



CITY OF SOUTH BEND

EXCELLENCE | ACCOUNTABILITY | INNOVATION | INCLUSION | EMPOWERMENT

2019 Mid-Season Budget Summary and Discussion

Introduction

The 2019 budget aligns administration, council and resident priorities. Through early and frequent engagement with Council Members, the administration and residents, we are 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) will have balanced budgets in 2019. A balanced budget in these funds will help maintain our AA S&P credit rating, which saves taxpayer dollars through very low interest rates on bonds, leases and other financing options for capital investments.

Some capital and debt service 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 (Motor Vehicle Highway, Human Rights and other Grant-related funds).

Property tax receipts are projected to increase by roughly 1% in 2019 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 accurate across our community.

The overall projected Local Income Taxes (LIT) increased by roughly 10.4% over 2018 based on DLGF estimates provided in August. 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 the Public Safety Answering Point (PSAP) costs have increased by 20% over 2018, which includes funding for added personnel at the consolidated 911 center. Also, additional Medicaid reimbursements to Emergency Medical Services (EMS) are expected to be phased out, reducing estimated revenue by approximately \$1.1 million in 2019 and therefore requiring a transfer from EDIT to cover the shortfall of roughly \$1.5 million.

The City continues to address aging infrastructure. The 2019 budget includes a request to establish a Stormwater Utility fund with an associated fee to customers to offset the cost to improve

drainage, control flooding, improve water quality and comply with regulations.

With the proposed creation of a South Bend Planning Commission and realignment of the Building Department, the 2019 budget makes progress toward a one-stop shop for land use and development services, as well as a centralized licensing and registration office that will facilitate easier access to city services.

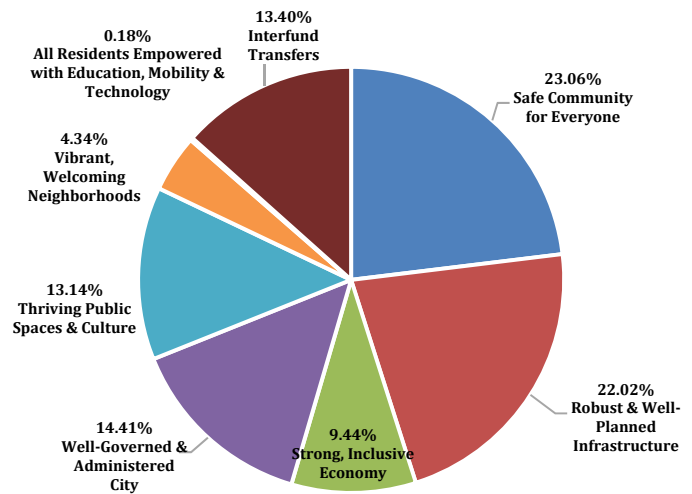
Budget Highlights

The following items are highlights for the 2019 budget:

- Vibrant Neighborhoods:
 - Light Up South Bend neighborhood lighting project, including a solar lamp post pilot program (\$200,000)
 - Continued neighborhood cleanup efforts with Code Enforcement involvement (funded through regular Code Enforcement budget)
 - Vacant & Abandoned continuation of efforts (\$545,000)
 - Significant funding for Curb & Sidewalk Program as well as (4) new curb & sidewalk concrete positions
 - Expanded neighborhood development program (new construction and rehab) (\$1.6 million)
 - Small-scale development matching grant (\$200,000)
 - \$75,000 for Community Development Financial Institutions (CDFI) pilot program
 - Substantial TIF investments planned in neighborhoods in 2019 including:
 - \$2 million for South East Master Plan Implementation (pending TIF area realignments)
 - \$800,000 of matching funds for Coal Line Trail project
 - \$2 million for Western Avenue streetscape, Falcon to Dundee
 - \$750,000 for Portage-Elwood streetscape
 - \$1 million Washington-Colfax apartments
 - \$800,000 for Sherman-Harrison development project
 - \$550,000 for City Cemetery entrance
 - \$400,000 for West Washington area improvements
- Resident Engagement:
 - Request to insource Engagement Specialist position
 - \$50,000 for Neighborhood Resources Connection, twice the historic funding level

- \$25,000 for direct neighborhood engagement and qualitative study
- \$20,000 for 2020 Census outreach
- Public Safety:
 - Paramedicine Program Pilot (\$100,000)
 - Traffic Calming (\$250,000)
 - Quiet Zones (\$350,000)
- Health, Human Services, and Education:
 - Federal Lead Grant match (\$350,000)
 - Housing Safety Inspection program (\$190,000)
 - Permanent Supportive Housing funding (\$100,000 in addition to CDBG funds)
 - Workforce Transportation Pilot (\$135,000)
 - Youth Build match for US Department of Labor grant application (\$250,000)
 - Lifelong Learning program match for residents (\$150,000)
- Capital Investments:
 - \$3.77 million investments in water capital projects and \$3.78 million in wastewater projects
 - \$1.46 million in EMS and Fire Capital investments
 - Replacing up to fifteen (15) of the oldest police patrol cars with Ford Fusions Hybrids for the Detective Bureau (approximately \$30,000 per vehicle; budgeted to purchase over 5-year period)
- Quality of Place:
 - My SB Parks & Trails work continues (32 different neighborhood parks scheduled for improvements, including restrooms and park equipment) (part of 2017 and 2018 bonds)
 - Addressing neighborhoods that do not have equitable access to parks (\$2.5 million)
 - Expansion of Free WiFi (\$100,000)
- Business Development:
 - Workforce development programing (\$529,000)
 - Façade Grant Program (\$575,000)
 - Micro loan program to accelerate starting businesses that cannot receive financing (\$100,000)
 - Diversity Specialist position requested to assist with the Disparity Study and implementation
- 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. All bargaining positions are under contract until 2020 or 2021, depending on union.
 - TRANSPO Bus Passes for employees to travel to and from work (\$25,200)
 - Employee Training. including harassment awareness training as required by Council resolution (\$590,000 or approximately \$536 per employee)
 - Working towards a paid internship program to allow those not receiving course credit or other forms of payment to have a meaningful, paid internship with the City in various departments and fields of work (\$231,000)

2019 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 credit rating. There are a few options to stay ahead of this curb including, but not limited to:

- Continuing organization refinements within departments.
- Continuing 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 through a soft hiring freeze (e.g. a 2.5% reduction of full-time equivalents in the general and LOIT funds would save roughly \$1.5 million from 18 positions). This can be done by reviewing positions as they become vacant with the Mayor's office to ensure we are only replacing essential positions which help us meet the needs of the City.
- Maximizing efficiency in our departments to tighten operational costs throughout the City (e.g. 1% cut would yield roughly \$600,000 of savings in the General Fund alone).
- Controlling the cost of healthcare, currently \$16,900 per employee according to our 3rd party insurance administrator. We have taken steps in 2017 and 2018 including the implementation of innovative tools and partners to curb spending, which seem to be paying off as we were able to reduce the overall costs to all funds for health insurance due to adequate reserves in 2019. However, there is still work to be done.
- Considering new revenue options to offset the fiscal curb and growing structural deficit (i.e. grants, opportunity zones).
- Considering additional Public-Private Partnerships where possible.

More Information

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