

City of South Bend, Indiana Popular Annual Financial Report (PAFR)

For the Year Ended
December 31, 2016

Prepared by the Department of Administration & Finance



Message from the Mayor:

June 30, 2017

Dear residents and visitors of the City of South Bend,

As with any large organization, management has a duty to provide meaningful reports that summarize the organization's condition within its current environment to its executive board.

In that spirit, I am pleased to present the City of South Bend's second Popular Annual Financial Report (PAFR) to you, the City's ultimate executive board. The PAFR contains information about the City and its finances in a user-friendly format that is easier to digest and understand than the City's 318-page Comprehensive Annual Financial Report (CAFR). The financial information presented herein is excerpted from the CAFR and I encourage readers interested in more detail to refer to that document for further information.

The City is delighted to announce that its 2015 PAFR received an award for outstanding achievement in Popular Annual Financial Reporting from the Government Finance Officers Association.

2016 was a year of progress for the City of South Bend. The population of our City increased as more people discovered the advantages of Midwestern urban living. The City made strides in important signature community development projects including increased residential and commercial development in the downtown area, the enhancement of neighborhoods and school safety with curb, sidewalk and lighting projects, and ongoing construction of the "Smart Streets" conversion of one-way streets to two-way with the objective of enhancing economic activity. During 2016, the City enjoyed the completion of the renovated, historic LaSalle Apartments and the start of construction of the new Courtyard by Marriott hotel (by the former College Football Hall of Fame), the conversion of the JMS Building to residential uses, and the massive renovation of the former Chase Tower. At the same time, the City maintained its financial strength as evidenced by its strong AA bond rating, one the best for cities of its size in Indiana.

The City of South Bend is interested in your feedback so we may improve the PAFR in future years. I welcome your comments and suggestions on behalf of the Administration & Finance Department and encourage you to contact John Murphy, CFO at (574) 235-7678 or Jennifer Hockenhill, City Controller at (574) 235-9822.

With Highest Regards,
Pete Buttigieg, Mayor
City of South Bend



Mayor Pete Buttigieg



The Popular Annual
Financial Report

City Government Finances: Overview 4
Our Organizational Chart..... 5
We Are South Bend 6
South Bend Education and Business 7
South Bend Culture and Recreation..... 8
South Bend Events 9
The City’s Revenue..... 10
The Cost of City Services..... 11
The City’s Net Position 12
Government-Wide Revenue
and Expenses 13
The City’s Debt Burden 14
Full-Time Employees (FTE’s)..... 15
Contact Information..... 16



Government Finance Officers Association

**Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting**

Presented to

**City of South Bend
Indiana**

For its Annual
Financial Report
for the Fiscal Year Ended

December 31, 2015

Executive Director/CEO

City Government Finances: Overview

The goal of a business venture is to provide income for its stakeholders. In contrast, the goal of government is to provide services to its citizens. The measurement of success in business is a positive “bottom line”: revenue exceeds expenses. But the measurement of success for a government is the ability to serve its population within its financial constraints. And unlike a business, the government is prohibited by law from allowing expenditures to exceed budgeted limitations.

Like any city in the United States, South Bend uses “fund-based” accounting. A “fund” is a segregated group of resources that have been identified to meet a specific purpose. A fund is just like a checkbook: cash receipts and disbursements are recorded in it and, like a checkbook, the City strives to maintain a positive balance.

Broadly speaking, there are two main types of funds: governmental funds and business-type funds.

Governmental funds are used to account for basic services: police and fire protection, street maintenance as examples. We all pay for these services through our tax dollars so that they’ll be available to any of us who need them, whenever we need them.



Business-type funds are run like a business. They charge only the people who use the service and are expected to have revenues cover their operating expenses as well as any loan payments. In South Bend, these funds include Water Works, Wastewater, Solid Waste, Century Center and the EMS system.

Across all funds, there are inflows and outflows; revenue and expenses, or expenditures.

Revenue is the sum of money coming in to the City. The main sources, as noted above, are tax dollars and charges for services. Revenue also includes proceeds from new debt, such as a bond to finance a construction project. Each of these sources can be further broken down, as you’ll see in later pages.

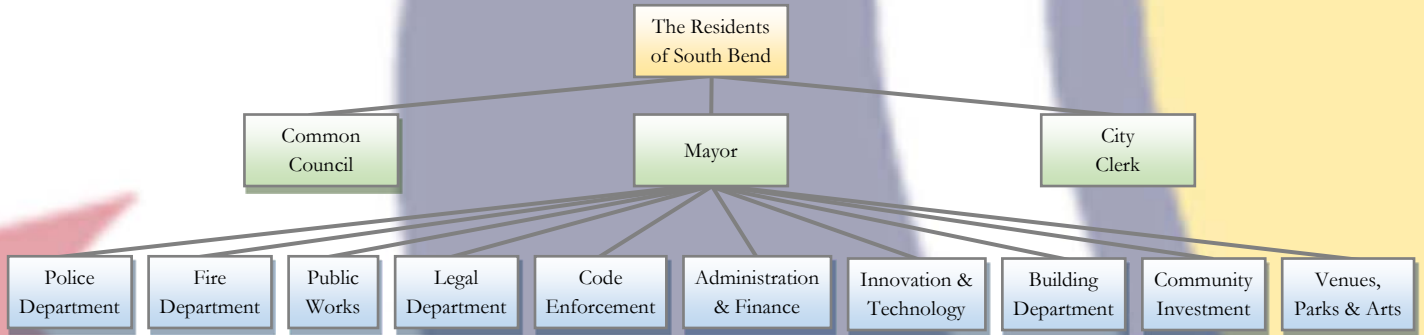
Expenditures are the costs of the City and are divided into three main types: operating, debt service and capital outlay. *Operating expenditures* are the costs for salaries and supplies needed to provide the services. These expenditures are ongoing, in that they will be incurred year after year as the City performs its services, but the amounts may change significantly based upon the level of services the City administration chooses to provide.

Debt Service comprises the principal and interest payments made to repay the City’s debt obligations. Before the City can apply for any new debt, it must be able to prove that it will be able to repay that debt along with any prior debt still outstanding. These expenditures are ongoing as well, but the amounts are stable, based on the repayment schedules negotiated at the time the debt was incurred.

Capital outlay expenditures can be either large, one-time expenditures, such as a new building, or smaller annual expenditures such as new vehicle purchases within a fleet maintenance program. These expenditures can vary widely year to year, based on current requirements.

With these broad definitions in mind, we hope that you’ll find the foregoing reports meaningful and interesting.

Our Organizational Chart



Common Council

Legislative Authority, 4 years each



Tim Scott
1st District



Randy Kelly
3rd District



Dr. David Varner
5th District



John Voorde
Council Member at Large



Karen White
Council Member at Large



Regina Williams-Preston
2nd District



Jo Broden
4th District



Oliver Davis
6th District



Gavin Ferlic
Council Member at Large

Mayor

Pete Buttigieg

*Chief Executive Officer,
4-year term*



City Clerk

Kareemah Fowler

*Maintain Council records, ordinance violation collections,
4-year term*



We are South Bend

Population Statistics

Population (2015 Estimate)	101,590
% Female (2010 Census)	51.6%
% Male (2010 Census)	48.4%
Average Persons Per Household (2011 – 2015)	2.54
Median Household Income (2011 – 2015)	\$34,523
Persons Below Poverty Level (2015 Estimate)	28.3%
Educational Attainment (2011 - 2015)	
High school graduate or higher	83.5%
Bachelor's degree or higher	23.8%
Population Demographics (2015 Estimate)	
White	54.2%
Black or African American	26.8%
Hispanic or Latino	13.8%
Asian	1.4%
American Indian/Alaska Native	0.3%
Native American and Other Pacific Islander	0.1%
Other Race	0.1%
Two or more races	3.3%
Veterans (2015 Estimate)	4,983

Source: U.S. Census Bureau (<https://factfinder.census.gov/>)
2011-2015 American Community Survey 5-Year Estimates

The City Administration's Mission

“We deliver services that empower everyone to thrive.”

The City Administration's Values

- Excellence
Goal: best in state and/or top 25% nationally
- Accountability
Goal: offer services with the greatest value to the taxpayer
- Innovation
Goal: deliver services more efficiently through creativity
- Inclusion
Goal: include diverse voices in decision-making
- Empowerment
Goal: establish a work environment that allows employees to contribute richly

South Bend Education and Business



Colleges and Universities

University of Notre Dame
Indiana University South Bend
Holy Cross College
Saint Mary's College
Ivy Tech Community College



**University of
Notre Dame**

County-City Building



Local Businesses Headquarters

1st Source Bank (*Financial Institution*)
Tire Rack (*Automotive Parts Supplier*)
Fulton Industries (*Custom Component Manufacturing*)
ABRO Industries (*Automotive & Household Chemical Products*)
Data Realty (*Digital Information Management*)
Crowe Horwath LLP (*CPA Firm*)
Press Ganey (*Health Care Management*)

Largest Employers

University of Notre Dame (*Higher Education*)
Beacon Health System (Memorial) (*Health Care*)
South Bend Community Schools (*Public Schools*)
Indiana University South Bend (*Higher Education*)
AM General (*Automotive Manufacturing & Assembly*)
Saint Joseph County (*Government*)
City of South Bend (*Government*)



Memorial Hospital

South Bend Culture and Recreation



Studebaker National Museum

**Byers Softball Complex
at St. Clair Park**



**South Bend Symphony Orchestra at the
Morris Performing Arts Center**



Potawatomi Zoo



Tippecanoe Place

South Bend Events

Greening of the East Race

Year Round

- First Fridays, Downtown

Spring

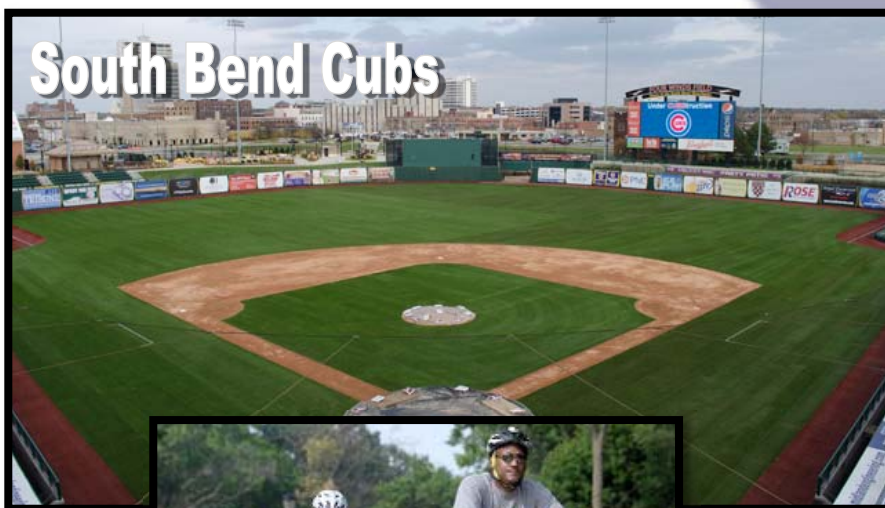
- St. Patrick's Day parade and "Greening of the East Race"
- Egg Stravaganza
- River Lights Music Festival
- Mayors' Ride
- Bike to Work Week
- Best. Week. Ever.



River Lights

Summer

- South Bend Cubs baseball
- Seitz & Sounds music series
- West Side Memorial Day Parade
- Art Beat
- Outdoor film series
- Red Table Plaza
- Fridays by the Fountain
- Restaurant Week
- East Race Waterway Rafting



South Bend Cubs



Mayors' Ride

Fall/Winter

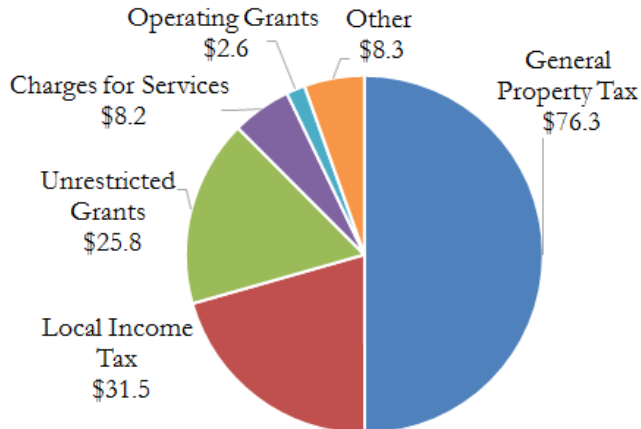
- Downtown for the Holidays
- Restaurant Week



Downtown for the Holidays

The City's Revenue

Governmental Activities Revenue, 2016
(millions)



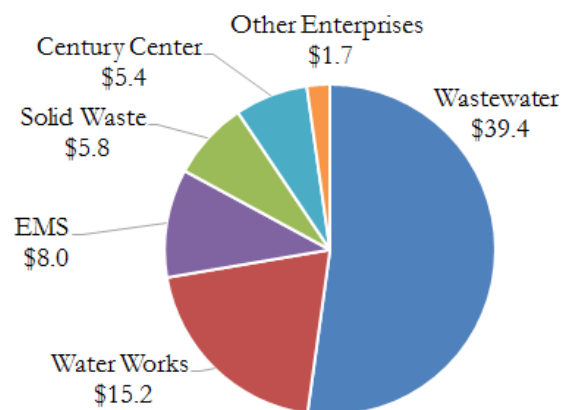
Revenue from **Governmental Activities** totaled **\$152.7 million** in 2016. The largest revenue sources were property taxes and local income taxes. Property taxes are capped at approximately 1% of property values for homeowners.

Palais Royale Ballroom



Revenue from **Business-Type Activities** totaled **\$75.5 million** in 2016. The Wastewater and Water Utilities were the largest Business-Type funds and provide essential services to residents. Solid Waste provides trash collection services on a weekly basis and EMS provides emergency ambulance services to residents in need.

Business-Type Activities Revenue, 2016
(millions)



Century Center



The Cost of City Services

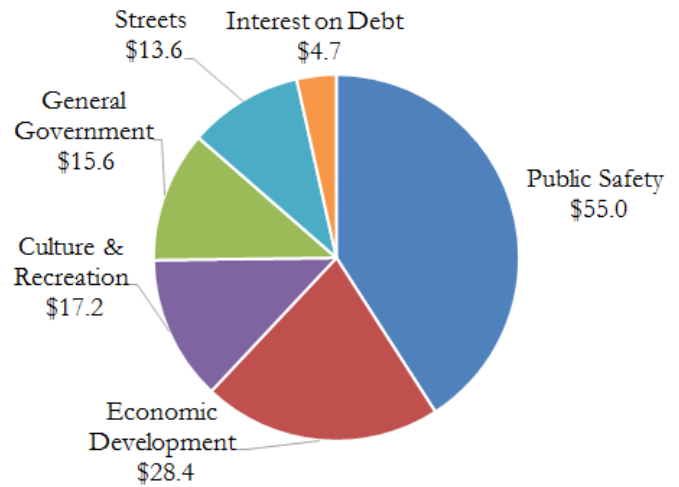
Total Expenses for **Governmental Activities** was **\$134.5 million** in 2016.

The largest category was Public Safety (police and fire) followed by Economic Development, Streets, and Culture & Recreation. During 2016, the Venues, Parks & Arts Department was established to manage culture and recreation activities City-wide.

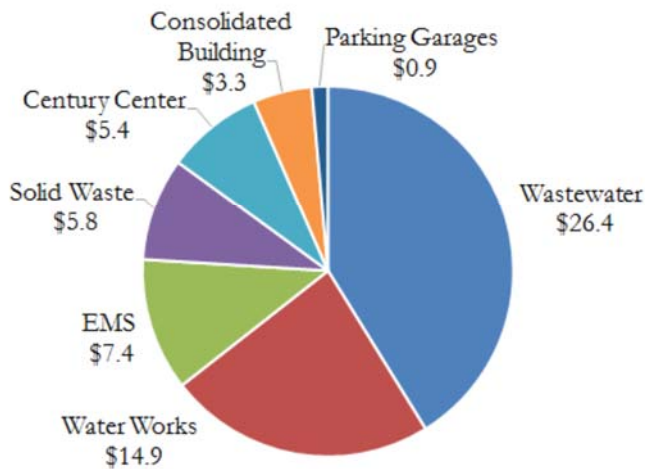
Kennedy Park



Government-Type Expenses, 2016 (millions)



Business-Type Expenses, 2016 (millions)



Total Expenses for **Business-Type Activities** was **\$64.1 million** in 2016.

The largest Business-Type activities are the Wastewater and Water Works operations, which charge fees for services rendered. Solid Waste provides trash collection services that are essential to City residents. The City also manages three downtown parking garages and owns the Century Center convention venue located on the Saint Joseph River.

Water Treatment Plant



The City's Net Position

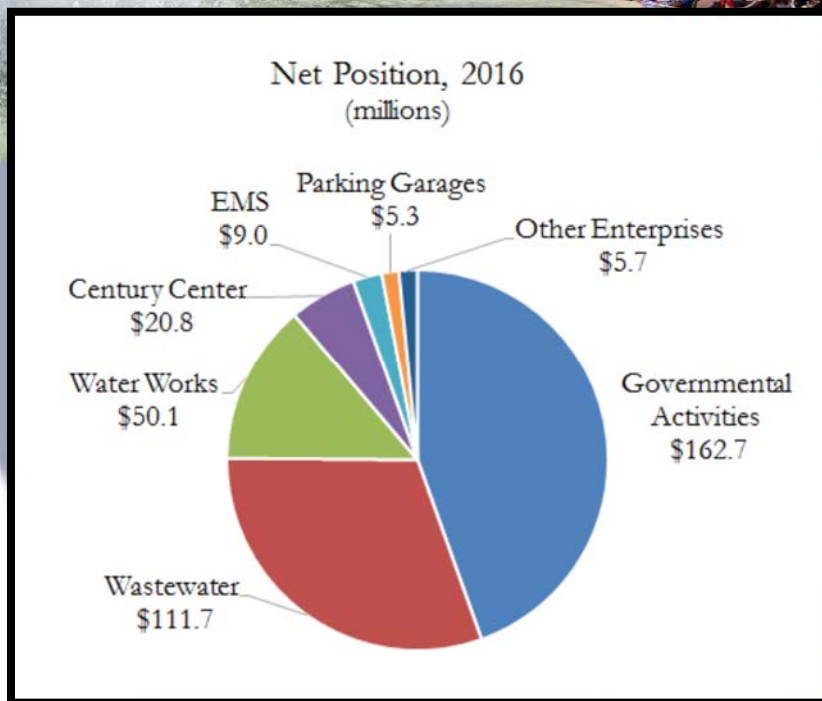


Fountain at the Morris Performing Arts Center

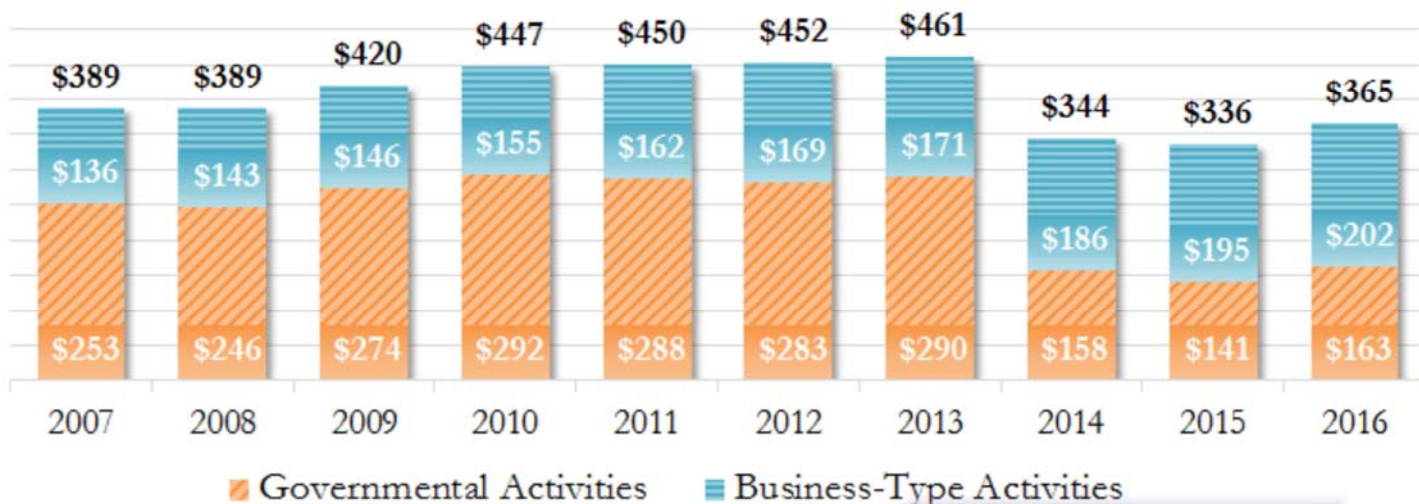
For 2016, the City's **Net Position** was **\$365.3 million**.

"Net Position" is the difference between the City's assets and its liabilities. It represents resources currently available to the City for future services and economic safety buffers.

The majority of Net Position consists of investment in capital assets and is, therefore, not able to be spent on governmental programs and services.



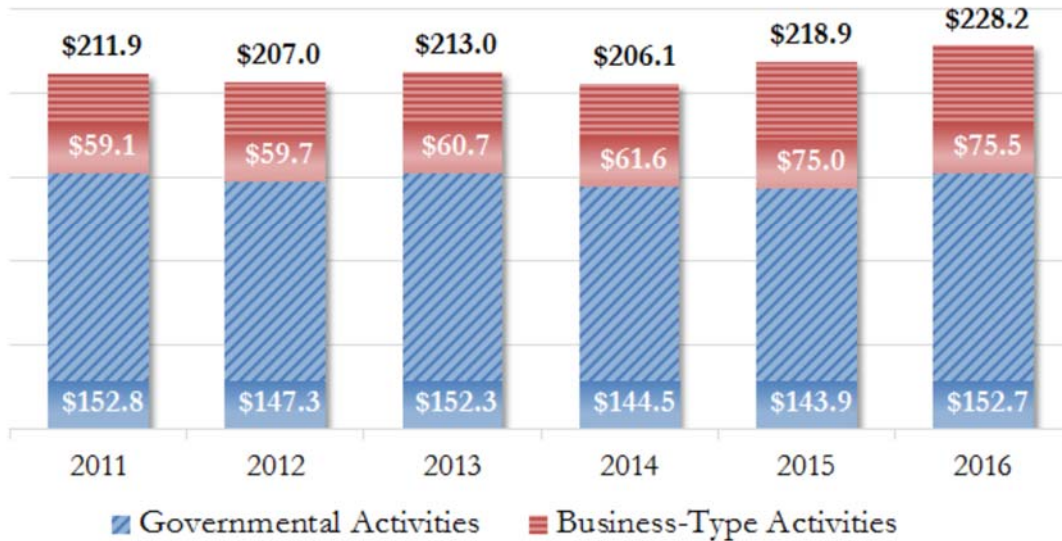
Net Position by Component
(millions)



Net Position declined from 2013 to 2014 due to new accounting rules for recording pensions.

Government-Wide Revenue & Expenses

Government-Wide Revenue, 2011-2016
(millions)



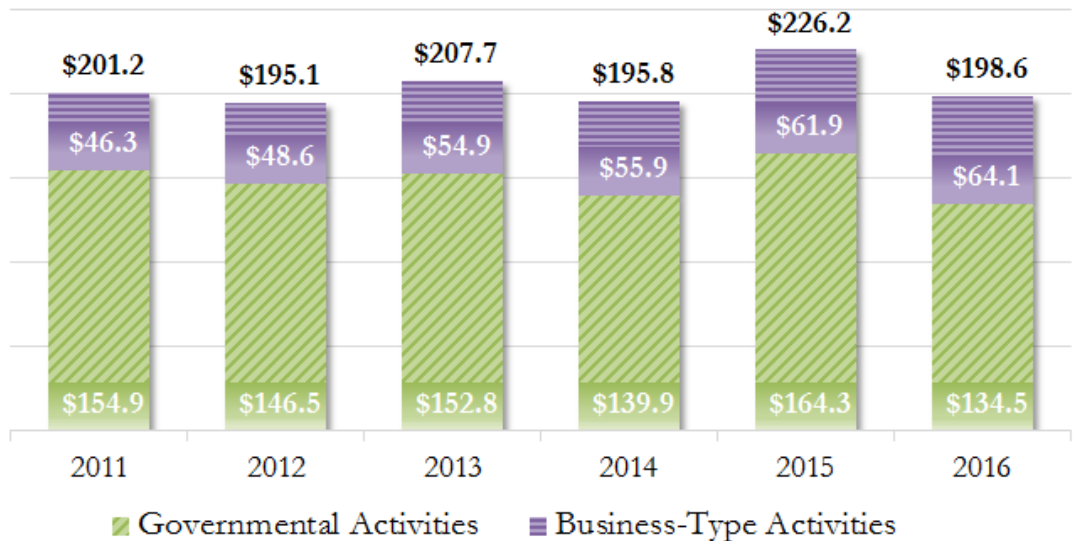
Changes
2015 to 2016

Property tax revenue increased during 2016 due to higher property values and collections. Local income tax revenue increased due to an improving economy and a one-time state distribution of income tax monies held in reserve.



**Saint
Joseph
River**

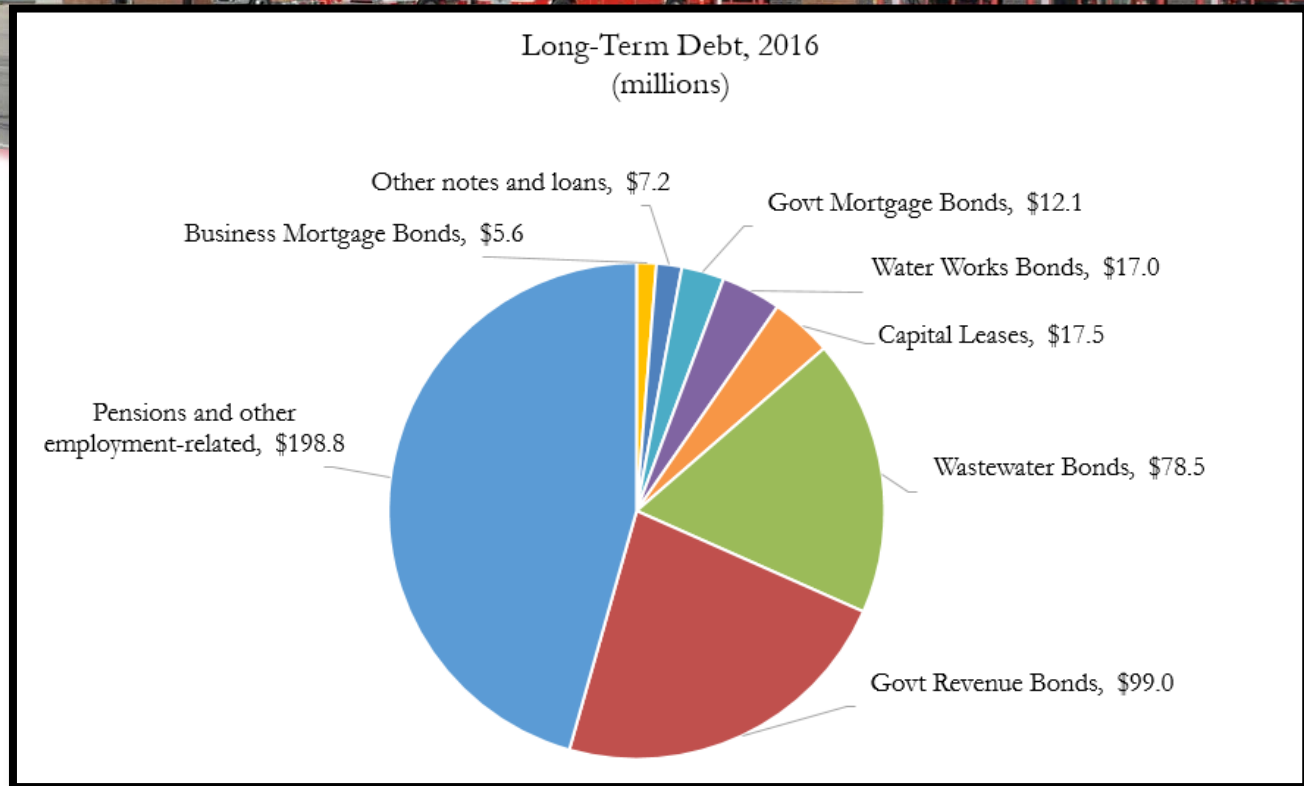
Government-Wide Expenses, 2011-2016
(millions)



Changes
2015 to 2016

Governmental Activities expenses decreased from 2015 to 2016 due to lower capital expenditures and lower general administrative expenses.

The City's Debt Burden



The City's total debt obligation at the end of 2016 was **\$435.7 million** and long-term debt decreased by **\$23.4 million** during 2016.

The City's use of debt allows it to leverage current resources to buy or construct assets to be used in the future, such as the lease of police cars or the construction of infrastructure. These arrangements allow the City to pay for the vehicles or infrastructure during the periods in which the residents receive the benefits of the services.

The largest segment of the City's debt is its pension and other employment liability. In 2016, the City's Net Pension Liability was **\$180.7 million**. The City is required to contribute **11.2%** of annual payroll for non-bargaining and Teamster employees, and **17.5%** for Police and Fire department employees. Pension liabilities are funded over a long-term time period.

Most Capital Leases require a 5-year repayment schedule. The goal is to pay off the lease in less time than the expected useful life of the asset being leased. Bonds and other loans have a longer repayment period, typically 20 years; this is appropriate since they are used to pay for longer-lasting assets such as buildings, roads, and other infrastructure.

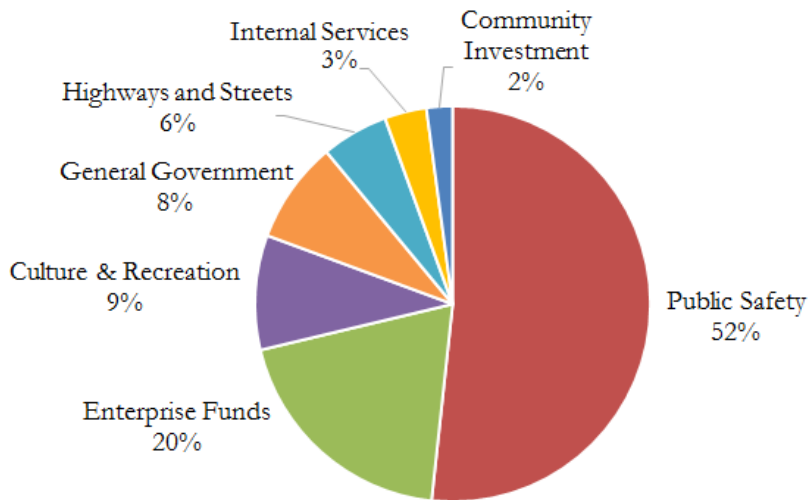
In 2016, the City's expenditures toward debt repayment were \$23.1 million, 11.6% of government-wide expenses.

During 2016, the City initiated the following debt transactions:

- Entered **capital lease** transactions of **\$8.9 million** to purchase vehicles and equipment.
- Issued Water Works **refunding bonds** of **\$3.3 million** to refinance existing debt at a lower interest rates.

Full-Time Employees (FTE's)

Full-Time Employees by Category



General Government

Mayor's Office	6
City Clerk's Office	5
Common Council (elected officials, part-time)	9
Administration & Finance / Information Technology	26
Legal Department	11
Engineering	18
311 Call Center	7
Safety and Risk	2
Human Rights	6

Public Safety

Police Department	290
Fire Department	268

Internal Services

Central Services	37
------------------	----

Culture & Recreation

Parks & Recreation	89
Convention and Events Management	12

Community Investment

Dept of Community Investment	23
---------------------------------	----

Highways & Streets

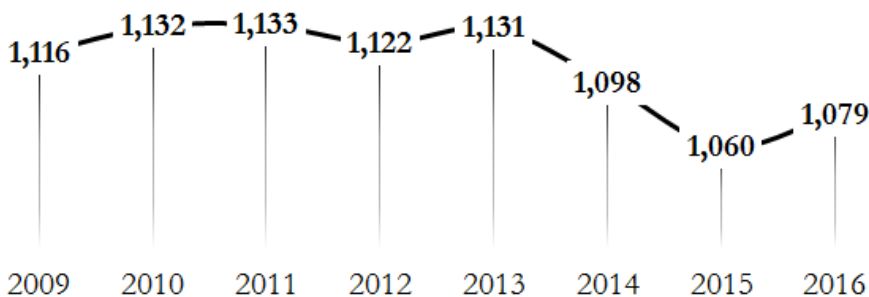
Street Department	59
-------------------	----

Enterprise Funds

Water Works	65
Wastewater	44
Organic Resources	6
Sewer	31
Solid Waste	25
Building Department	14
Code Enforcement / Animal Care & Control	26



Full-Time Positions, (Dec 31st Actual)



In 2014, 33 Parks & Recreation employees working at the Zoo began working for the Potawatomi Zoological Society and were no longer City employees.

In 2015, 34 central dispatch employees began working for Saint Joseph County due to consolidation of 911 operations.

We hope that you found this report useful. We also hope to continually improve this report and look forward to your participation in doing so.

Please feel free to **CONTACT US:**

John H. Murphy, CFO
City of South Bend
227 W. Jefferson Blvd., Suite 1200
South Bend, IN 46601
(574) 235-7678
jmurphy@southbendin.gov
www.southbendin.gov

Jennifer Hockenhull, Controller
City of South Bend
227 W. Jefferson Blvd., Suite 1200
South Bend, IN 46601
(574) 235-9822
jhockenh@southbendin.gov
www.southbendin.gov

For more detail regarding financial data, please refer to the 2016 Comprehensive Annual Financial Report (CAFR), found at www.southbendin.gov/2016_CAFR

