

City of Bettendorf

Debt Overview

August 25, 2014



I. What is City Debt?

The City issues debt or borrows money to finance capital projects or equipment that cannot be paid for immediately with cash on hand.

Examples may include:

- **Infrastructure projects including: new and replacement streets, bridges, bike paths**
- **Traffic Signals**
- **Sanitary and Stormwater projects**
- **Municipal Facilities, major remodeling projects, salt dome**
- **Land purchases**
- **Fire trucks, garbage trucks**

- **NOT borrowing for day-to-day operating costs like payroll**

Two types of debt a City can issue:

Municipal Bonds:

- Bonds issued by a city or other local governments, or their agencies for a period of time typically up to 20 years (30 years for disaster recovery, etc.). Bonds are usually issued to finance large public capital projects over a longer term.

Loan Agreements and Capital Loan Notes:

- Allowed by law, these are treated much the same way as bonds, but look similar to the type of process a consumer would use in borrowing money. Loan agreements are often used to finance public capital projects with a shorter term and are privately placed, rather than bid.

The purposes for which a government may borrow are listed in Chapter 384 of the State Code

Two Types of Municipal Bonds:

1) General Obligation Bonds:

Bonds for *Essential Corporate purposes* – such as infrastructure projects for new street paving, repair or replacement; traffic signals, sanitary sewers, etc.

- No election required.

Bonds for *General Corporate purposes* – such as acquisition and development of park land and construction of municipal facilities.

- Council has authority to issue up to \$700,000 without an election.
- To issue bonds greater than \$700,000 requires an election with 60% voting in favor.

G.O. Bonds are typically paid through the Debt Levy but may be funded from a revenue stream such as Sewer Fees, Garbage Fees, Stormwater Fees, Gaming revenue, etc. However, the bonds are guaranteed by the “full faith and credit” of the city, if the revenue stream falters. That is, the city guarantees they will be paid.

Two Types of Municipal Bonds, con't:

2) **Revenue Bonds:**

- Revenue bonds can be either for *essential* or *general* corporate purpose
- Paid ONLY by identifiable revenue streams such as Sanitary Sewer Fees, Stormwater fees, Garbage fees, 1 cent local option sales tax, gaming revenue, tax increment revenues, etc (not property tax levy)
- Revenue bonds do not count against the City's 5% debt limitation as they are NOT guaranteed to be paid by the City.
- As a result of the no guarantee of payment, interest rates on revenue bonds are generally higher, require reserves, and coverage ratios. Overall, revenue bonds are more expensive than General Obligation Bonds.

II. What is the Legal Debt Limit and Bettendorf's debt level?

What is the legal debt limit for Cities in Iowa?

- Under the Iowa Constitution, a city can issue General Obligation debt, in a total amount, up to 5% of total assessed valuation. (100% assessed valuation) . There is no levy cap on debt service, the limit is on the amount of debt.
- Revenue bonds do not count against the 5% cap as they are not guaranteed to be paid by the City.
- EXCEPT, tax increment revenue bonds and annual TIF rebates, by decision of the Iowa Supreme Court, must also be included when looking at the 5% limitation even though they are a revenue bond; no other revenue bonds count towards the 5% cap.

What is Bettendorf's legal debt limit?

- For FY 2014/15 the City's legal MAXIMUM debt limit totals \$160,050,504.
- The City will have outstanding debt totaling \$119,605,000 against that maximum limit at June 30, 2015, equating to 74.73% - (Commonly referred to as Legal Debt Margin Used).
- The City has the legal capacity to issue an additional \$40,445,504, if needed.

III. How does our Debt Margin compare to other Cities?

Debt Margin (6/30/13) & Credit Rating Comparison (6/30/14)

City	Population	% of Debt Limit Used	Moody's Rating
Ankeny	45,582	81.6	Aa2
Keokuk	10,780	80.9	A2
Dubuque*	57,637	78.9	Aa2
Bettendorf*	33,217	77.7	Aa2
Burlington	25,663	77.2	A2
Cedar Rapids*	126,326	73.0	Aa1
Davenport*	99,685	72.3	Aa3
Altoona	14,541	71.2	Aa3
Des Moines*	203,433	69.5	Aa2
Fort Dodge	25,206	68.0	Aa3
Newton	15,254	67.5	Aa3
Indianola	14,782	62.7	Aa3
Sioux City*	82,684	61.5	Aa2
Clive	15,447	59.2	Aa1
Waterloo	68,406	49.4	Aa2
Johnston	17,278	47.2	NA
North Liberty	13,374	45.8	Aa3
Marshalltown	27,552	44.3	Aa2
Ames*	58,965	40.4	Aa1
Council Bluffs	62,230	37.3	Aa2
Fort Madison	11,051	35.8	A2
Mason City	28,079	35.0	Aa2
West Des	56,609	34.8	Aaa
Ottumwa	25,023	32.5	A1
Muscatine	22,886	28.7	Aa2
Clinton	26,885	28.2	Aa2
Iowa City	67,862	25.4	Aaa
Marion	34,768	23.6	Aa1
Coralville	18,907	23.2	Baa2
Urbandale	39,463	22.5	Aa1
Spencer	11,233	18.9	NA
Cedar Falls	39,260	9.9	Aa1
Pella	10,352	9.3	Aa3



III. How did our Legal Debt Margin get to the level it is?

Prior to FY 08/09 our legal debt margin had been in the 50% plus range

- 1) August 2008 - Issued \$13.8 Million TIF bonds for Waterfront Convention Center**
- 2) FY 09/10 – Planned decision by Council to issue G.O. Bonds for Sanitary Sewer and Stormwater projects vs. Revenue Bonds**
 - Provided significant lower interest rates than Revenue Bonds – **keeping user fees low**
 - Did not require the City to set a side costly **capital reserve accounts** or **maintain revenue coverage ratios** of 115% - 140% of principal and interest payments

3) FY 09/10 – Increased Debt Levy \$0.50 from \$4.50 to \$5.00.

- \$0.50 was crossed over, reducing the operating levy when dispatch was consolidated at SECC.
- Original plan was to keep Debt Levy at \$5.00/\$1,000 assessed value for 10 years.
- Timing of increasing the Debt Levy was perfect with market conditions as:

❖Interest rates were at record lows:

- Borrowed money has been relatively cheap – (2.56% -4.41% True Interest Costs last 5 years, 6/1/14 3.27%)
- Council has endless list of projects to complete – so it's been an excellent time to borrow

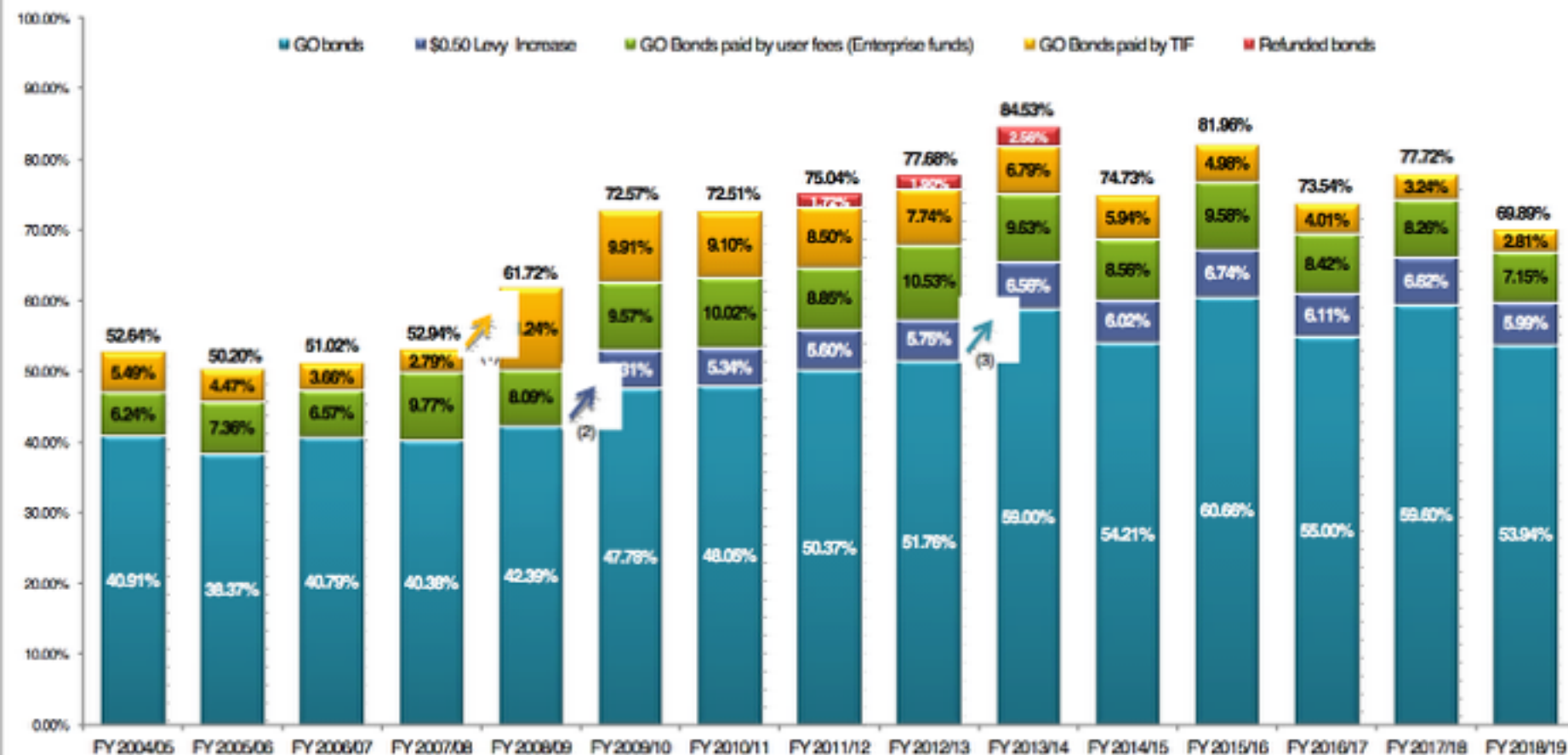
❖Bidding on Projects was very Competitive:

- Contractors HUNGRY for business
 - Again, a good time to bond for projects if you need to
-
- Increasing the Debt Levy by \$.50 to \$5.00 has allowed the Council to complete a record \$92M in CIP projects over the last 5 years

4) FY 13/14 - Bonding for two years vs. one year to save on issuance costs, inflated debt margin

- **The following chart illustrates how these four factors contribute to the Debt Margin**

City of Bettendorf Debt Margin 10-Year History & 5-Year Projected



(1) TIF Bonds for Waterfront Convention Center issued August, 2008.

(2) Increased Debt Levy \$0.50 from \$4.50 to \$5.00 July 1, 2010. \$0.50 was crossed over, reducing the operating levy when dispatch was consolidated at SECC.

(3) Bonded for two years to save on issuance costs.

The \$5.00 Debt Levy has allowed for \$90.8 Million of CIP Projects completed in last 5 years *including*:

- Various Street Improvements: \$20 M
- Tanglefoot Lane Reconstruction: \$5.5 M
- Stormwater Projects – various: \$5.0 M
- Recreation Trails – various: \$4.7 M (60% with Federal Grants)
- Hopewell Paving: \$4.5 M
- Sanitary Sewer Projects – various: \$3.8 M
- Street Patching: \$3.6 M
- Belmont Phase 2 Corral-Valley: \$3.3 M
- 18th St Various Reconstruction: \$3.2 M
- Park Land Acquisition : \$2.9 M
- Valley Dr Paving: \$2.4 M
- Park Projects – Various: \$2.2 M
- Alleys: \$2.2 M
- Undesignated Street Resurfacing: \$1.8 M
- Traffic Signals: \$1.8 M
- Palmer Hills Improvements: \$1.8 M
- 35th St/State to Elm: \$1.7 M
- Sidewalks: \$1.7 M
- Field Sike Dr, Park, Bridge: \$1.7 M
- I 80/Middle Land Acquisition: \$1.5 M
- Family Museum Renovation: \$1.4 M
- Various Sealcoating: \$1.4 M
- Downtown Streetscape: \$1.4 M
- Library Improvements: \$1.4 M
- Lincoln Road, various plus bridge: \$1.4 M
- Alcoa Ave: \$1.4 M
- PW Maintenance Expansion: \$1.3 M
- Devils Glen Hopewell to Forrest Grove: \$1.2M
- 4th Street Paving: \$1.2 M
- Various Municipal Facilities Improvements: \$1.1 M
- Economic Development Including Downtown Land Purchases: \$1.0 M
- 6th Street Reconstruction: \$1.0 M

FY 2014/15 Projects: \$24.8 M across all funds – without increasing debt levies

- **\$4.3 million: Forest Grove Road Paving**
- **\$1.96 million: Sewer Utility Projects**
- **\$1.9 million: Various Street Reconstruction**
- **\$1.5 million: Patching, Sealcoating & Street Preservation**
- **\$1.5 million: Utica Ridge Road**
- **\$1.5 million: Recreation & Separated Trails**
- **\$1.35 million: Hopewell Paving**
- **\$1.35 million: Storm Water Projects**
- **\$1.3 million: Forest Grove Park Development**
- **\$1.2 million: Library Renovation**
- **\$1.1 million: Bridge Maintenance**
- **\$950,000: 18th Street Reconstruction**
- **\$850,000: Downtown Improvements**
- **\$640,000: Parks Projects**
- **\$600,000: Street Resurfacing**
- **\$390,000: Traffic Signals, etc.**
- **\$345,000: Sidewalk Program**
- **\$290,000: Alley Rehabilitation**
- **\$265,000: QCWCC Improvements**
- **\$250,000: Annual Funding for Parks Projects**
- **\$145,000: Life Fitness Center**
- **\$100,000: Municipal Facilities Improvements**
- **\$55,000: Palmer Hills Golf Course**
- **\$50,000: FMAS**

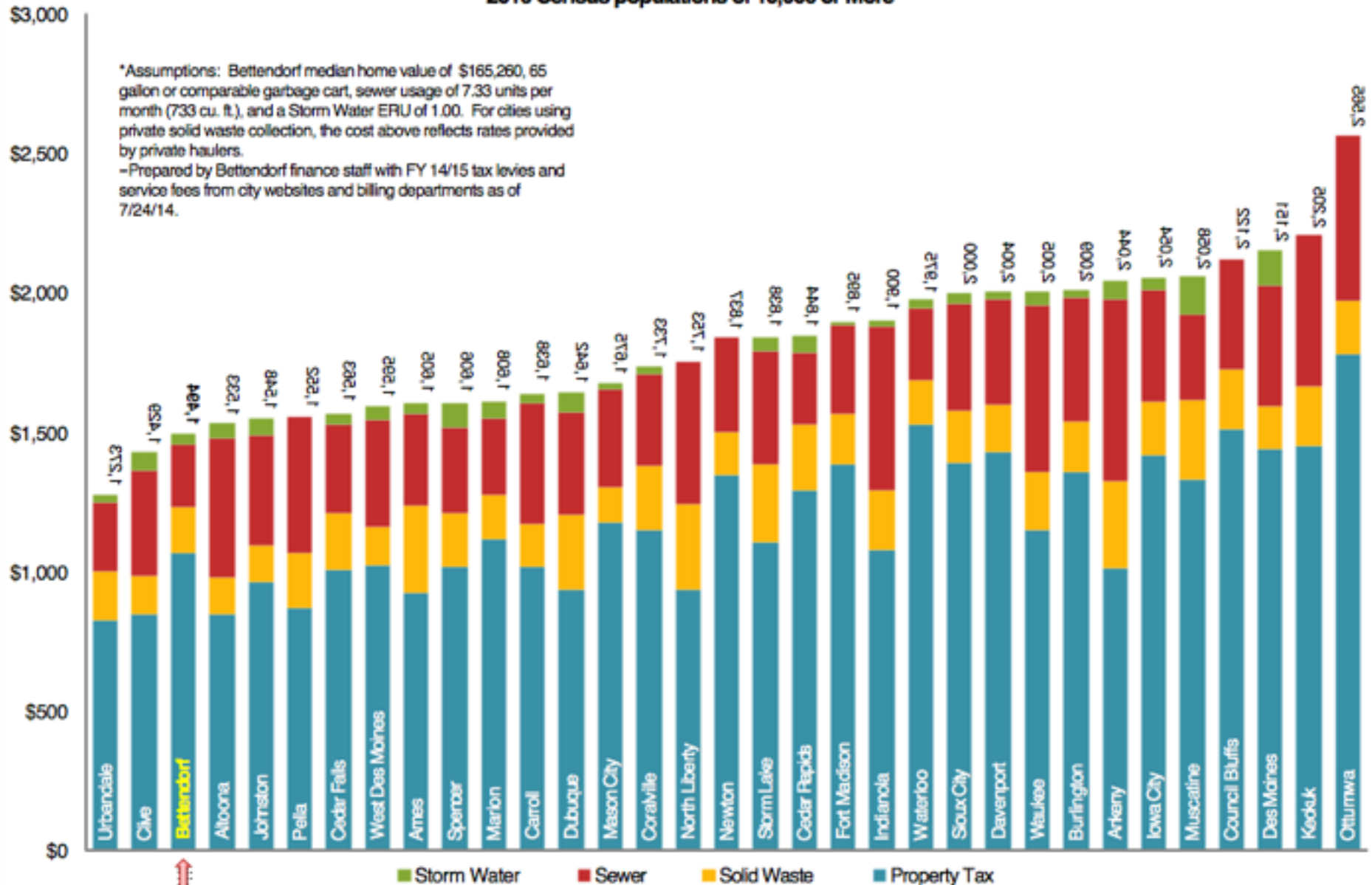
IV. How does Bettendorf compare to other cities?

FY 14/15 Cost of City Services & Utilities for Typical \$165,260 Residence

Including City Property Taxes, Solid Waste Fees, Sewer Fees & Storm Water Fees for a sample of 33 Iowa Cities with 2010 Census populations of 10,000 or More*

*Assumptions: Bettendorf median home value of \$165,260, 65 gallon or comparable garbage cart, sewer usage of 7.33 units per month (733 cu. ft.), and a Storm Water ERU of 1.00. For cities using private solid waste collection, the cost above reflects rates provided by private haulers.

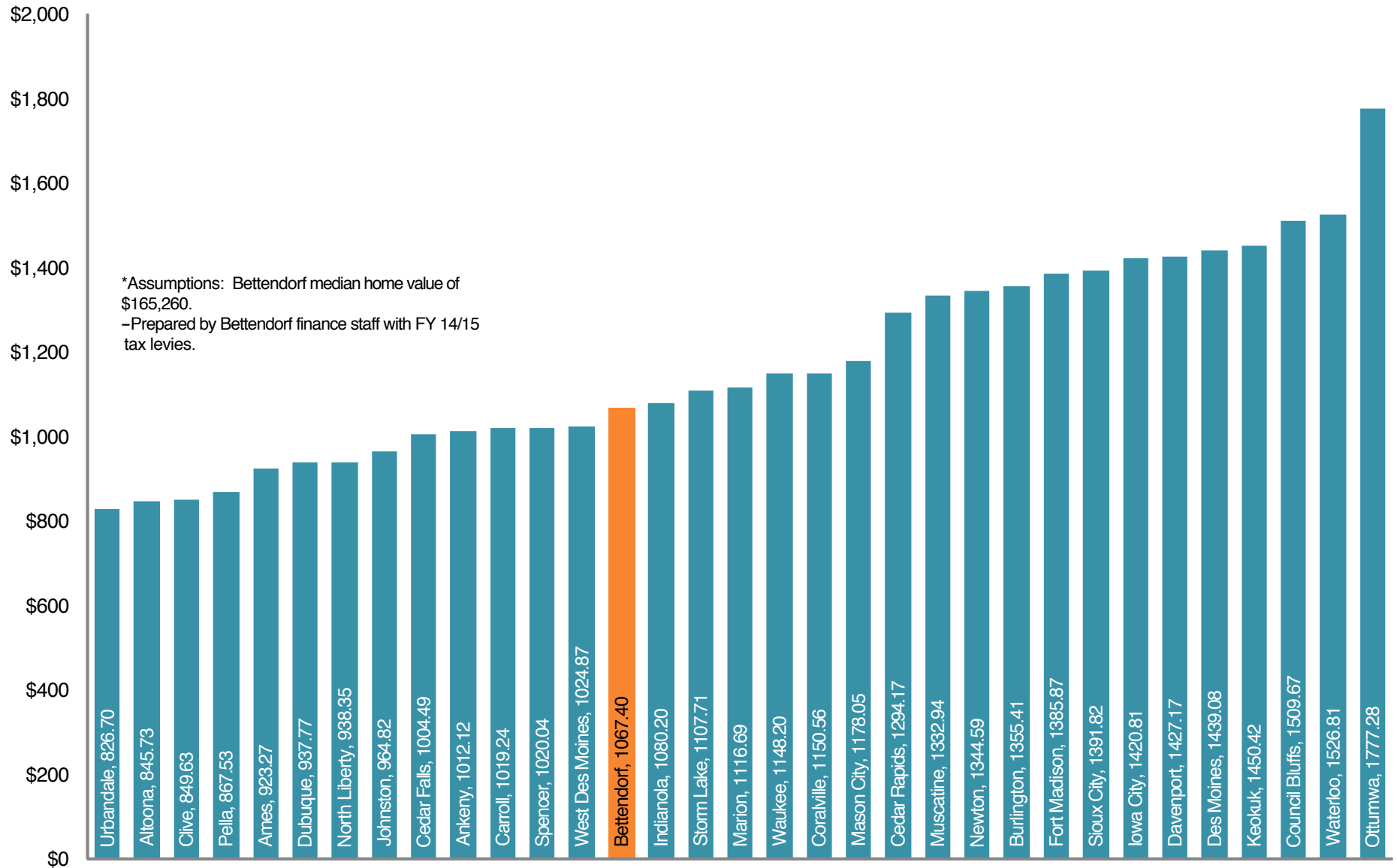
—Prepared by Bettendorf finance staff with FY 14/15 tax levies and service fees from city websites and billing departments as of 7/24/14.



FY 14/15 Cost of **Property Taxes** for Median Bettendorf Residence

A sample of 33 Iowa Cities with 2010 Census populations of 10,000 or More*

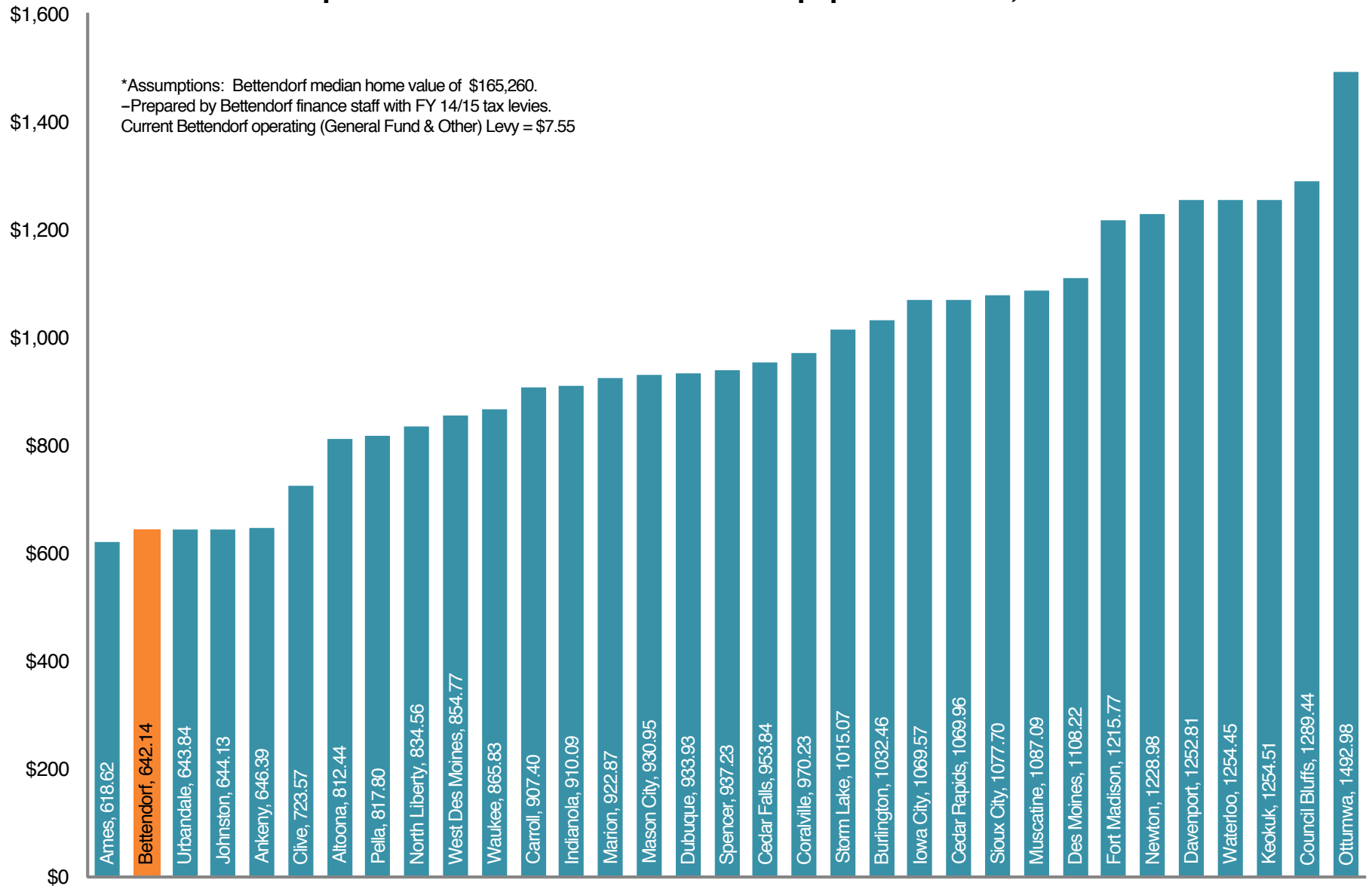
*Assumptions: Bettendorf median home value of \$165,260.
-Prepared by Bettendorf finance staff with FY 14/15 tax levies.



FY 14/15 Cost of **Operating Levy Only** for Median Bettendorf Residence

A sample of 33 Iowa Cities with 2010 Census populations of 10,000 or More*

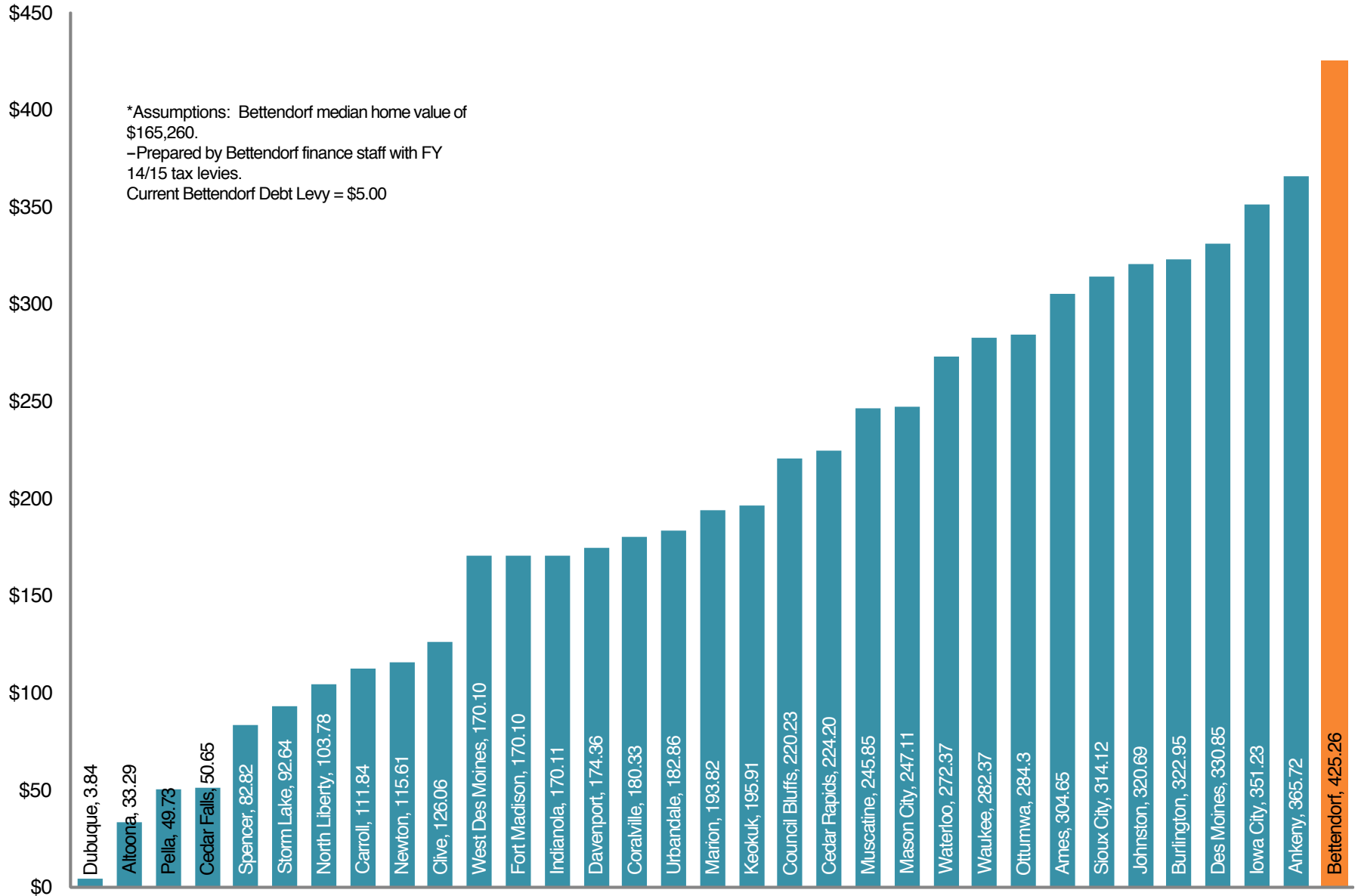
*Assumptions: Bettendorf median home value of \$165,260.
 -Prepared by Bettendorf finance staff with FY 14/15 tax levies.
 Current Bettendorf operating (General Fund & Other) Levy = \$7.55



FY 14/15 Cost of Debt Levy Only for Median Bettendorf Residence

A sample of 33 Iowa Cities with 2010 Census populations of 10,000 or More*

*Assumptions: Bettendorf median home value of \$165,260.
-Prepared by Bettendorf finance staff with FY 14/15 tax levies.
Current Bettendorf Debt Levy = \$5.00



Bettendorf's Levy Rate per \$1,000 taxable valuation – FY 2014/15

General Fund Levy	\$5.44	Strictly operations	\$8.10 cap
Trust & Agency Levy	\$1.85	Health Insurance & Retirement	No cap
Tort Levy	\$0.26	Liability	No cap
Debt Levy	\$5.00	Capital & Infrastructure	Limited by amount of debt, not levy
Total City Levy	\$12.5500		

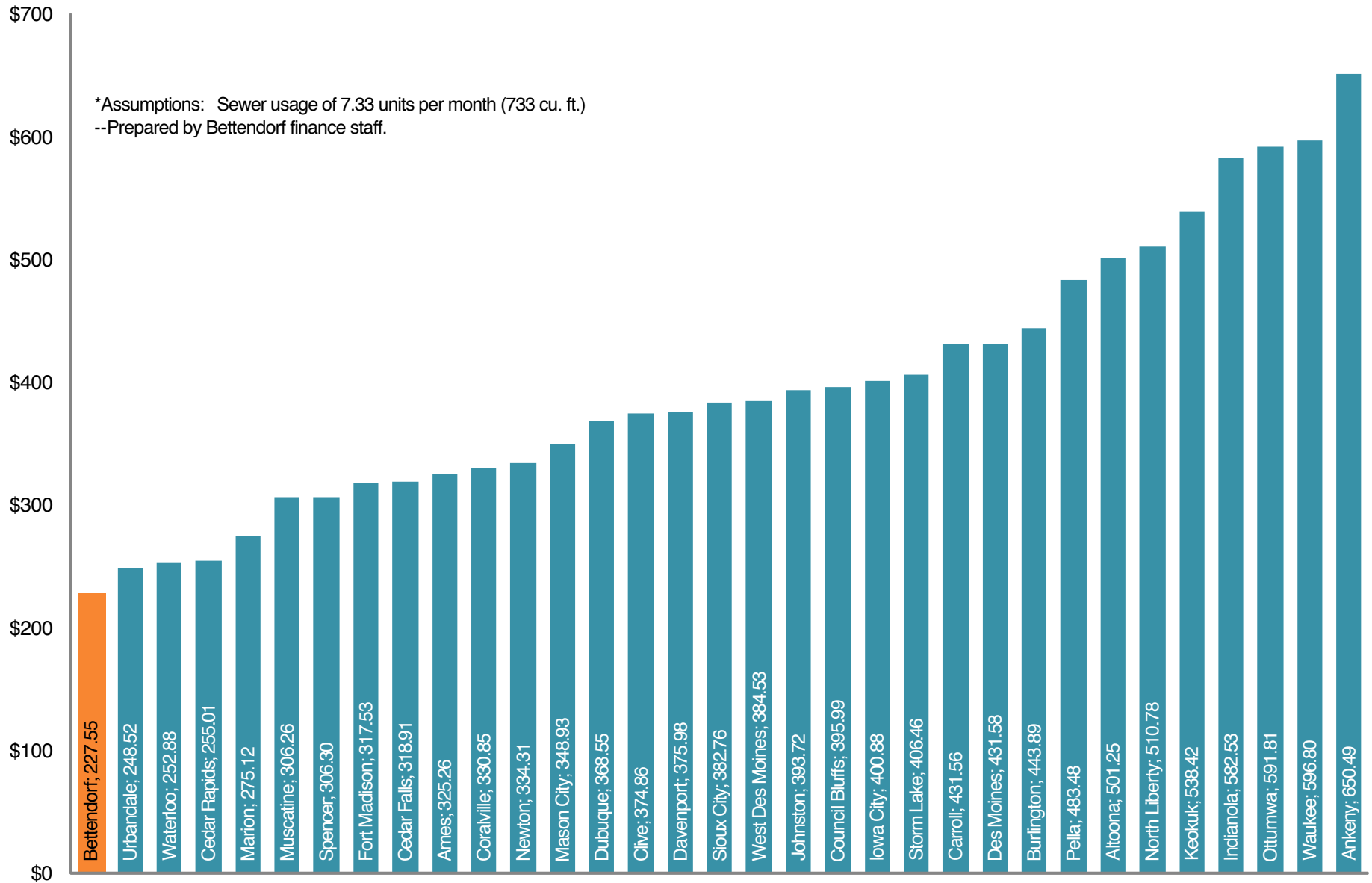
- Bettendorf has the lowest General Fund levy rate among 33 comparable Iowa cities with populations of 10,000 or more. Bettendorf is one of very few Iowa cities with a General Fund levy below \$8.10. This allows for **future growth capacity of 48%, equating to nearly \$5 million of potential property taxes.**
- In addition, the City has the ability to levy taxes for: IPERS & FICA (**\$1.54 million**) & Emergency levy of \$0.27 if needed. (**\$504,000**)
- The debt levy does not affect the City's ability to adjust other levies or fund other activities.

FY 13/14 Cost of Sewer Utility Charges for Typical Bettendorf Residence

A sample of 33 Iowa Cities with 2010 Census populations of 10,000 or More*

*Assumptions: Sewer usage of 7.33 units per month (733 cu. ft.)

--Prepared by Bettendorf finance staff.

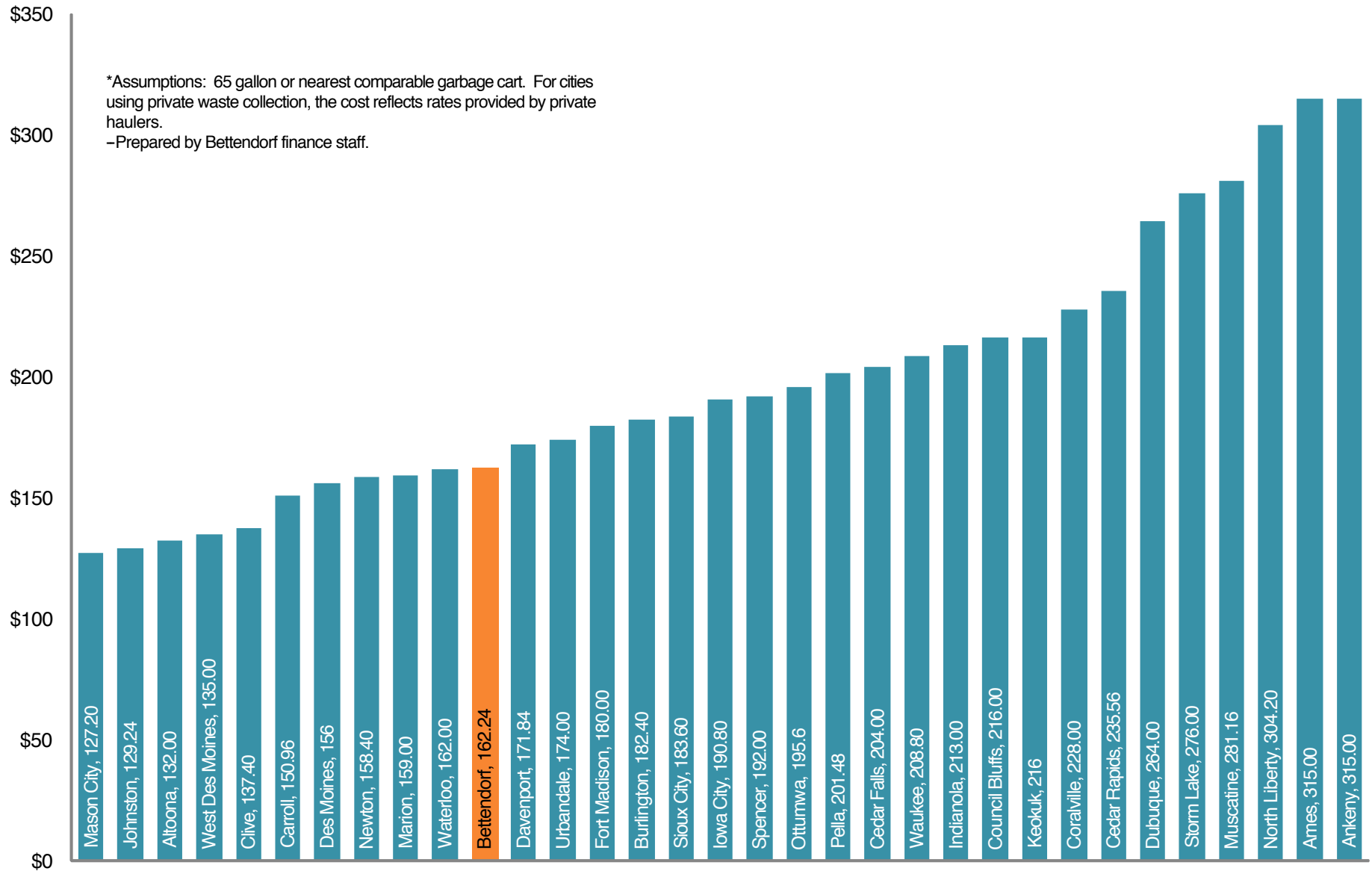


FY 14/15 Cost of Solid Waste Charges for Typical Bettendorf Residence

A sample of 33 Iowa Cities with 2010 Census populations of 10,000 or More*

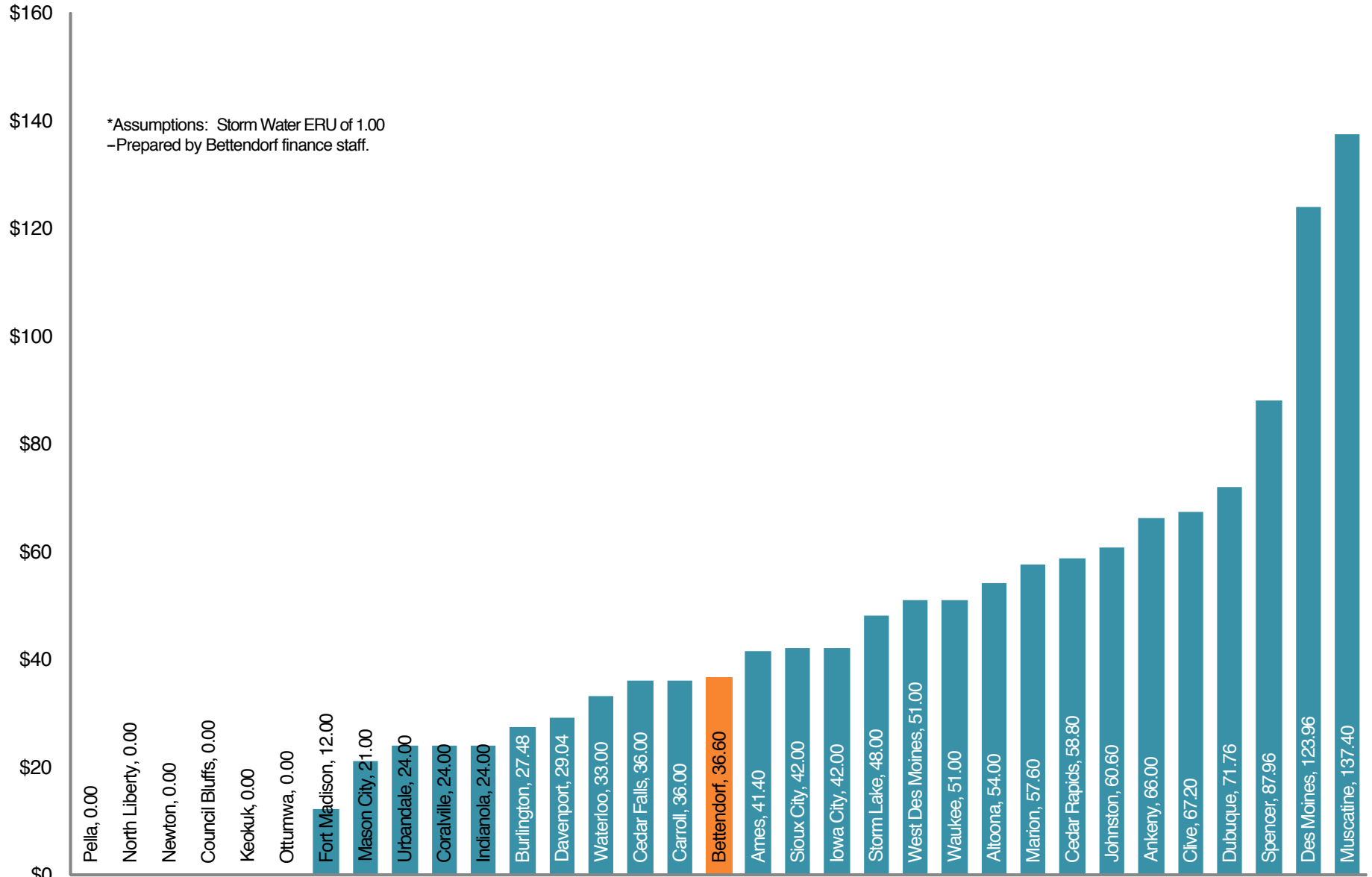
*Assumptions: 65 gallon or nearest comparable garbage cart. For cities using private waste collection, the cost reflects rates provided by private haulers.

—Prepared by Bettendorf finance staff.



FY 14/15 Cost of Storm Water Utility Charges for Typical Bettendorf Residence

A sample of 33 Iowa Cities with 2010 Census populations of 10,000 or More*



How do we compare?

- In Summary,
 - Pleased to report that our overall cost of city services ranks 3rd lowest among the 33 comparable cities.

V. Budget FY 15/16: Where do we go from here?

As we enter goal setting with LYLE, need 3 decision points from Mayor & Council:

1) Establish future level of debt for the City:

- Stay the course with the debt levy at \$5.00?
 - FY 14/15 is the sixth of the planned ten years
 - Continue “aggressive” plan of improving arterial streets like Middle Rd
 - Accept that Debt Margin Ratio will continue to be higher than 50% for approximately the next 15 years
- Or, determine a reduced “target” debt margin ratio which will drive future available CIP \$
 - Begin reducing \$1 Million of annual bonding
 - SKIP one or two years of bonding for CIP Projects EXCEPT patching
 - Refinance Sewer and Stormwater GO bonds with Revenue bonds (more costly)

2) Identify plans for future WOW projects that may require significant bonding and utilize a portion of our available debt margin

- I-80 Development
- Sports Complex
- New recreational facility/Pool
- Riverfront Development Project

3) Determine Future Bonding Schedule:

- Annual vs. 2 year bonding
 - Fall bonding vs. Spring bonding
- These three decisions will drive staff's recommendation on CIP for FY 15/16

Calendar

- **Lyle Sumek GOAL SETTING:**
 - ✦ Tuesday, September 2nd: One-on-One phone interviews with Mayor & Council
 - ✦ Friday, October 3rd: Department Heads and Mayor & Council
 - ✦ Saturday, October 4th: Mayor & Council and City Administrator
- **5 Year CIP:**
 - ✦ Compilation by Department Heads, following Lyle thru 11/15/14
 - ✦ Council Review late November – December 2014
 - ✦ Adopt CIP by resolution: January 2015
 - ✦ CIP bid letting Jan/Feb/March
- **Operating Budget:**
 - ✦ Distribution to Department Heads for requests, October 15
 - ✦ Council Review February 2015, Adoption March 15, 2015

Questions?