

City of South Bend, Indiana

Fiscal Stability

| Performance Indicators | 2015 | 2016 | Progress |
|---|--------------|--------------|----------|
| City Real & Personal Property Values (Net Assessed Value in Billions of \$) | \$2.260 | \$2.277 | ↑ |
| Annual General Fund Expenditures per Capita | \$611 | \$630 | ↓ |
| General Fund Balance as % of Expenditures | 49.53% | 53.24% | ↑ |
| Bond Rating (Standard & Poor's) | AA | AA | ↔ |
| Debt per Capita | \$2,487 | \$2,342 | ↑ |
| Debt as % of Net Assessed Valuation (NAV) | 11.13% | 10.40% | ↑ |
| Full Time Employees per 1,000 residents | 10.5 | 10.7 | ↓ |
| Property Tax Revenue (All Funds) | \$70,914,835 | \$76,708,415 | ↑ |
| Local Option Income Tax Revenue | \$24,507,308 | \$31,463,185 | ↑ |
| Annual Governmental Fund Expenditures per Capita | \$1,707 | \$1,690 | ↑ |
| General and Local Income Tax Fund Expenditures per Capita | \$811 | \$823 | ↓ |
| Government-wide Expenses per Capita | \$2,236 | \$1,963 | ↑ |
| Ending Cash Balances (Millions) | \$228.8 | \$234.5 | ↑ |
| Average Interest Rate Earned | 0.78% | 1.05% | ↑ |

Performance Key:

↑ Improving

↔ Staying about the same

↓ Declining

City of South Bend, Indiana City Real & Personal Property Values



Why is this important?

One large source of revenue for the City of South Bend is property taxes which the residents pay each year. As taxable values change, so does the tax revenue. The tax revenue is essential to providing the services to the residents of the City of South Bend that they have come to know and expect.

City of South Bend, Indiana

General Fund Budget and Finances

| Year | Status | General Fund Revenue | General Fund Expenditures | Net Change in Fund Balance | General Fund Ending Balance |
|---------------------|---------|----------------------|---------------------------|----------------------------|-----------------------------|
| 2016 ⁽³⁾ | Audited | \$67,108,809 | \$63,778,243 | \$3,330,566 | \$33,952,622 |
| 2015 ⁽²⁾ | Audited | \$64,855,322 | \$61,820,671 | \$3,034,651 | \$30,622,056 |
| 2014 ⁽¹⁾ | Audited | \$66,512,478 | \$66,593,986 | (\$81,508) | \$27,587,405 |
| 2013 | Audited | \$72,115,610 | \$73,241,780 | (\$1,126,170) | \$27,668,913 |
| 2012 | Audited | \$75,234,013 | \$74,370,146 | \$863,867 | \$28,795,083 |
| 2011 | Audited | \$73,049,860 | \$73,855,786 | (\$805,926) | \$27,931,216 |
| 2010 | Audited | \$73,963,008 | \$69,844,321 | \$4,118,687 | \$28,737,142 |
| 2009 | Audited | \$59,313,038 | \$62,111,167 | (\$2,798,129) | \$24,618,455 |
| 2008 | Audited | \$69,247,990 | \$65,592,159 | \$3,655,831 | \$27,416,584 |

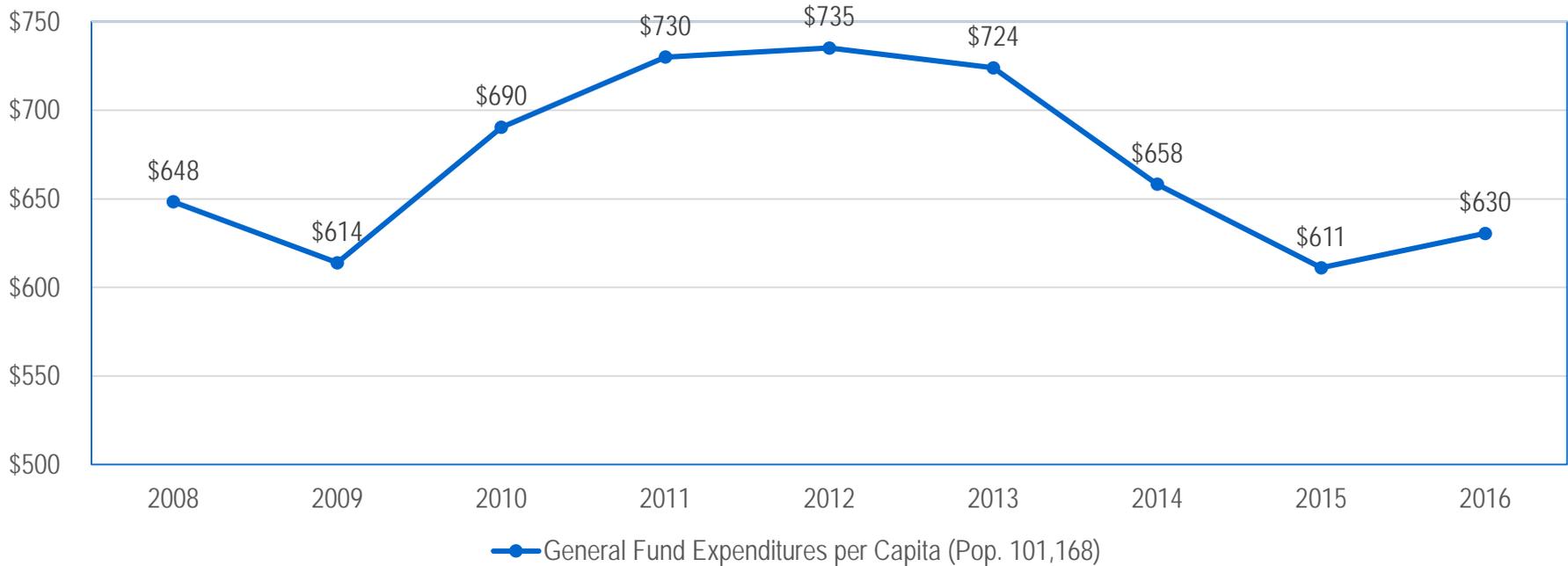
(1) Decrease in 2014 due to paying a portion of the police and fire salaries from PS LOIT Fund.

(2) Decrease in 2015 due to the transfer of the Emergency Medical Services (EMS) from General Fund to a separately dedicated EMS Fund.

(3) During 2016, property tax revenue increased and public safety expenditures increased, primarily due to liability insurance allocations that were not charged in 2015.

City of South Bend, Indiana

Annual General Fund Expenditures per Capita



Why is this important?

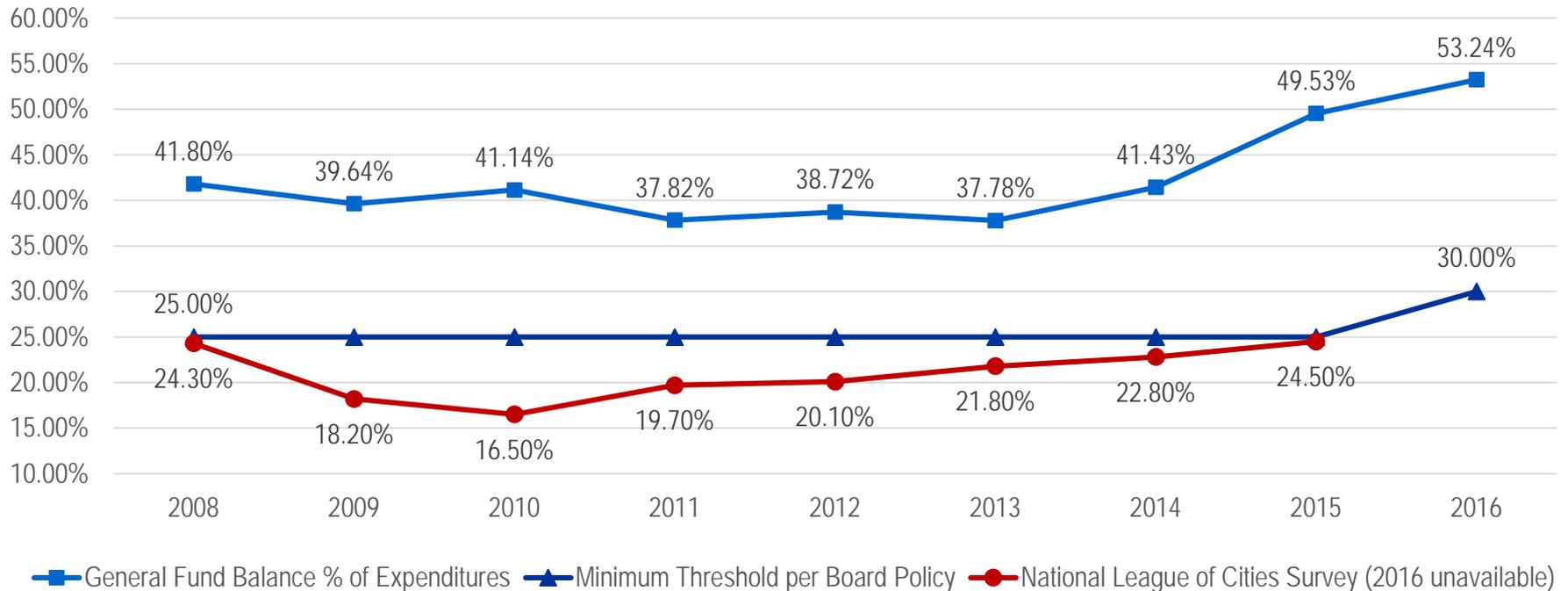
Cost per resident is a measure of how much it costs to operate the City on a per-person basis. The City of South Bend continues to explore ways to provide high-quality services to residents at the lowest possible cost.

* Decrease in 2014 due to paying a portion of the police and fire salaries from PS LOIT Fund.

** Decrease in 2015 due to the transfer of the Emergency Medical Services (EMS) from General Fund to a separately dedicated EMS Fund.

*** Increase in public safety costs due to liability insurance allocation not charged in 2015 and other factors.

City of South Bend, Indiana General Fund Balance % of Expenditures



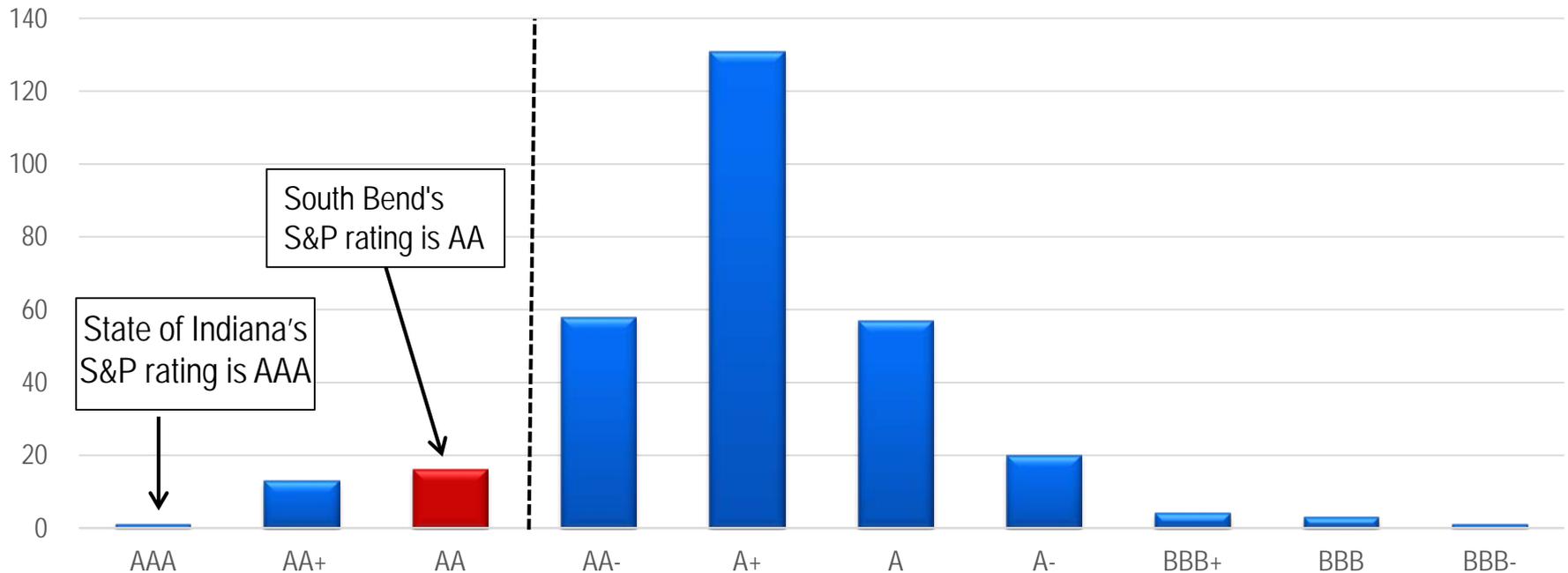
Why is this important?

The financial health of the City is important to provide and maintain services. The General Fund Balance is one method of measuring financial health, and is a strong contributor to the credit rating of an organization.

Note: Expenditures include transfers to other funds. Fund balance is defined as ending fund balance.

City of South Bend, Indiana Bond Rating

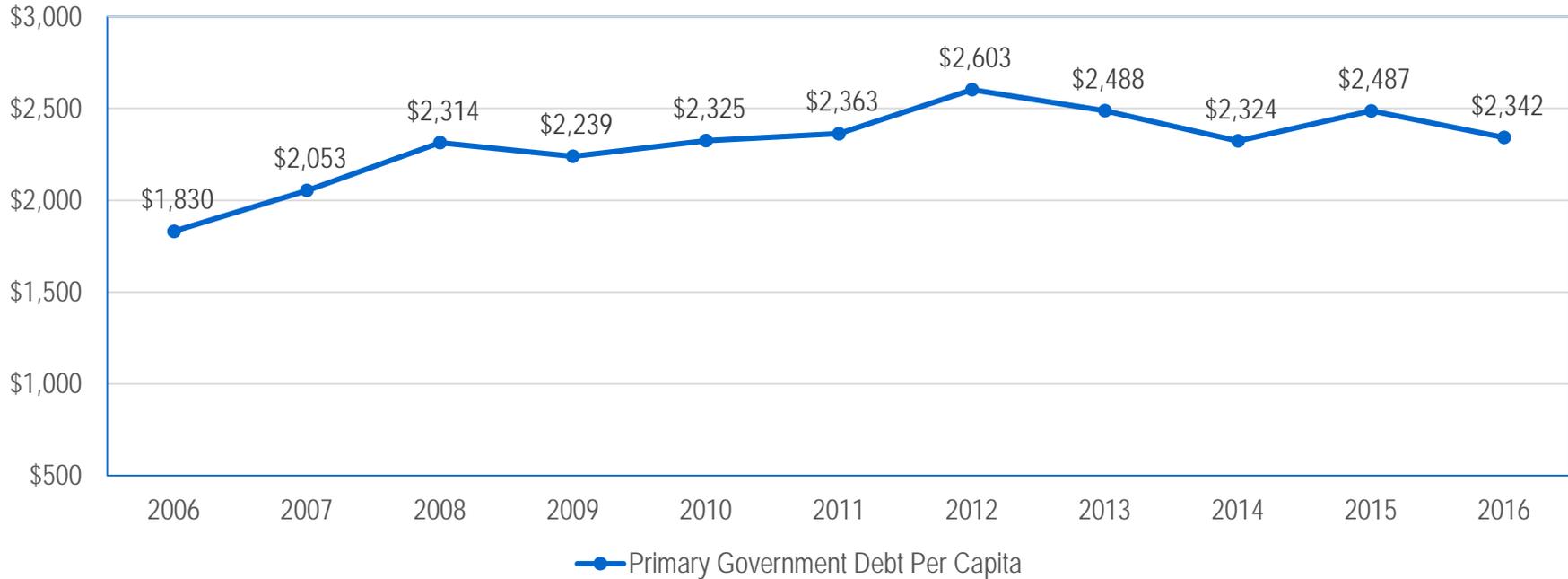
Indiana Local Government Standard & Poor's Bond Ratings



Why is this important?

The bond or credit rating is a measure of the City's financial reputation. A good credit rating enables the City to borrow money for construction projects and other needs at the most competitive rates available. This saves thousands of taxpayer dollars in interest payments.

City of South Bend, Indiana Debt per Capita



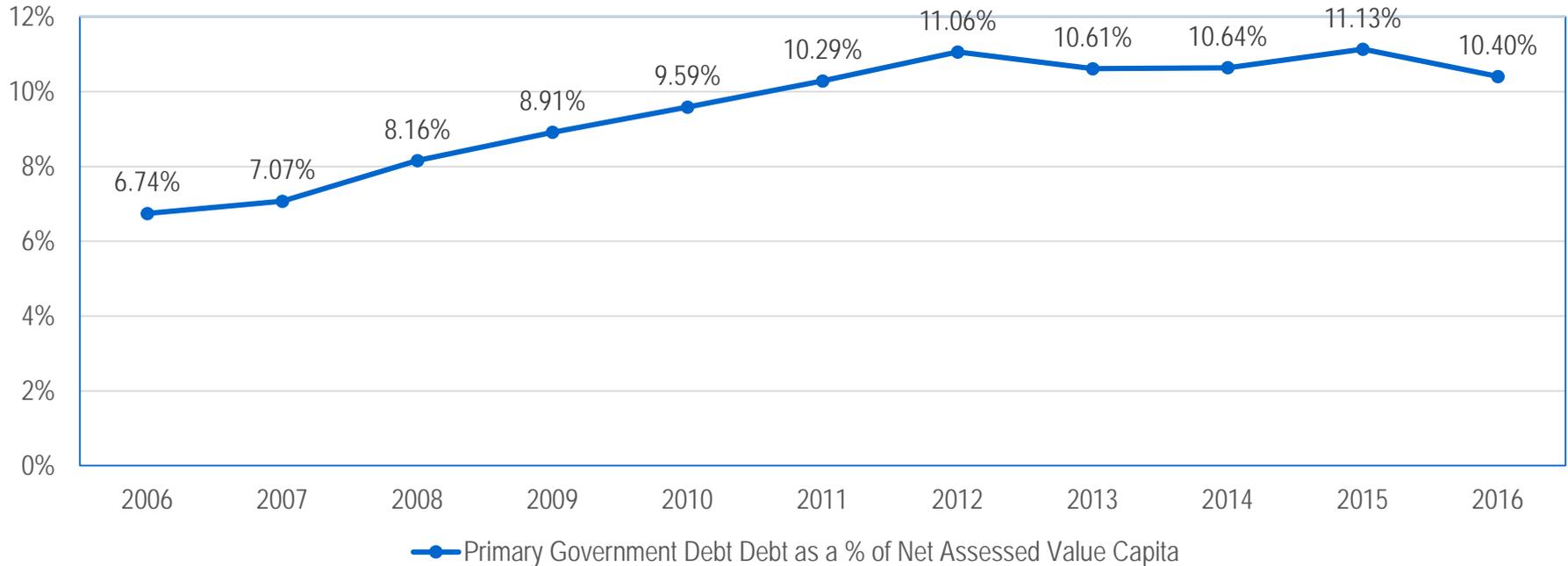
Why is this important?

The City of South Bend issues long-term debt for large capital projects, such as local water and sewer projects, economic development projects and capital leases. Its debt burden is computed as the outstanding principal balance at year end on this debt.

During 2015, the City issued bonds for Park improvements, energy savings projects at the Century Center and the "Smart Streets" conversion of one-way to two-way streets to enhance economic development.

City of South Bend, Indiana

Debt as % of Net Assessed Value (NAV)



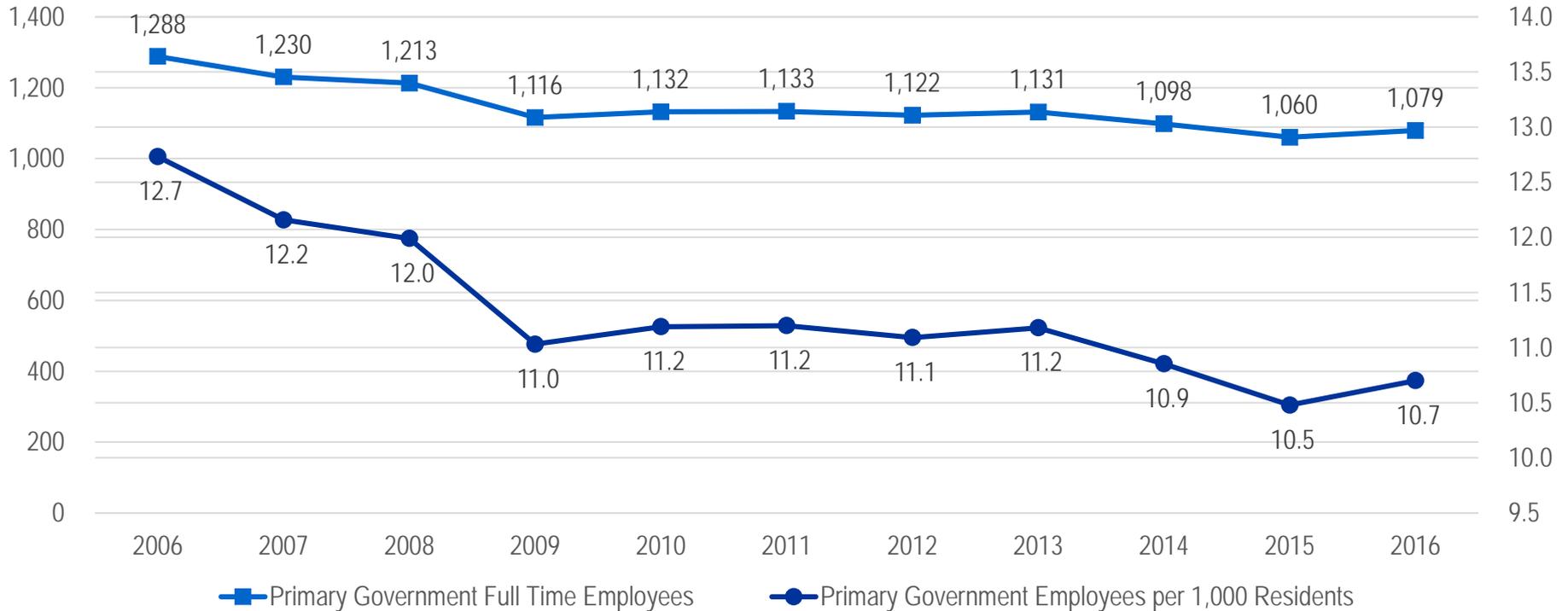
Why is this important?

The lower the debt to Net Assessed Valuation ratio, the more financially healthy a community is. City borrowing in recent years includes revenue bonds for the Sewer Long-Term Control Plan that will be funded with higher sewer rates. New Sewer bonds were not issued during 2013 - 2015.

In 2015, the City issued bonds for parks improvements, energy savings projects at the Century Center and the "Smart Streets" conversion of one-way to two way streets to enhance economic activity.

City of South Bend, Indiana

Full Time Number of Employees



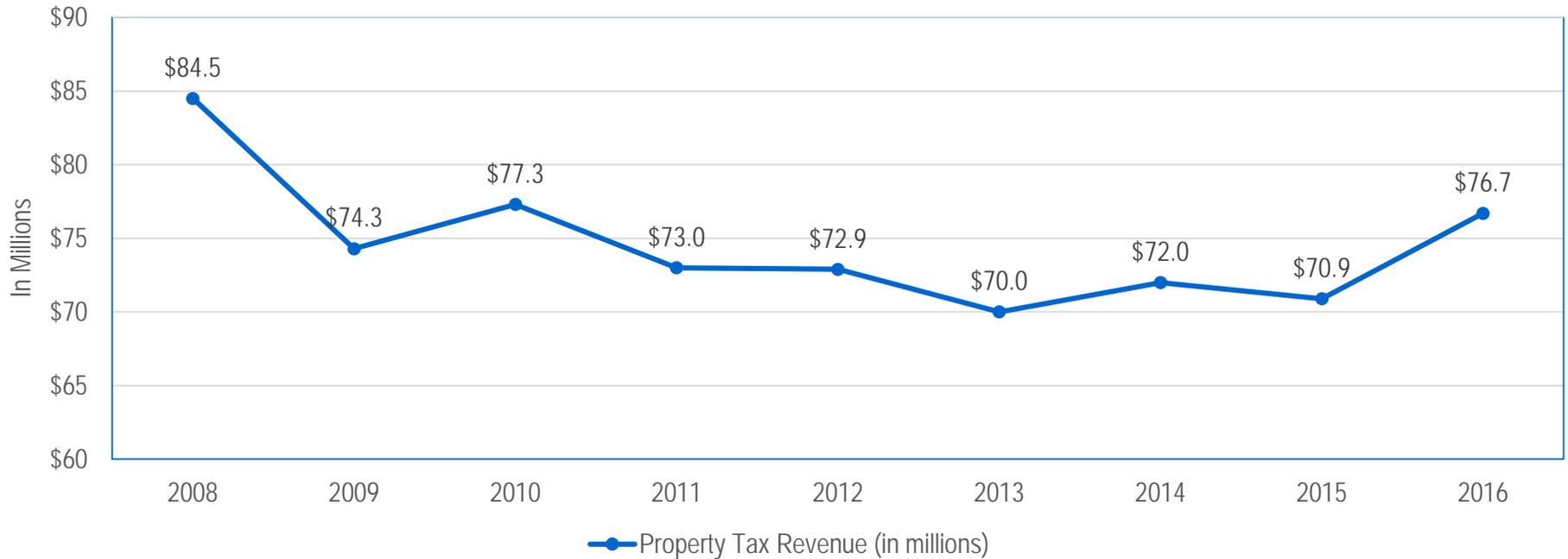
Why is this important?

A measure of efficiency is the number of employees per 1,000 residents. The lower the ratio of employees per 1,000 residents, the more efficient the City is providing services to the community.

Note: The change in full time employees vs. employees per 1,000 residents is due mainly to layoffs due to circuit breaker issues and the privatization of the zoo and the management of the convention center along with the transfer of 911 call center operations to Saint Joseph County. Full time employees determined at year-end. (2010 Census population of 101,168 used for calculation.)

City of South Bend, Indiana

Property Tax Revenue – All Funds – Cash Basis

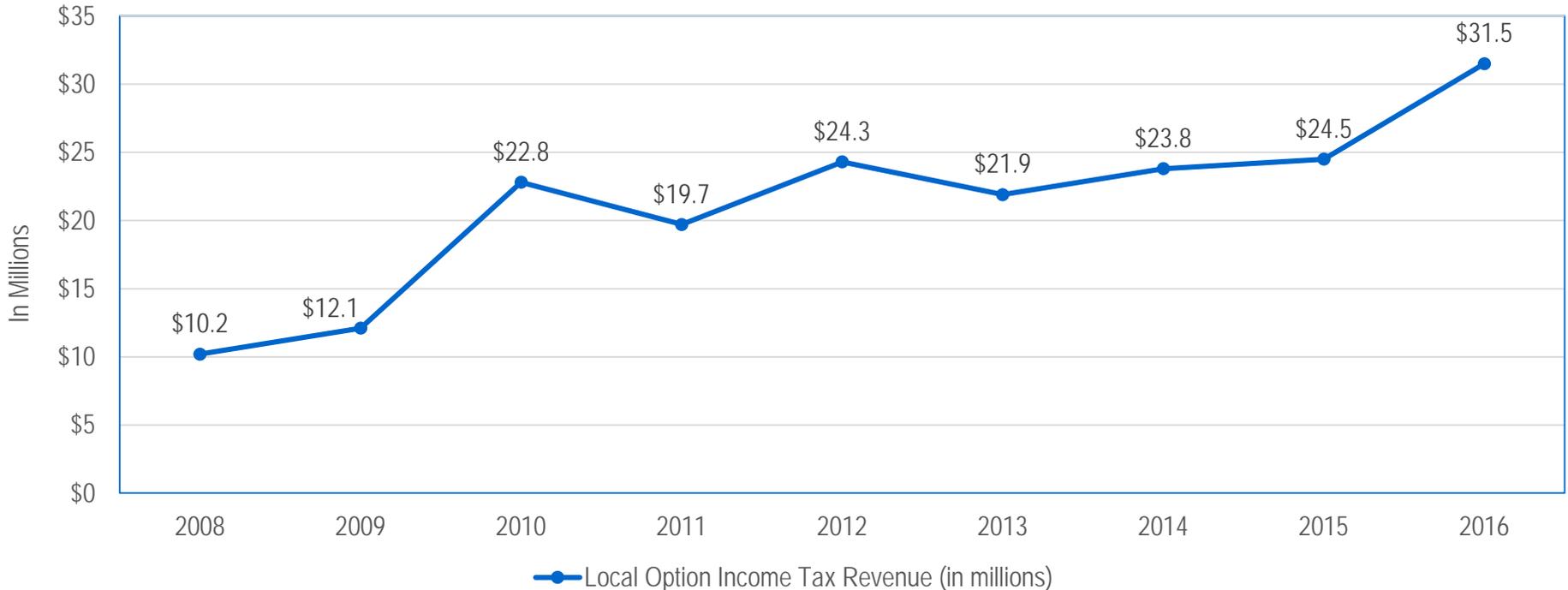


Why is this important?

Property tax revenue is the largest source of revenue for governmental operations such as police and fire protection. In 2008, the State of Indiana passed "Circuit Breaker" property tax reform which capped property tax rates and reduced revenue for local governmental units. During 2016, property tax revenue increased due to increased net assessed valuation and higher collection rates.

City of South Bend, Indiana

Local Option Income Tax Revenue - Cash Basis



Why is this important?

Local option income taxes (COIT, CEDIT, PS LOIT) are an important source of revenue for governmental operations, including public safety and capital projects. Effective for fiscal year 2010, Local Option Income Tax rates were increased in response to State Legislation reducing property tax revenue. Local income taxes are charged on wages paid to employees.

During 2016, regular local option income tax revenue increased by \$1.4 million due to wage growth in an improving local economy. In addition, the State of Indiana paid a special local option income tax distribution of \$5.6 million for road funding.

City of South Bend, Indiana

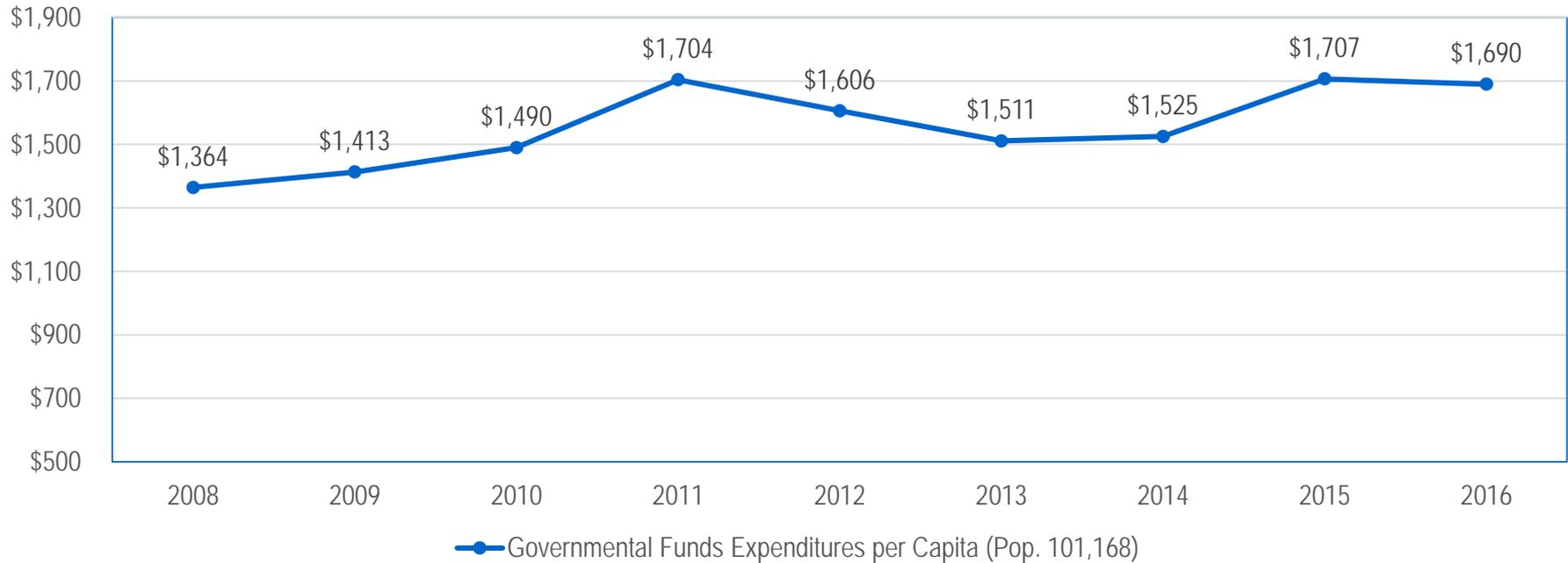
Governmental Funds Budget and Finances

| Year | Status | Governmental Fund Revenues | Governmental Fund Expenditures | Other Sources and (Uses) | Net Change in Fund Balance | Governmental Fund Ending Balance |
|------|---------|----------------------------|--------------------------------|--------------------------|----------------------------|----------------------------------|
| 2016 | Audited | \$152,669,418 | \$170,976,084 | \$9,221,150 | (\$9,085,516) | \$191,741,220 |
| 2015 | Audited | \$142,719,826 | \$172,658,733 | \$36,278,971 | \$6,340,064 | \$200,826,736 |
| 2014 | Audited | \$144,489,791 | \$154,300,097 | \$7,111,663 | (\$2,698,643) | \$194,486,672 |
| 2013 | Audited | \$151,152,474 | \$152,860,750 | \$10,810,800 | \$9,102,524 | \$197,185,315 |
| 2012 | Audited | \$147,379,084 | \$162,460,000 | \$6,929,631 | (\$8,151,258) | \$188,082,791 |
| 2011 | Audited | \$152,877,172 | \$172,397,679 | \$7,552,867 | (\$11,967,640) | \$196,234,076 |
| 2010 | Audited | \$158,342,276 | \$150,758,014 | \$4,567,041 | \$12,151,303 | \$208,201,716 |
| 2009 | Audited | \$130,932,134 | \$142,962,710 | \$2,207,394 | (\$9,823,182) | \$196,050,413 |
| 2008 | Audited | \$139,717,856 | \$138,022,795 | \$51,746,178 | \$53,441,239 | \$205,873,595 |

Governmental funds account for the general operations of the City (i.e. police and fire protection, road maintenance and economic development). Governmental funds receive property taxes, local income taxes, grants, interest income and other sources of revenue. Other sources include transfers from other funds, proceeds from debt issuance, debt refunding, claim settlements and other one-time items.

City of South Bend, Indiana

Annual Governmental Funds Expenditures per Capita



Why is this important?

Cost per resident is a measure of how much it costs to operate the City on a per-person basis. The City of South Bend continues to explore ways to provide high-quality services to residents at the lowest possible cost.

The increase in per capita expenditures in 2015 and 2016 is due primarily to spending on capital projects using bond proceeds or cash reserves.

City of South Bend, Indiana

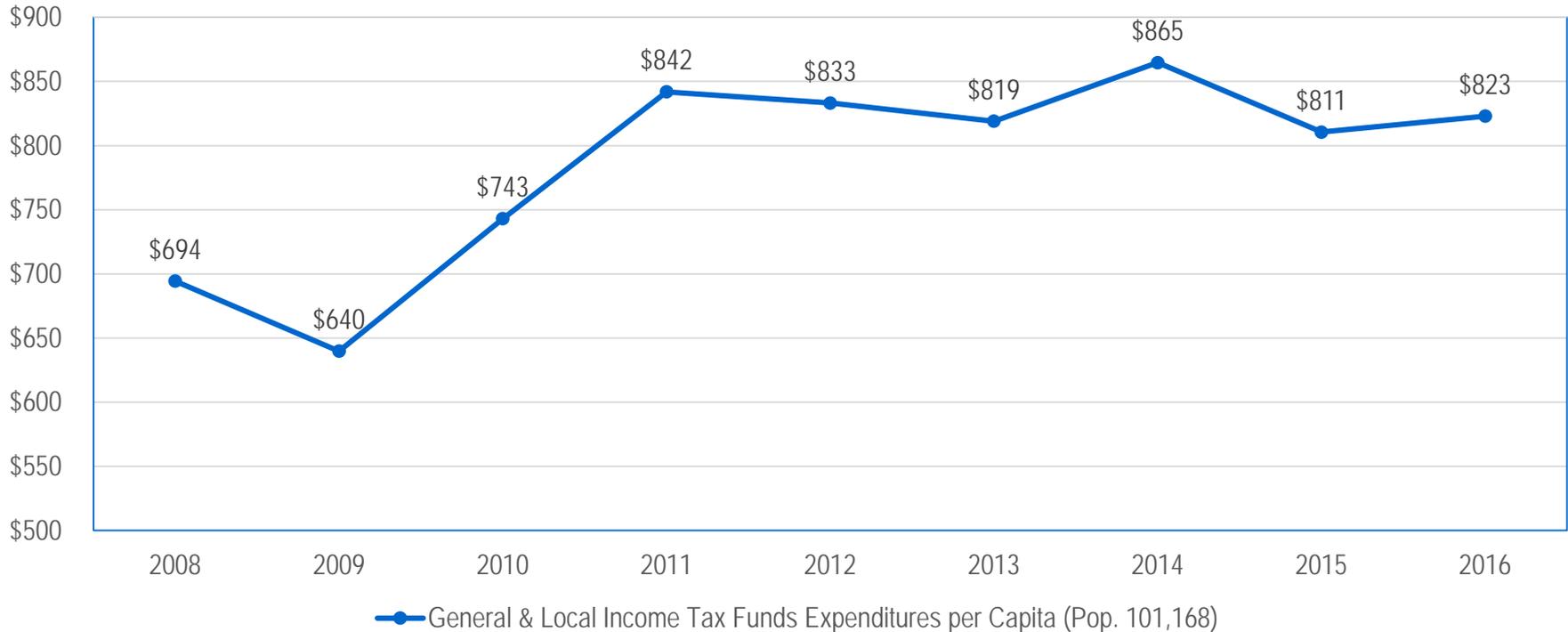
General & Local Income Tax Funds Budget and Finances

| Year | Status | General & Local Income Tax Funds Revenues | General & Local Income Tax Funds Expenditures | Other Sources and (Uses) | Net Change in Fund Balance | General & Local Income Tax Funds Ending Balance |
|------|---------|---|---|--------------------------|----------------------------|---|
| 2016 | Audited | \$89,653,742 | \$83,260,788 | (\$4,864,175) | \$1,528,779 | \$55,992,935 |
| 2015 | Audited | \$86,414,320 | \$82,001,807 | (\$5,388,924) | (\$976,411) | \$54,464,156 |
| 2014 | Audited | \$86,650,588 | \$87,473,563 | (\$1,164,280) | (\$1,987,255) | \$55,440,567 |
| 2013 | Audited | \$83,120,786 | \$82,852,504 | (\$2,783,885) | (\$2,515,603) | \$57,427,822 |
| 2012 | Audited | \$88,482,061 | \$84,289,339 | (\$2,175,271) | \$2,017,451 | \$59,943,425 |
| 2011 | Audited | \$87,039,700 | \$85,170,478 | (\$323,557) | \$1,545,665 | \$57,925,974 |
| 2010 | Audited | \$92,166,343 | \$75,170,006 | (\$2,295,699) | \$14,700,638 | \$56,380,309 |
| 2009 | Audited | \$71,401,298 | \$64,725,591 | (\$4,426,984) | \$2,248,723 | \$41,679,671 |
| 2008 | Audited | \$79,453,180 | \$70,249,980 | (\$4,544,082) | \$4,659,118 | \$39,230,948 |

The General Fund and Local Income Tax Funds (COIT, EDIT and Public Safety LOIT) account for the general operations of the city including police and fire protection, economic development, code enforcement, debt service and capital. Due to circuit breaker tax caps, property tax revenue has declined while local income tax revenue has increased. Other sources and uses include transfers from other funds, proceeds from debt issuance, debt refunding, claim settlements and other one-time items.

City of South Bend, Indiana

Annual General & Local Income Tax Funds Expenditures per Capita



Why is this important?

Cost per resident is a measure of how much it costs to operate the City on a per-person basis. The City of South Bend continues to explore ways to provide high-quality services to residents at the lowest possible cost. Property tax and local income tax revenue provide the majority of revenue for these funds.

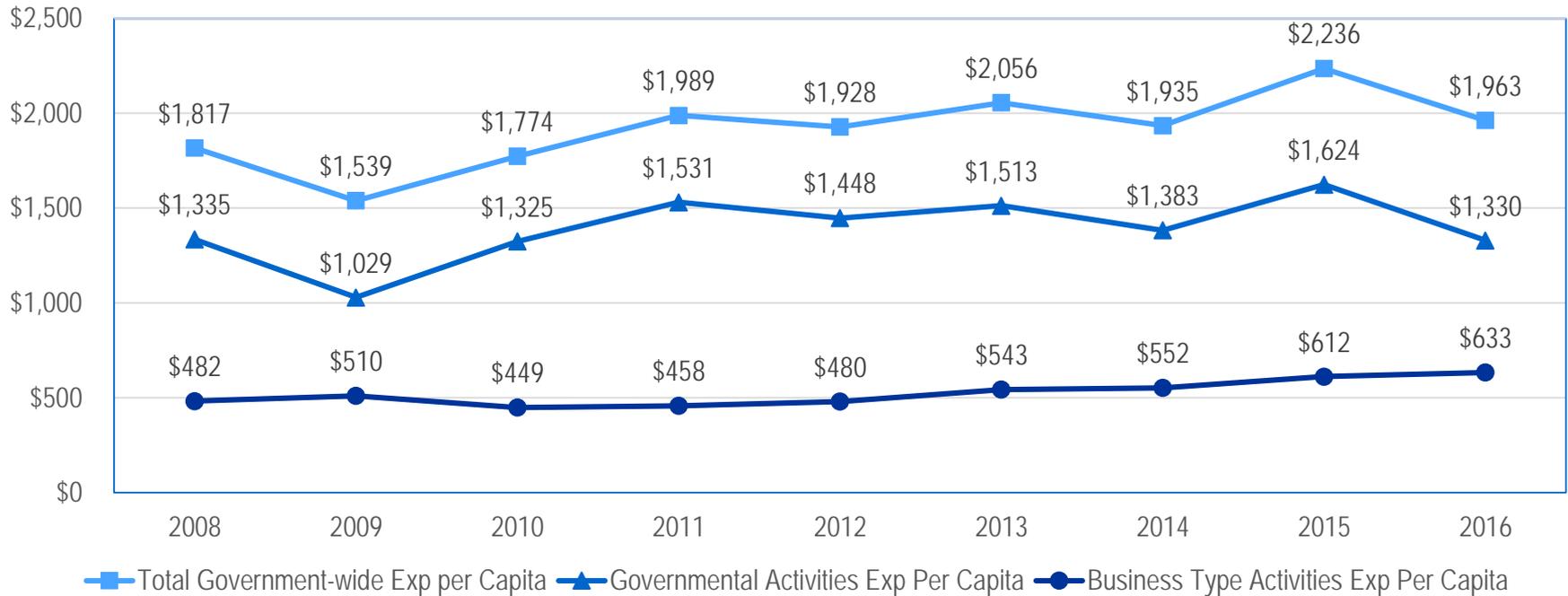
City of South Bend, Indiana Government-wide Expenses

| Year | Status | Total Expenses | | | Expenses per Capita | | |
|------|---------|----------------|---------------|---------------|---------------------|---------------|---------|
| | | Government | Business Type | Total | Government | Business Type | Total |
| 2016 | Audited | \$134,519,353 | \$64,067,328 | \$198,586,681 | \$1,330 | \$633 | \$1,963 |
| 2015 | Audited | \$164,310,194 | \$61,899,676 | \$226,209,870 | \$1,624 | \$612 | \$2,236 |
| 2014 | Audited | \$139,909,059 | \$55,879,605 | \$195,788,664 | \$1,383 | \$552 | \$1,935 |
| 2013 | Audited | \$153,017,817 | \$54,949,283 | \$207,967,100 | \$1,513 | \$543 | \$2,056 |
| 2012 | Audited | \$146,481,687 | \$48,559,092 | \$195,040,779 | \$1,448 | \$480 | \$1,928 |
| 2011 | Audited | \$154,902,096 | \$46,323,473 | \$201,225,569 | \$1,531 | \$458 | \$1,989 |
| 2010 | Audited | \$134,015,143 | \$45,486,515 | \$179,501,658 | \$1,325 | \$449 | \$1,774 |
| 2009 | Audited | \$104,113,362 | \$51,623,898 | \$155,737,260 | \$1,029 | \$510 | \$1,539 |
| 2008 | Audited | \$135,039,863 | \$48,780,128 | \$183,819,991 | \$1,335 | \$482 | \$1,817 |

Governmental activities include the General Fund, Parks & Recreation Fund, Motor Vehicle Highway Fund, Tax Increment Financing Funds, and other activities supported by taxes and fees. Business-type activities include the Water Utility, Wastewater Utility, Solid Waste, Century Center, and other activities that charge a fee for services. Expenses are net of interfund transfers, internal service funds, debt principle payments, trust funds, and include depreciation expense.

City of South Bend, Indiana

Government-wide Expenses per Capita



Why is this important?

Expenses per resident is a measure of how much it costs to operate the City on a per-person basis. The City of South Bend continues to explore ways to provide high-quality services to residents at the lowest possible cost.

Government-wide expenses are net of interfund transactions, debt principle payments, and capital payments and include depreciation expense.

| City | Per Capita Govt-wide Expenses |
|---------------|-------------------------------|
| Ann Arbor, MI | \$2,106 |
| Fishers, IN | \$1,253 |
| Kalamazoo, MI | \$1,961 |
| Lansing, MI | \$1,937 |
| Mishawaka, IN | \$2,709 |

City of South Bend, Indiana

Cash Balances and Investment Earnings

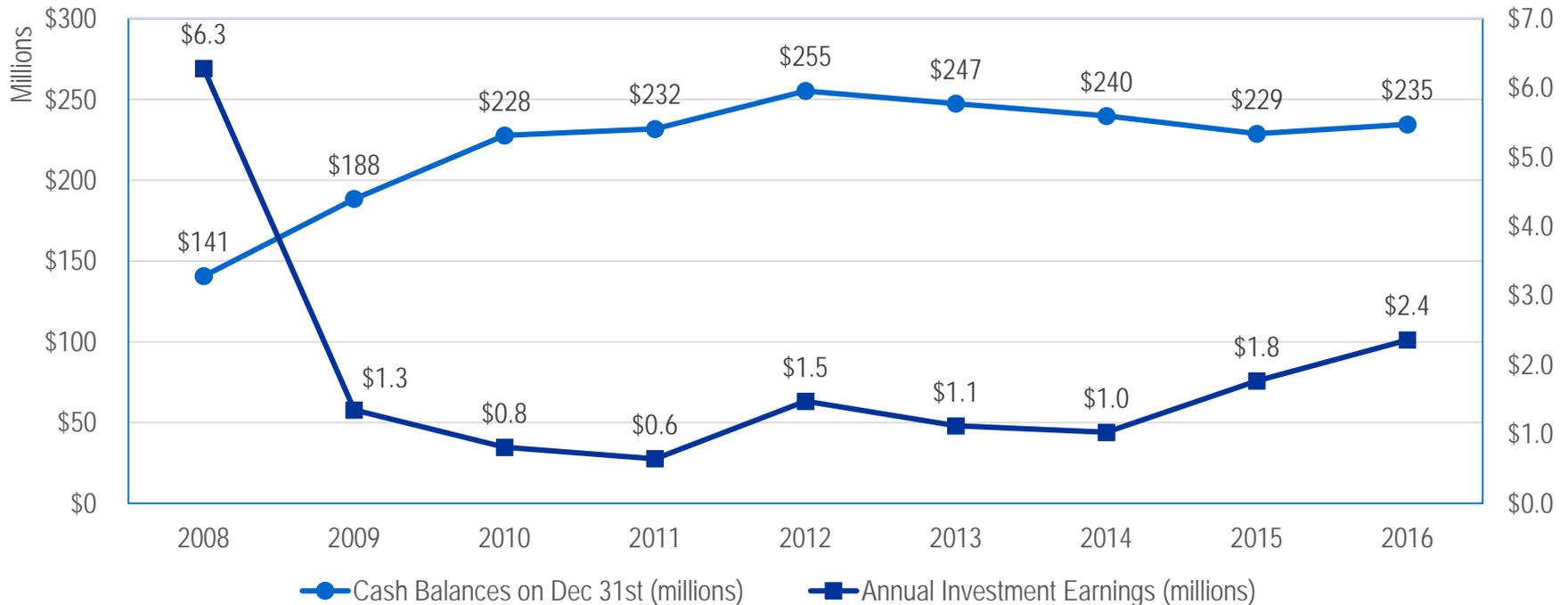
| Year | Cash Balances (Dec 31st) | Annual Investment Earnings | Average Interest Rate Earned |
|------|-----------------------------|----------------------------------|---------------------------------|
| 2016 | \$234,529,325 | \$2,359,164 | 1.05% |
| 2015 | \$228,782,505 | \$1,769,437 | 0.78% |
| 2014 | \$239,808,095 | \$1,025,058 | 0.44% |
| 2013 | \$247,349,777 | \$1,119,139 | 0.46% |
| 2012 | \$255,285,203 | \$1,474,283 | 0.64% |
| 2011 | \$231,747,445 | \$643,643 | 0.29% |
| 2010 | \$227,739,252 | \$809,279 | 0.39% |
| 2009 | \$188,453,001 | \$1,348,289 | 0.83% |
| 2008 | \$140,621,862 | \$6,281,342 | 3.85% |

Cash balances are at December 31st.

Trustee account cash balances and investment earnings are excluded from this analysis.

Average interest rate earned is computed as the annual investment earnings divided by the average cash balance at December 31st of the prior year, and May 31st & December 31st of the current year.

City of South Bend, Indiana Cash Balances and Investment Earnings



Why is this important?

The City of South Bend seeks to maintain healthy cash reserves for the following reasons: operating liquidity (property taxes are received two times during the year), unforeseen emergencies, capital projects, and to satisfy existing bond covenants. Cash balances are invested in fixed income instruments in accordance with Indiana state law. Interest rates declined significantly in 2009 due to the recession and have recently started to increase.