



CITY OF SOUTH BEND

EXCELLENCE | ACCOUNTABILITY | INNOVATION | INCLUSION | EMPOWERMENT

2018 Budget Summary and Discussion

Introduction

The 2018 Budget aligns administration, council and resident priorities. Through early engagement with Councilmembers, the administration and residents, we were able to better understand the needs of the residents and businesses in South Bend. The budget reflects broad input and will enable the City to continue delivering services that empower everyone to thrive.

Budget Overview

The General Fund and Local Income Tax Funds (COIT 404, EDIT 408, and Public Safety LOIT 249) are budgeted to balance in 2018. A balanced budget in these funds will help maintain our AA S&P Bond rating, which saves taxpayer dollars through very low interest rates on bonds, leases and other financing options for capital investments.

Some capital funds, for which the sole purpose is to fund various capital projects, are being used as a cash source for budget priorities. Other spend-downs are in funds where cash has accumulated over time above the targeted reserve level (Code Enforcement, Community Investment and Parks).

Property tax receipts are projected to remain roughly flat before an estimated 5% reduction in 2020 due to the final phase of the state circuit breaker law going into effect. The City continues to work with the County Assessor's office to ensure property taxes are fair and consistent across our community.

The projected Local Income Taxes (LIT) increased by roughly 3.3% over 2017. While this increase reflects growth in income, we cannot count on this increased revenue over the long term because income tax receipts are volatile and heavily dependent on the overall economy.

The City's share of PSAP costs have increased by 24% over 2017, which includes funding for added personnel in the consolidated 911 center. Also, additional Medicaid reimbursements of Emergency Medical Services (EMS) are expected to be phased out, reducing estimated revenue by an estimated \$2.2 million starting in 2019.

Budget Highlights

The following items are highlights for the 2018 budget:

- Vibrant Neighborhoods:
 - \$200,000 included in the budget for Light Up South Bend neighborhood lighting project
 - Approximately \$600,000 budgeted for Vacant & Abandoned and other Neighborhood Improvement programs
 - Curb & Sidewalk Program budget at \$1.5M
 - \$1.3 million for new neighborhood development program (new construction and rehab)
- Public Safety:
 - The *Director of Public Safety* will be responsible for facilitating day-to-day administration of police and fire; including identifying efficiencies and guiding policy.
- Health & Human Services:
 - Lead abatement and housing safety inspection programs (\$480,000)
 - Expanded access to treatment for substance use and overdose (\$74,500)
 - Early Childhood Education Quality pilot (\$100,000)
 - Permanent Supportive Housing funding (\$100,000) and funding for a Gateway Shelter (\$1.5 million) to assist with rapid re-housing solutions for chronic homelessness
- Capital Investments:
 - \$1.17 million investments in water capital projects and \$8.4 million in wastewater projects
 - \$1.3 million in EMS and Fire Capital investments
- Quality of Place:
 - \$13.8 million Parks and \$10.6 million TIF bond for My SB Parks and Trails
- Business Development:
 - \$529,000 for small business and workforce development programing
 - \$400,000 to reseed Façade Grants Program

- Supporting the City Workforce and Departmental Effectiveness:
 - All non-bargaining positions maximum salary caps have been increased by a minimum of 2% in the salary ordinance. Individuals' actual salary increases will be based upon individual performance.
 - Parental Leave Program will be implemented in 2018 to give new parents additional flexibility and time to bond with their new child, adjust to their new family situation, and balance their professional obligations.

Budget Changes

While most of the significant accounting changes within the 2017 budget increased transparency and accounted for more accurately reflected true cost of each city service, the 2018 budget includes the following accounting change:

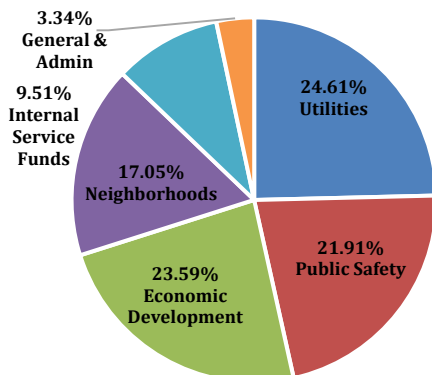
- All technology costs are now included in the IT budget and then allocated back across departments. While allocations line items may show an increase, overall technology costs are stable.

The 2018 budget incorporates organizational changes to promote more efficient and effective city services, particularly through centralization and specialization of services among previously fragmented units:

- *Central Services and Purchasing* enables the City to provide more efficient, transparent purchasing practices and improve usage of Central Services. A more strategic purchasing plan and purchasing coordination will ensure the City includes long term sustainability when making decisions. This department will also be responsible for facilities management with the goal of working with Centralized Building and Grounds Maintenance in 2019.

The Administration also continues to shift some permissible capital and related expenditures (i.e. professional services, debt service, etc.) from the general and income tax funds to TIF funds.

2018 Expenditure Budget Breakdown



Looking Ahead to 2020 Fiscal Curb

Looking ahead to the 2020 Fiscal Curb, the projected property taxes fall by approximately \$2.4 million in the General Fund and Parks & Recreation Fund.

If nothing changed from current funding patterns, the City would be required to tap reserves to a level that would likely lower the city's AA bond rating. There are a few options to stay ahead of this curb including, but not limited to:

- Continue to work with the County to ensure property taxes accurately reflect market conditions and everyone is paying their fair share.
- Decreasing the number of City positions (e.g. a 2.5% reduction of full-time equivalents in the general and LOIT funds would save about \$1.5 million from 18 positions.) This can be done by reviewing positions as they become vacant against the Priority Based Budgeting programs to ensure we are only replacing essential positions which help us meet our results.
- Maximize efficiency in our departments to tighten operational costs throughout the City (e.g. 1% cut would yield about \$600,000 of savings in the general fund alone.)
- Control the cost of healthcare, currently \$16,200 per employee. We have taken steps in 2017 including the implementation of innovative tools and partners to curb spending, which seem to be paying off as the increase for 2018 is only budgeted at 4%. However, there is still work to be done.
- Consider new revenue options to offset the fiscal curb and growing structural deficit.

More Information

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<https://www.southbendin.gov/government/division/finance>