,600)	(139,100)	(136,500)	(133,250)
Transfer out to Stormwater	(201,144)	(197,731)	(199,319)	(200,469)	(201,444)	(201,944)
Transfer out to Family Museum	(395,692)	(399,464)	-	(42,620)	(52,220)	(51,620)
<b>Total expenditures &amp; transfers out</b>	<b>(16,031,975)</b>	<b>(9,475,865)</b>	<b>(9,480,766)</b>	<b>(9,560,748)</b>	<b>(9,701,545)</b>	<b>(9,664,025)</b>
<b>Revenue &amp; other financing sources over(under) expenditures and other financing uses</b>	<b>(7,328,052)</b>	<b>(471,573)</b>	<b>(226,091)</b>	<b>(52,625)</b>	<b>67,375</b>	<b>373,256</b>
<b>Beginning fund balance</b>	<b>8,105,136</b>	<b>777,084</b>	<b>305,511</b>	<b>79,420</b>	<b>26,794</b>	<b>94,170</b>
<b>Ending fund balance</b>	<b>777,084</b>	<b>305,511</b>	<b>79,420</b>	<b>26,794</b>	<b>94,170</b>	<b>467,426</b>

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF BETTENDORF, IOWA that the City shall continually seek to maintain and improve current bond ratings so that borrowing costs are minimized and access to credit preserved.

BE IT FURTHER RESOLVED that the City shall maintain effective communication with bond rating agencies concerning its financial condition, in keeping with a policy of full disclosure on its annual financial reports and official statement.

BE IT FURTHER RESOLVED that several key debt indicators used by national credit ratings agencies when reviewing the City’s creditworthiness will be calculated and reviewed by the City annually as part of adopting its Five Year Capital Improvements Program.

The key debt indicators to be reviewed annually as part of the City’s Five Year Capital Improvements Program will include, but is not limited to the following:

	<b>6/30/08 Actual</b>	<b>6/30/09 Actual</b>	<b>6/30/10 Actual</b>	<b>6/30/11 Projected</b>
<b>Debt Margin Ratio</b>	49.12%	61.71%	72.57%	72.51%

As mandated by the State of Iowa this ratio calculates the percentage of the City’s outstanding general obligation debt to debt applicable to the debt limit. The debt limit shall not exceed 5% of total actual assessed valuation.

	<b>6/30/08 Actual</b>	<b>6/30/09 Actual</b>	<b>6/30/10 Actual</b>	<b>6/30/11 Projected</b>
<b>G.O. Net Direct Debt as a % of full assessed value</b>	2.40%	3.26%	3.56%	3.95%

This ratio indicates the relationship between the City’s debt and the full assessed value of property in the City. It is an important indicator of the City’s ability to repay debt, because property taxes are the source of the City’s revenues used to repay debt. A small ratio is an indication that the City will be better able to withstand possible future economic downturns and continue to meet its debt obligations.

	<b>6/30/08 Actual</b>	<b>6/30/09 Actual</b>	<b>6/30/10 Actual</b>	<b>6/30/11 Projected</b>
<b>G.O. Indirect &amp; Net Direct Debt as a % of Full Assessed Value</b>	2.97%	3.87%	4.26%	4.39%

This ratio indicates the relationship between the debt burden of all governmental entities within the City of Bettendorf and the full assessed value of property in the City. It is an important indicator of the City’s ability to repay debt, because property taxes are the primary source of revenues that governmental entities use to repay debt. A small ratio indicates the City will be better able to withstand possible future economic downturns and continue to meet its debt obligations because the overall debt burden on taxpayers is lower.

	<b>6/30/08 Actual</b>	<b>6/30/09 Actual</b>	<b>6/30/10 Actual</b>	<b>6/30/11 Projected</b>
<b>G.O. Net Debt per Capita</b>	\$2,087	\$2,771	\$3,089	\$3,443

This indicator indicates the per capita debt burden of the City of Bettendorf only and is a general indicator of the City's debt burden on individual taxpayers. A smaller ratio indicates a lighter burden.

	<b>6/30/08 Actual</b>	<b>6/30/09 Actual</b>	<b>6/30/10 Actual</b>	<b>6/30/11 Projected</b>
<b>Overlapping Net Debt per Capita</b>	\$2,544	\$3,285	\$3,693	\$3,828

This indicator indicates the per capita debt burden of all governmental entities within the City of Bettendorf and is a general indicator of the overlapping debt burden on City taxpayers. A smaller ratio indicates a lighter burden on taxpayers.

	<b>6/30/08 Actual</b>	<b>6/30/09 Actual</b>	<b>6/30/10 Actual</b>	<b>6/30/11 * Projected</b>
<b>Debt Service as a % of General Governmental Expenditures</b>	16.76%	12.51%	11.10%	21.79%

This ratio is a measure of the City's ability to repay debt without hampering other City services. A small ratio indicates a lesser burden on the City's operating budget. (\* 6/30/11 includes \$7.1 million refunding bonds, net of the refunding issue the calculation equals 12.14%)

	<b>6/30/08 Actual</b>	<b>6/30/09 Actual</b>	<b>6/30/10 Actual</b>	<b>6/30/11 Projected</b>
<b>Unreserved General Fund Balance as a % of General Fund Revenues</b>	26.09%	26.75%	26.05%	25.64%

A high ratio suggests the presence of resources that can be used to overcome a temporary shortfall of revenues.

Sources of Indicators:                      Official Statement, City of Bettendorf, Series 2005A G.O. Bonds  
     Moody's Treasurer's Association, Debt Policy Handbook  
     Municipal Treasurer's Association, Debt Policy Handbook  
     Government Finance Officer's Association, GFOA