



Educational Budget Series

2020 “Fiscal Curb” – Impact & Preparation

City of South Bend Common Council

Personnel & Finance Committee

March 4, 2019

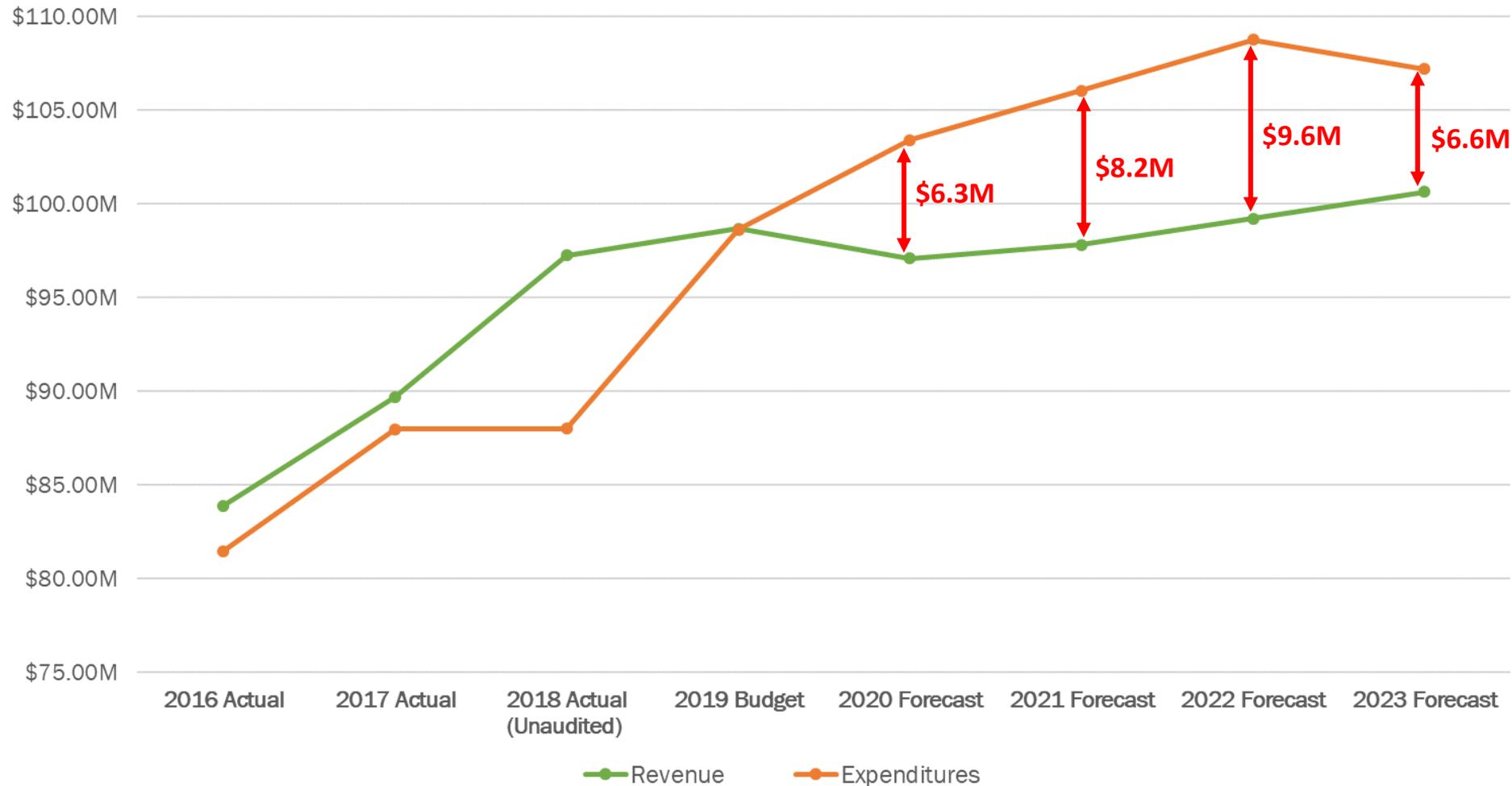


Agenda

- What is the issue?
- What is causing the issue?
- What are we doing to address the issue?



Business as Usual Scenario (General Fund, PS LOIT, COIT, EDIT)



This is the scenario if **no** steps are taken to enhance revenue or reduce expenditures



**What is causing the
issue?**



Financial Concerns for 2020 and Beyond

Revenue

- "Circuit Breaker"
Property Tax Caps
- Decline of Medicaid
Supplemental
Payment
Adjustment for EMS
- Changes in Gasoline
Tax Distribution

Operating Expenditures

- Salary & benefit
costs continue to
rise, particularly the
cost of health
insurance
- Costs of
maintenance for
streets, curbs &
sidewalks continues
to outpace revenue

Capital Expenditures

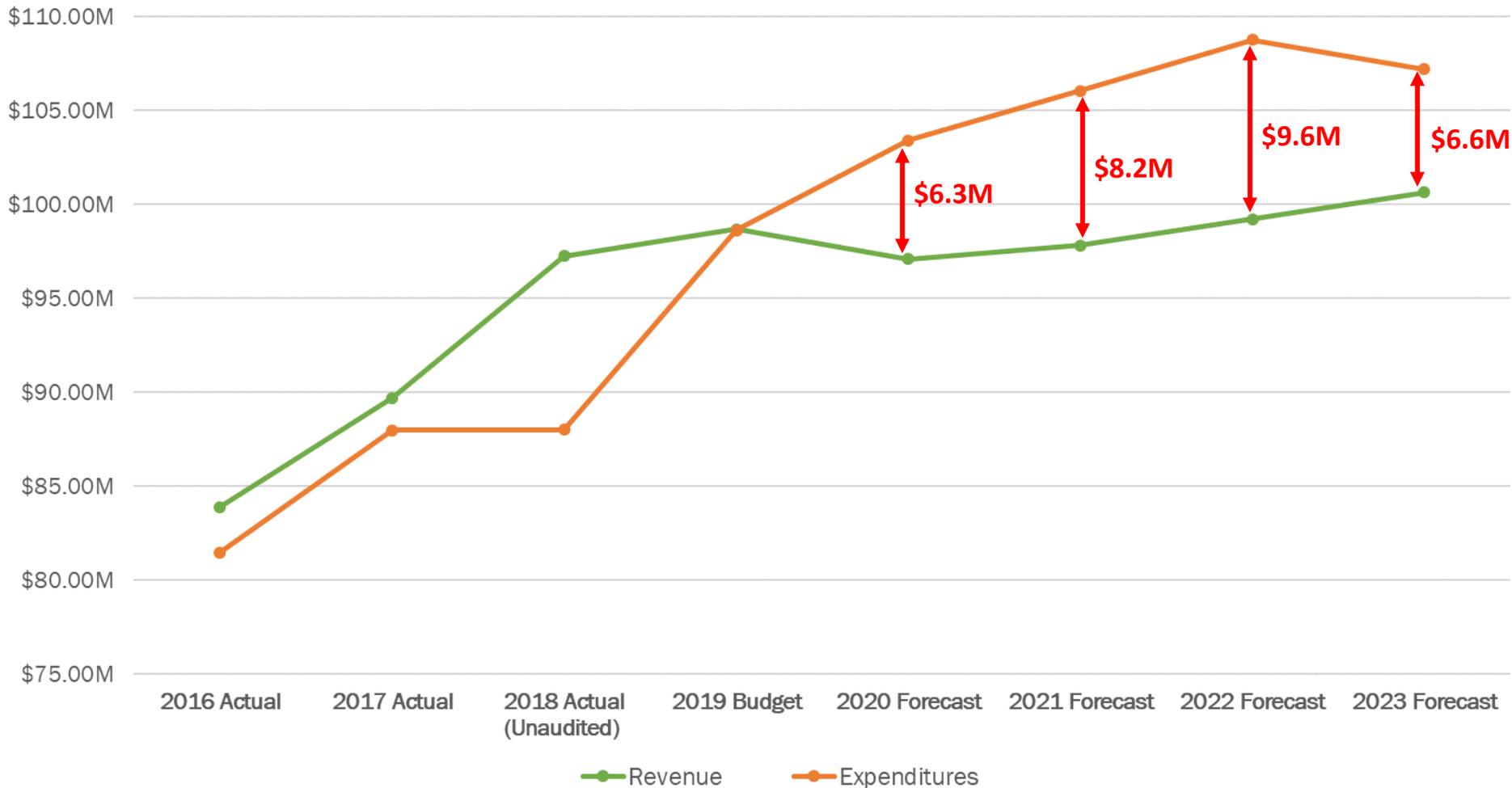
- Large-scale projects
already underway
(MySB Parks &
Trails)
- Continuation of
large-scale upgrades
in infrastructure
(particularly sewers)



Revenue



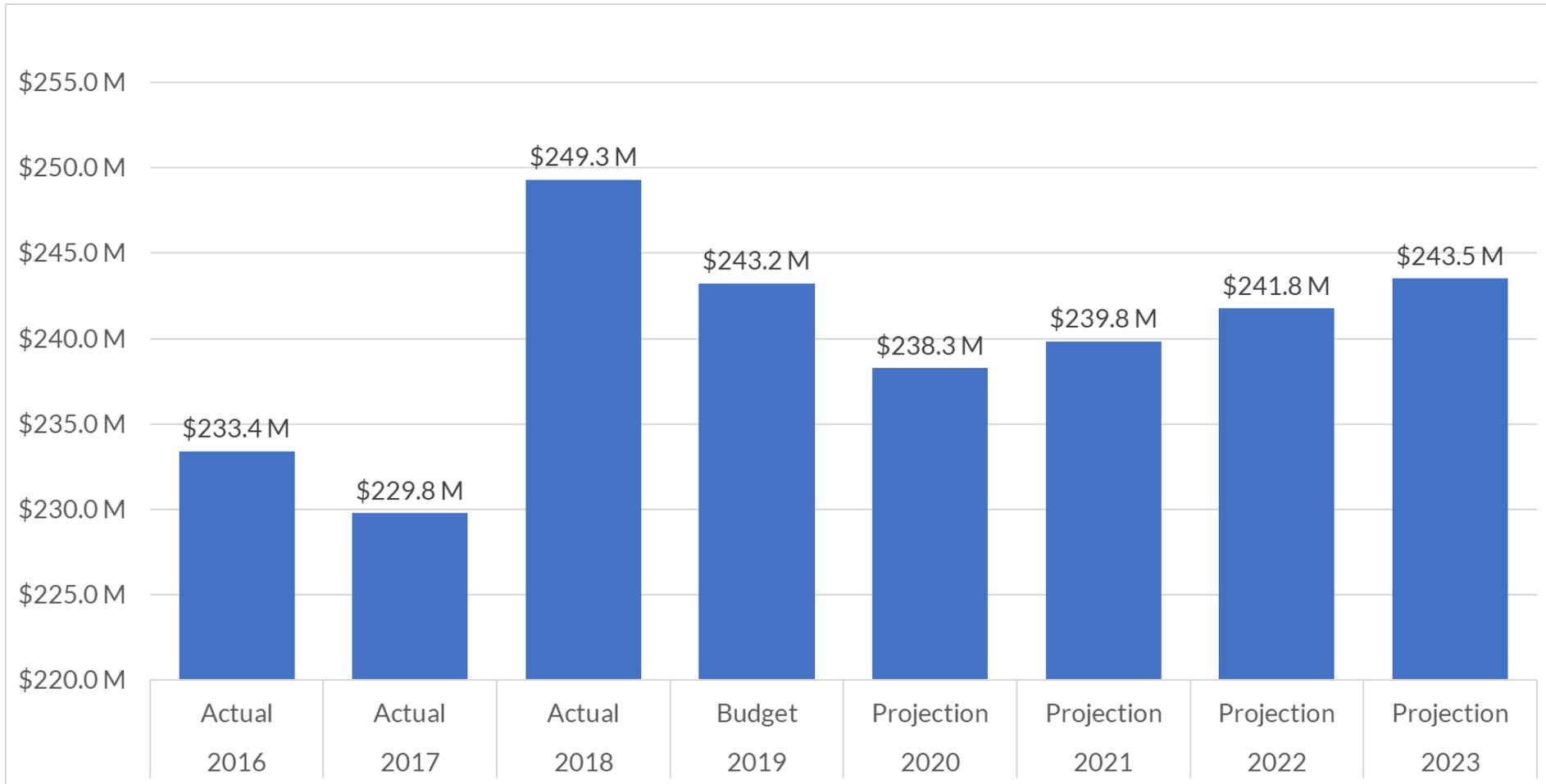
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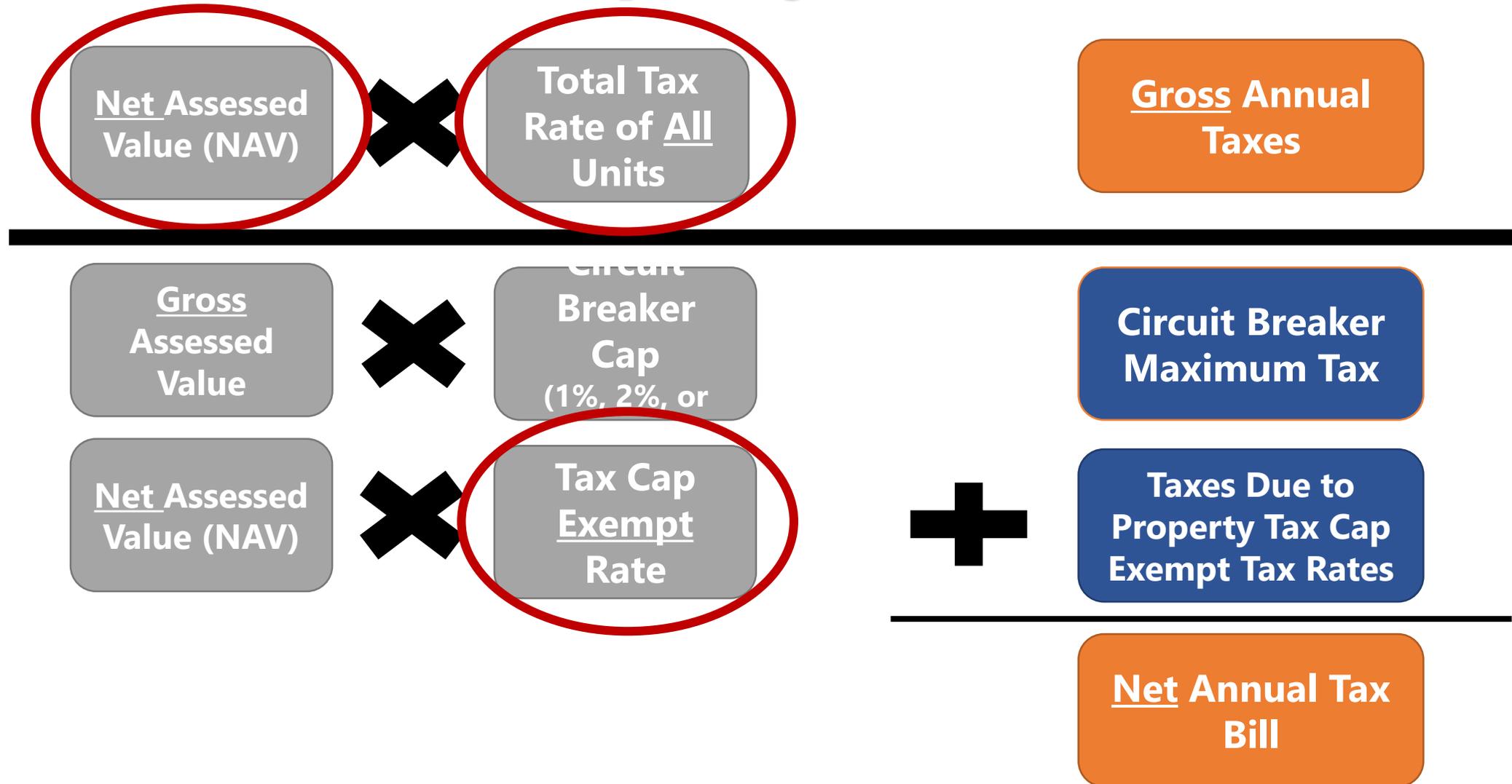
Operating Revenue Projections (All Funds)



Note: Excludes Transfers In, Interfund Allocation Revenue, Debt Proceeds, and Payment in Lieu of Taxes from Water/Wastewater



Overview of Property Tax Calculation



Circuit Breaker Property Tax Caps (Examples)

Homestead

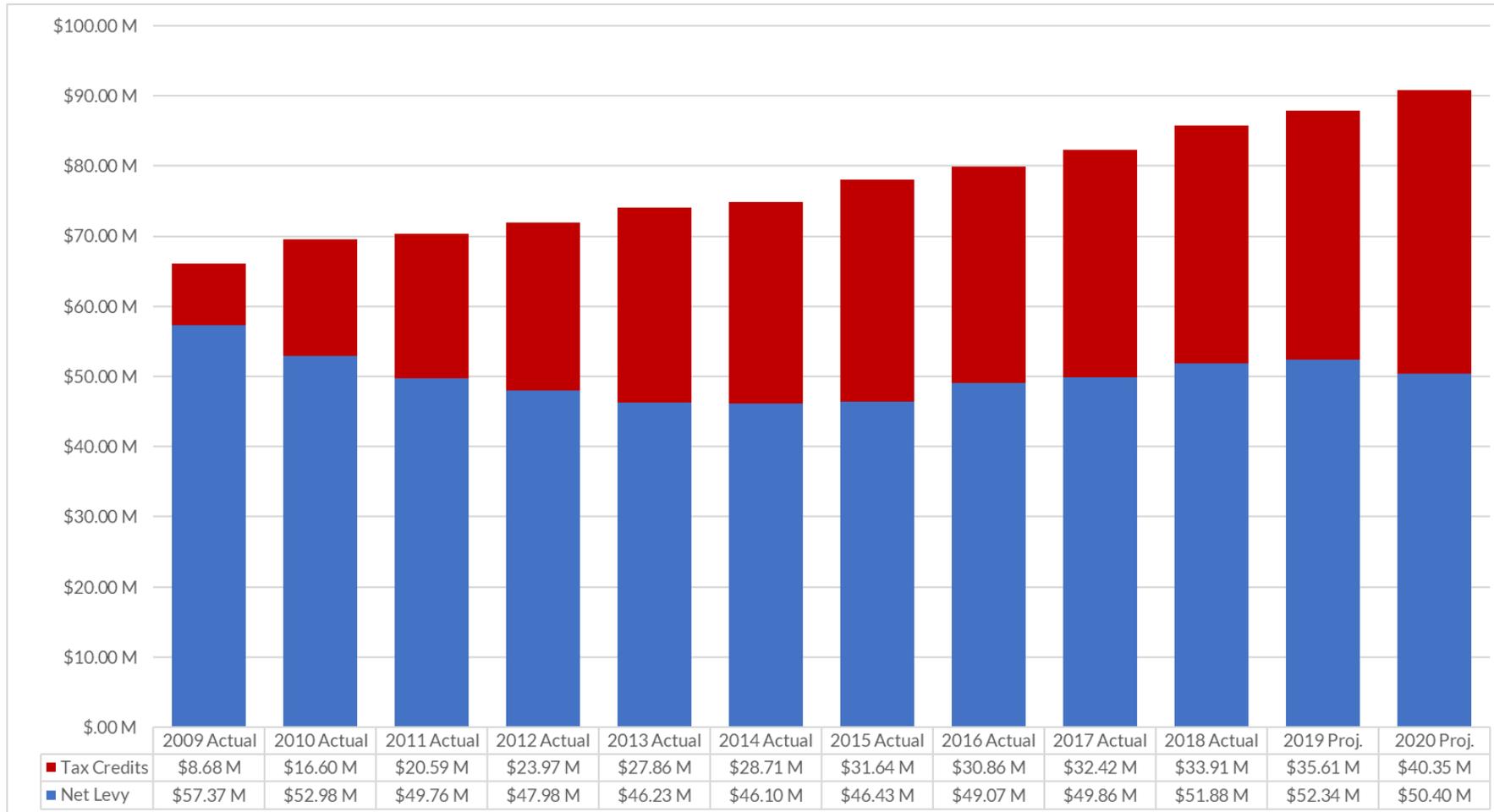
Estimated Tax Bill - 2018 Pay 2019	
Gross Assessed Value	\$100,000
Net Assessed Value	\$35,750
Gross Annual Taxes	\$2,102
Minus Savings Due to Property Tax Cap	\$1,102
Taxes Due to Property Tax Cap Exempt Tax Rates	\$139
Net Annual Tax Bill Estimated	\$1,139
Tax Rate Details	
Total Tax Rate	5.8792%
Property Tax Cap Exempt Tax Rate	0.3876%
Property Tax Cap	1%
Maximum Property Tax Bill	\$1,139

Commercial

Estimated Tax Bill - 2018 Pay 2019	
Gross Assessed Value	\$1,000,000
Net Assessed Value	\$1,000,000
Gross Annual Taxes	\$58,792
Minus Savings Due to Property Tax Cap	\$28,792
Taxes Due to Property Tax Cap Exempt Tax Rates	\$3876
Net Annual Tax Bill Estimated	\$33,876
Tax Rate Details	
Total Tax Rate	5.8792%
Property Tax Cap Exempt Tax Rate	0.3876%
Property Tax Cap	3%
Maximum Property Tax Bill	\$33,876



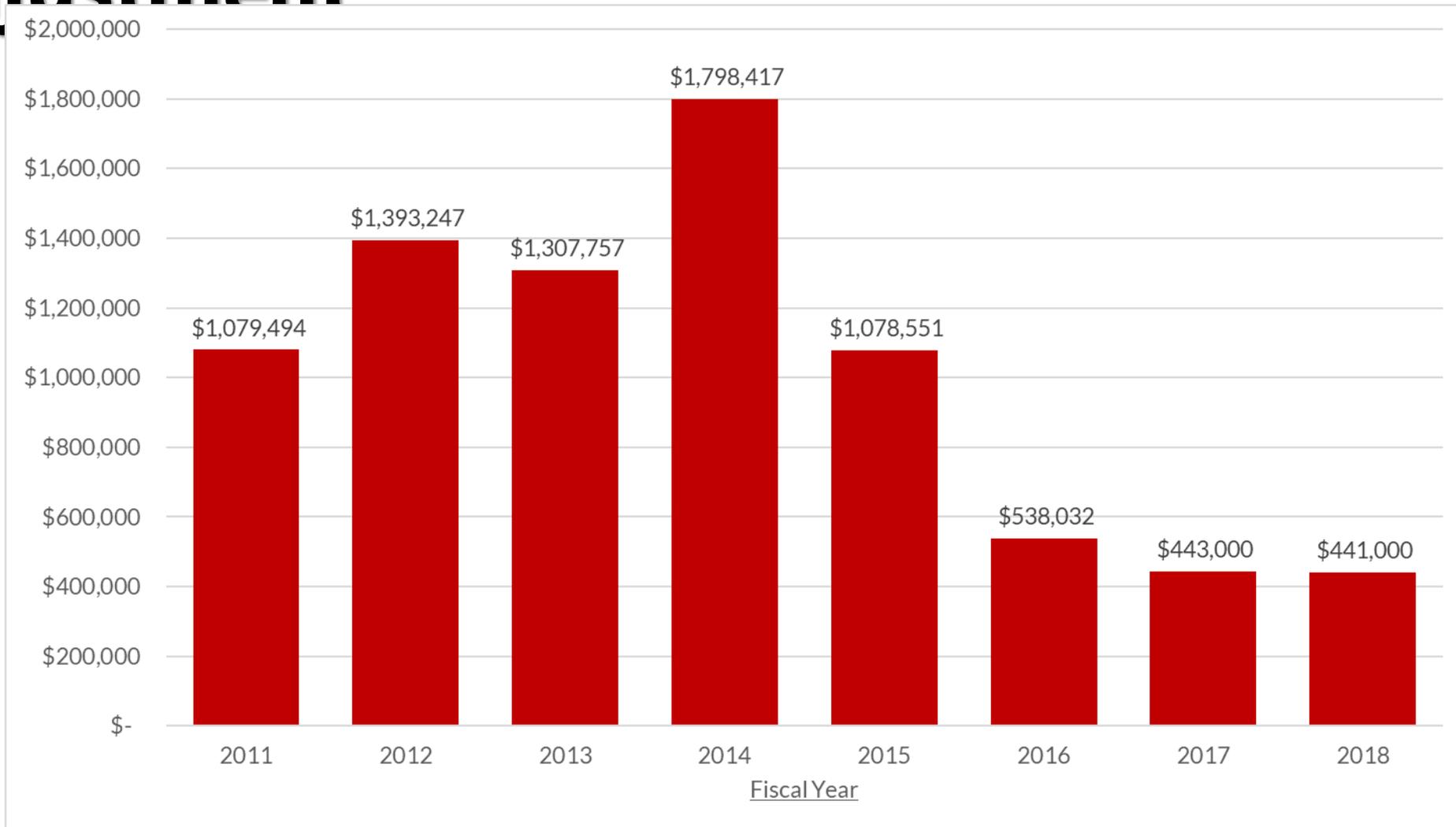
Property Tax Projection



**Impact on Net Revenue in 2020
- \$1.93 Million**

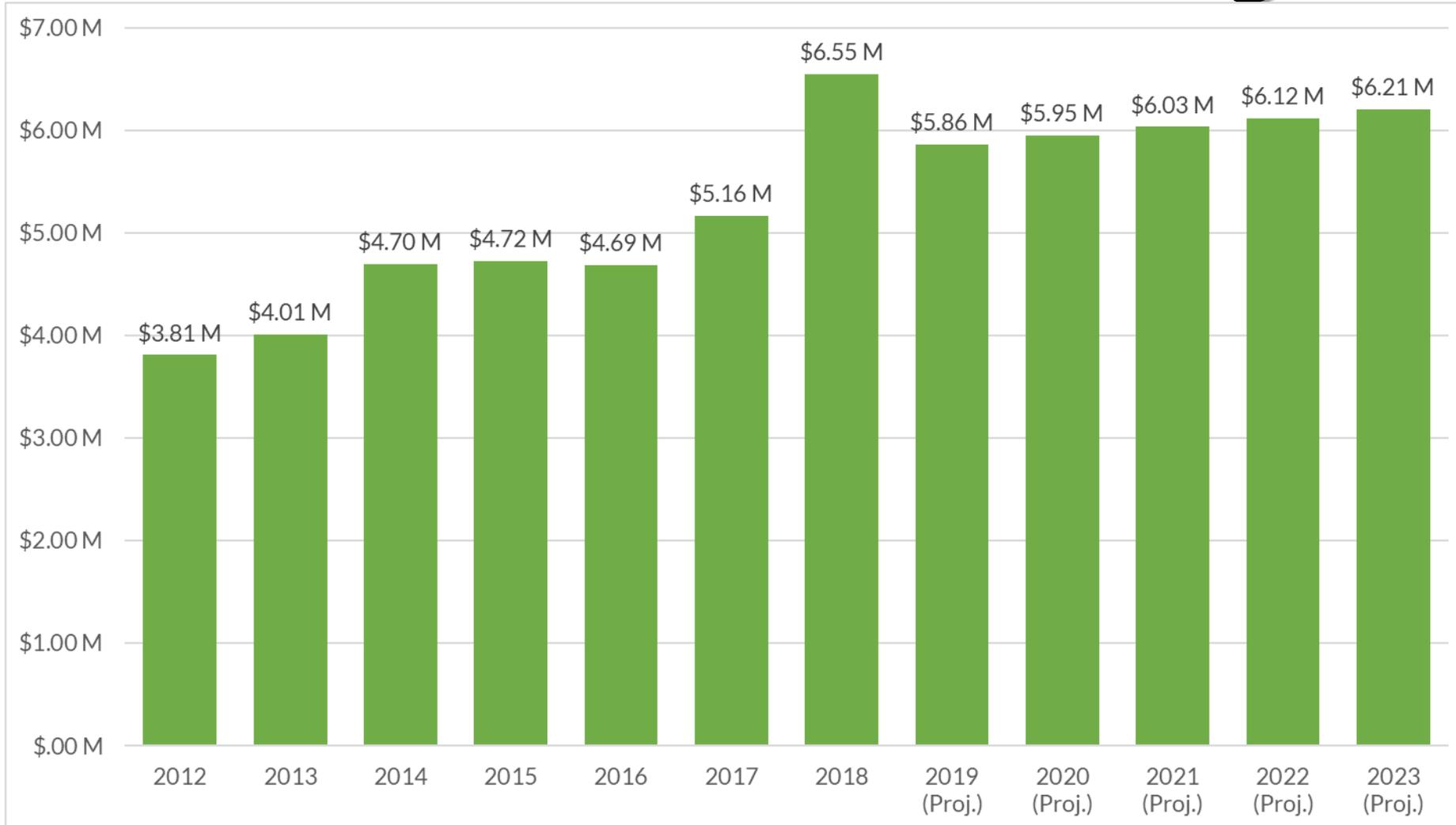


Medicaid Supplemental Payment Adjustment





Gasoline Tax Distribution Changes





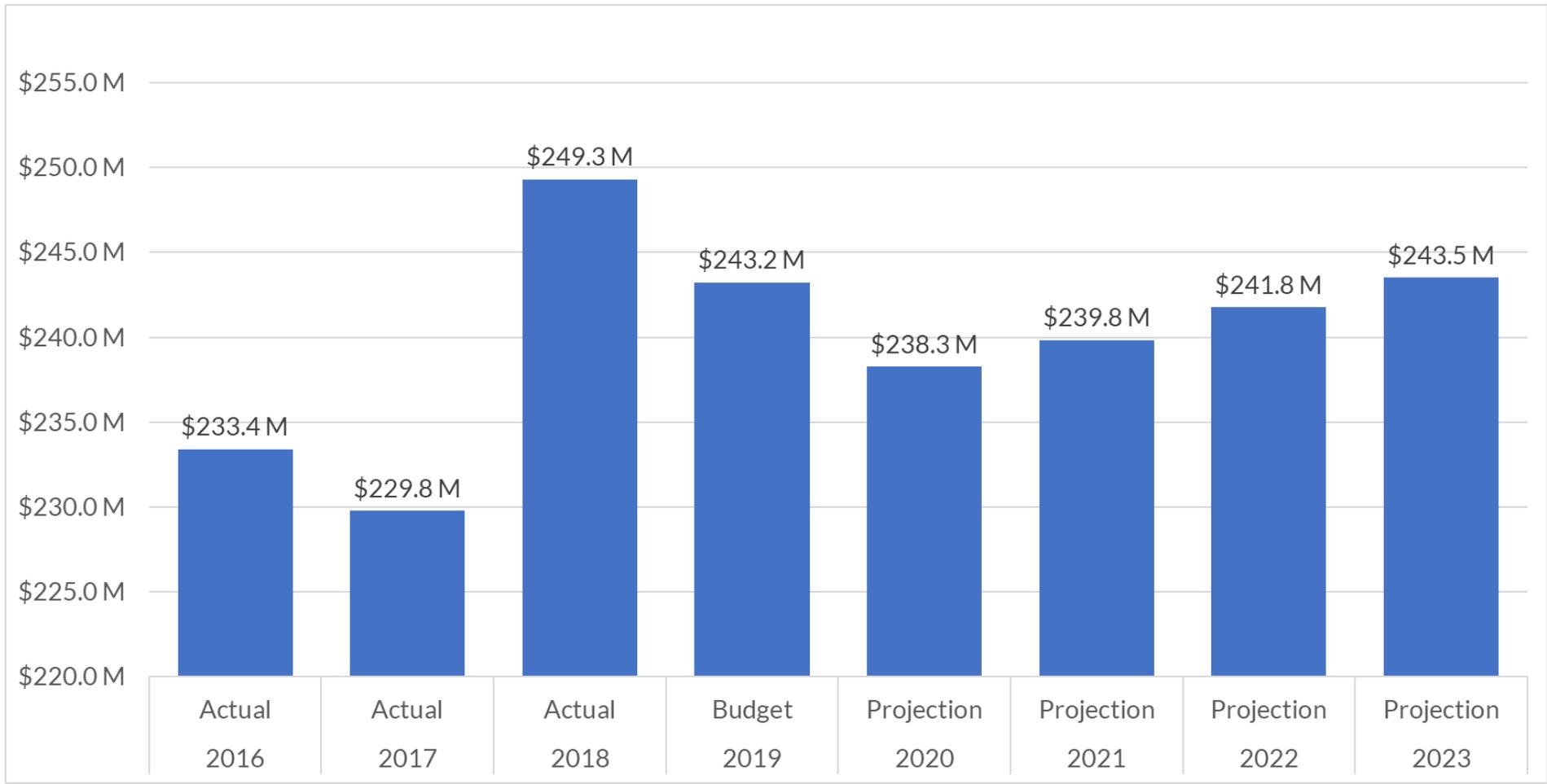
Local Income Tax (LIT) Revenue



Although current projections show that Income Taxes will increase, this is highly dependent on underlying economic conditions.



Operating Revenue Projections (All Funds)



Note: Excludes Transfers In, Interfund Allocation Revenue, Debt Proceeds, and Payment in Lieu of Taxes from Water/Wastewater



Revenue Projection Summary (All Funds)

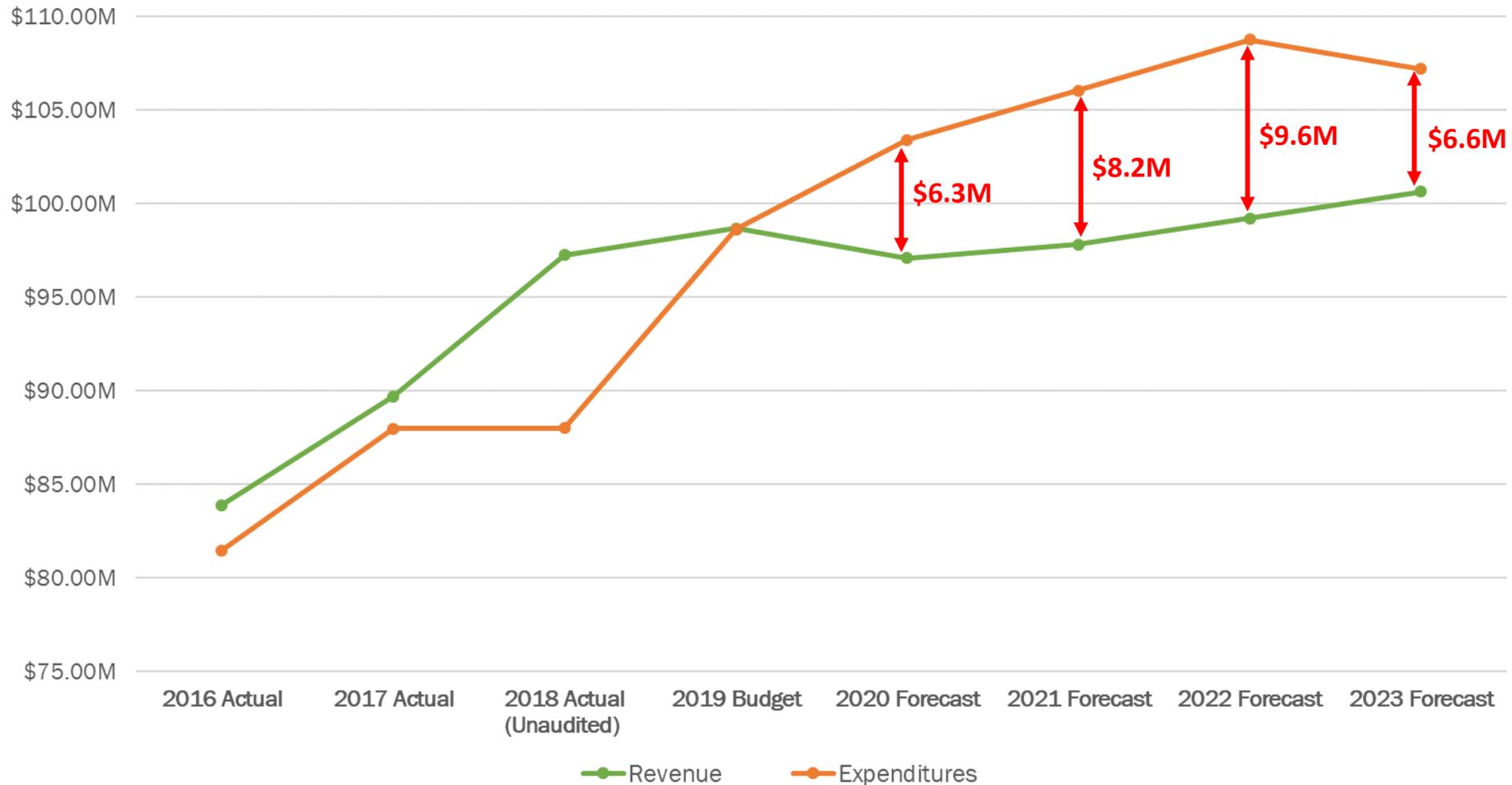
	2016 Actual	2017 Actual	2018 Actual	2019 Budget	2020 Projection	2021 Projection	2022 Projection	2023 Projection
All Revenues Excluding Transfers In, Interfund Allocation Revenue, and PILOT								
Operating Revenue								
Property Taxes	\$ 76,708,415	\$ 77,136,347	\$ 80,788,795	\$ 78,885,295	\$ 75,743,221	\$ 77,187,482	\$ 77,871,467	\$ 78,446,801
Local Income Taxes	31,463,184	28,360,244	32,712,559	32,412,051	33,180,368	33,967,696	34,774,524	35,601,355
Charges for Services	79,691,230	81,105,673	82,955,684	85,908,401	87,407,972	87,820,144	88,241,295	88,428,286
Other Taxes (Auto Excise, Liquor Excise, Cigarette, Gaming)	25,491,251	26,286,410	27,016,495	26,597,029	26,328,178	26,048,163	26,070,800	26,201,936
Other Operating Income (Licenses, Permits, Fines, Fees, etc.)	10,521,639	8,865,314	13,392,697	5,388,762	5,374,488	4,813,077	4,827,503	4,865,006
Total Operating Revenue	223,875,719	221,753,989	236,866,230	229,191,538	228,034,226	229,836,563	231,785,588	233,543,383
Non-Operating Income								
Interest Earnings	2,118,037	2,218,568	4,751,950	2,555,222	2,396,966	2,389,643	2,383,394	2,373,912
Donations / Grants	7,402,805	5,807,232	7,694,983	11,482,380	7,841,880	7,604,086	7,601,631	7,615,931
Total Non-Operating Revenue	9,520,841	8,025,800	12,446,933	14,037,602	10,238,846	9,993,729	9,985,025	9,989,842
Debt Proceeds								
Debt Proceeds	-	43,629,978	23,645,347	2,034,625	1,713,480	2,151,400	2,205,510	2,010,805
Total Debt Proceeds	-	43,629,978	23,645,347	2,034,625	1,713,480	2,151,400	2,205,510	2,010,805
Total Revenues	\$ 233,396,560	\$ 273,409,767	\$ 272,958,510	\$ 245,263,765	\$ 239,986,552	\$ 241,981,691	\$ 243,976,122	\$ 245,544,030



Operating Expenditures



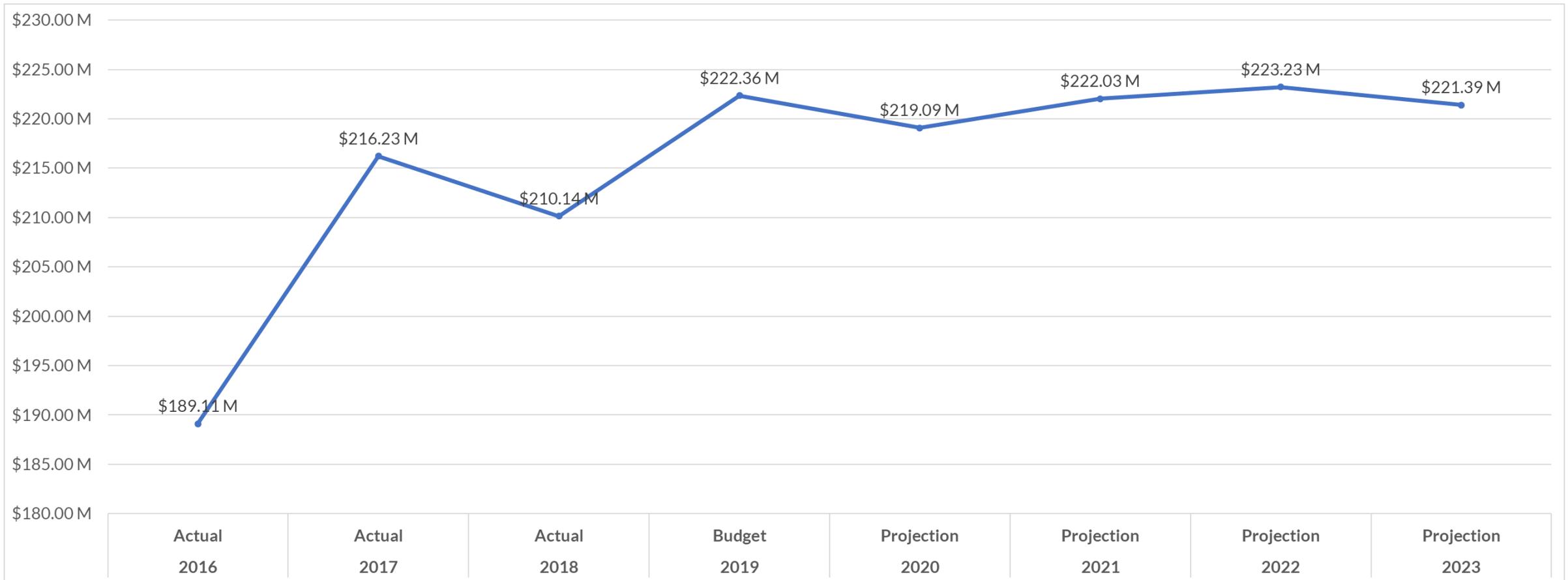
Business as Usual Scenario (General Fund, PS LOIT, COIT, EDIT)





Operating Expenditures (Business as Usual)

Operating Expenditures (All Funds)



Note: Excludes Transfers Out, Interfund Allocations, PILOT, and Capital Expenditures

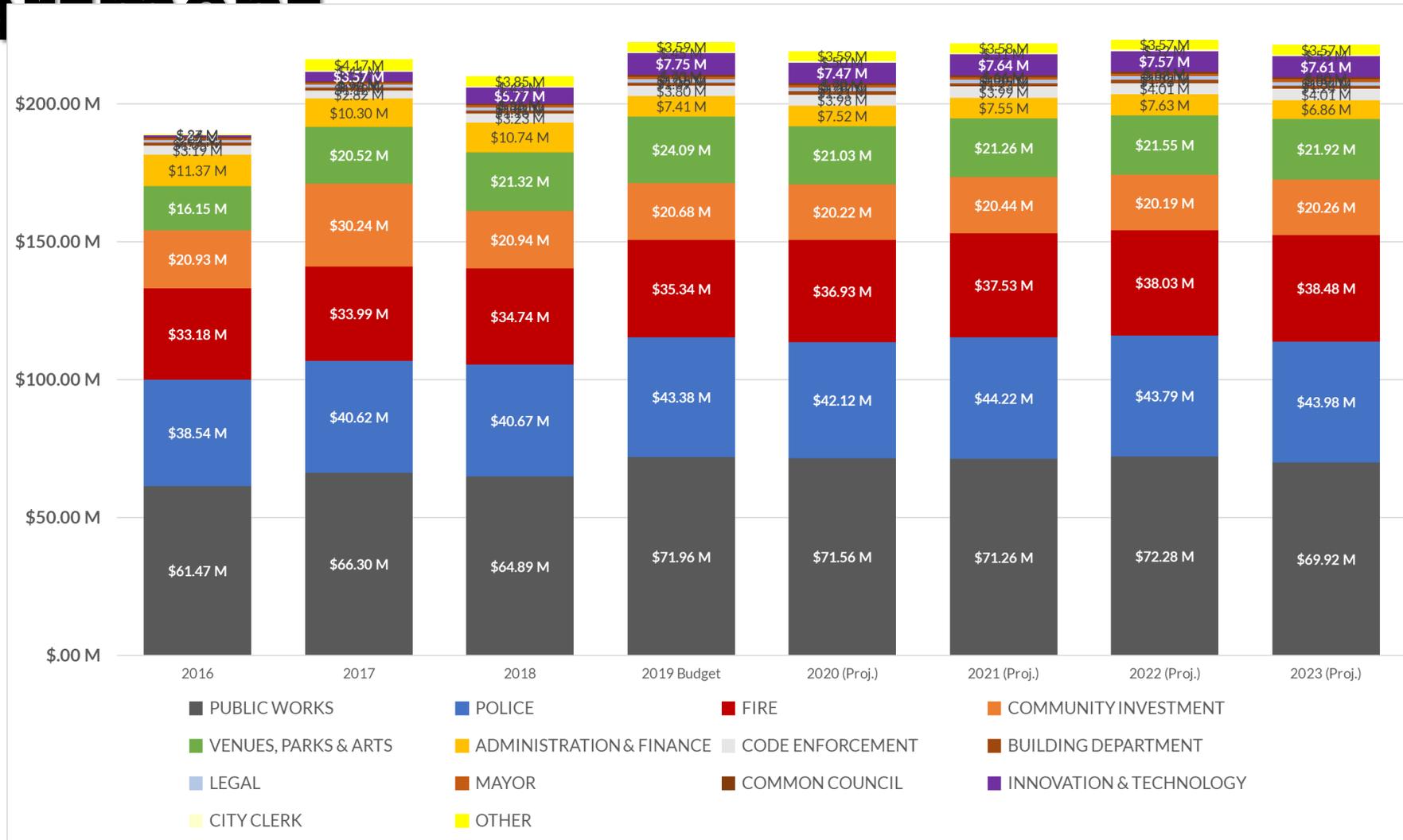


Operating Expenditures By Department

	2016	2017	2018	2019 Budget	2020 (Proj.)	2021 (Proj.)	2022 (Proj.)	2023 (Proj.)
All Expenditures Excluding Transfers Out, Interfund Allocations, & PILOT								
Operating Expenditures								
MAYOR	\$ 666,792	\$ 696,477	\$ 859,267	\$ 904,318	\$ 976,360	\$ 860,678	\$ 876,395	\$ 892,540
CITY CLERK	370,676	407,295	426,383	449,936	502,483	511,445	520,589	529,914
COMMON COUNCIL	514,741	468,011	552,203	733,136	704,877	664,980	667,145	796,373
ADMINISTRATION & FINANCE	11,372,800	10,303,783	10,743,103	7,405,899	7,521,364	7,546,526	7,625,246	6,855,039
LEGAL	964,762	976,037	1,009,894	1,182,299	1,267,490	1,292,005	1,317,012	1,342,526
PUBLIC WORKS	61,468,325	66,302,464	64,886,398	71,956,621	71,559,127	71,260,337	72,276,237	69,917,734
POLICE	38,543,471	40,624,232	40,665,901	43,381,019	42,123,006	44,219,479	43,791,279	43,979,644
FIRE	33,177,508	33,993,790	34,741,406	35,341,625	36,931,282	37,531,098	38,033,258	38,477,750
COMMUNITY INVESTMENT	20,926,874	30,241,022	20,940,376	20,680,898	20,223,913	20,438,701	20,190,535	20,258,197
VENUES, PARKS & ARTS	16,153,845	20,523,982	21,315,774	24,091,662	21,029,606	21,260,561	21,554,242	21,916,946
CODE ENFORCEMENT	3,190,140	2,822,386	3,225,272	3,803,781	3,983,362	3,994,630	4,010,138	4,011,195
BUILDING DEPARTMENT	1,046,442	1,121,783	1,155,413	1,093,156	1,209,955	1,230,774	1,232,342	1,237,031
INNOVATION & TECHNOLOGY	474,649	3,573,785	5,769,405	7,745,183	7,471,427	7,642,147	7,566,116	7,607,024
OTHER	236,243	4,171,452	3,845,719	3,590,387	3,586,403	3,575,074	3,571,342	3,566,334
Total Operations	189,107,269	216,226,500	210,136,512	222,359,920	219,090,655	222,028,435	223,231,876	221,388,247

Note: Excludes Transfers Out, Interfund Allocations, PILOT, and Capital Expenditures

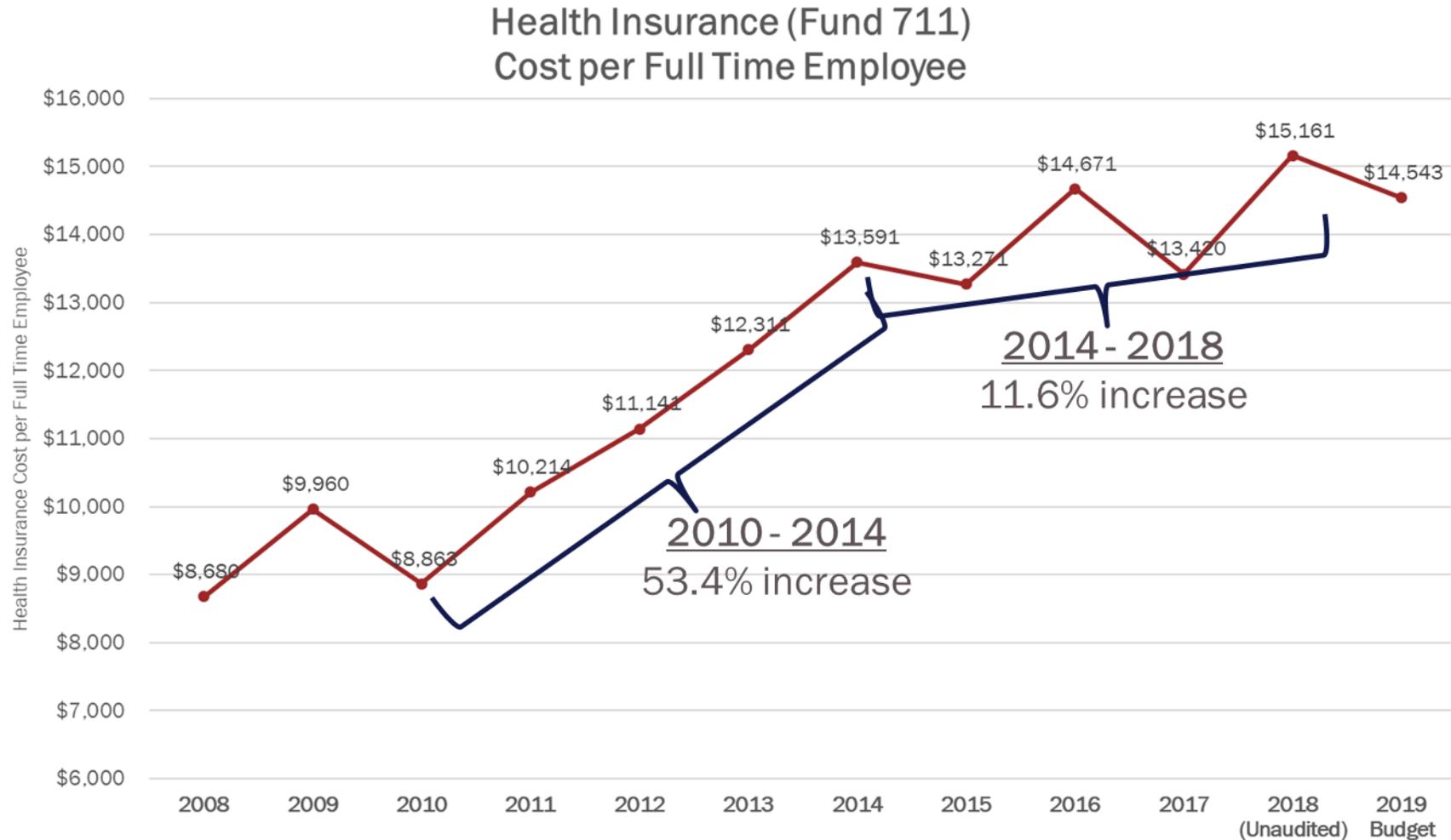
Operating Expenditures By Department



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Health Insurance Expenditures

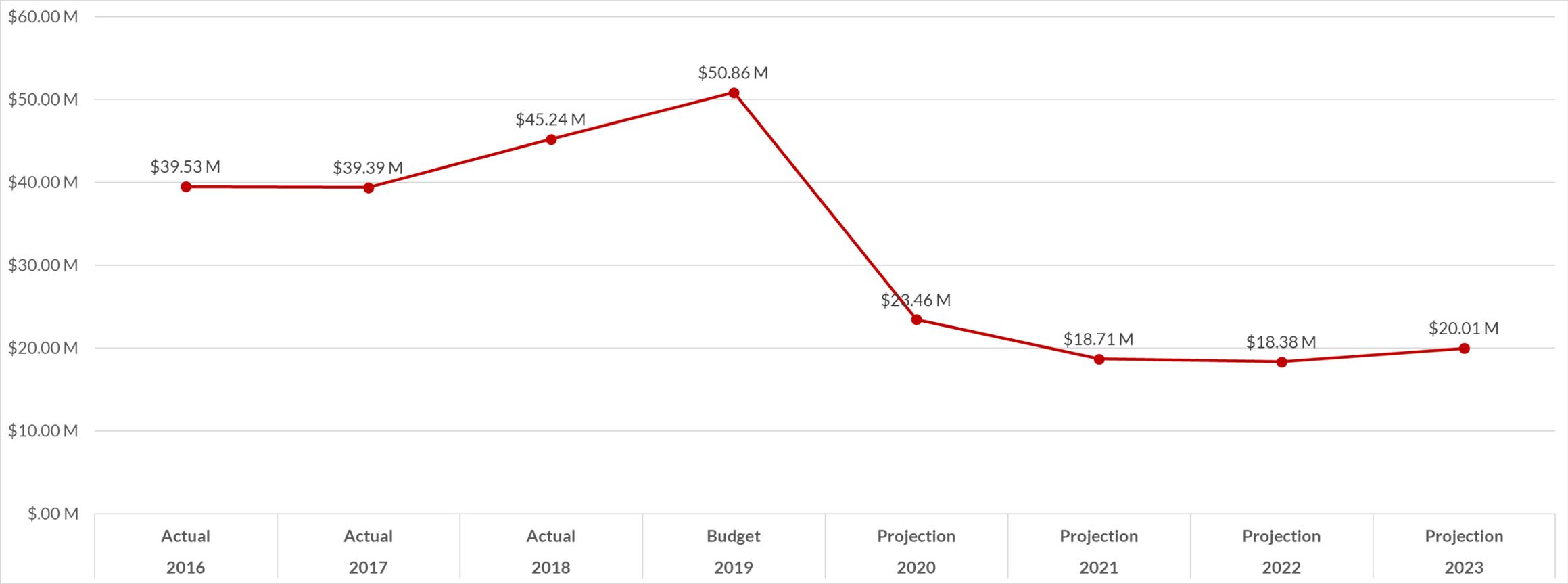




Capital Expenditures



Capital Expenditures





Capital Expenditures by Department

	2016	2017	2018	2019 Budget	2020 (Proj.)	2021 (Proj.)	2022 (Proj.)	2023 (Proj.)
Capital Expenditures								
MAYOR	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CITY CLERK	-	-	-	-	-	-	-	-
COMMON COUNCIL	-	-	-	-	-	-	-	-
ADMINISTRATION & FINANCE	-	-	105,364	-	-	-	-	-
LEGAL	-	-	-	-	-	-	-	-
PUBLIC WORKS	18,264,554	8,627,300	7,780,777	17,790,625	9,209,980	7,747,900	6,082,010	6,945,305
POLICE	30,787	161,829	2,243,205	545,000	545,000	545,000	545,000	545,000
FIRE	883,236	1,243,760	3,423,990	1,460,000	1,990,000	1,020,000	2,780,000	780,000
COMMUNITY INVESTMENT	20,061,992	23,720,803	26,120,160	20,144,173	10,711,980	8,859,314	8,498,741	11,175,015
VENUES, PARKS & ARTS	215,076	1,504,616	5,348,644	10,791,605	875,758	320,606	250,918	321,236
CODE ENFORCEMENT	70,285	2	152,627	125,000	80,000	220,000	225,000	195,000
BUILDING DEPARTMENT	-	-	65,670	-	50,000	-	-	53,000
INNOVATION & TECHNOLOGY	-	-	-	-	-	-	-	-
OTHER	-	4,134,811	-	-	-	-	-	-
Total Capital	39,525,930	39,393,121	45,240,437	50,856,403	23,462,718	18,712,820	18,381,669	20,014,556



**What are we doing to
address the issue?**



Revenue



Revenue Opportunities

Refine revenue projections

Work with County to ensure that assessments reflect true valuations

Continue to prioritize investment in Economic Development initiatives

Pursue new grants and identify sustainable funding prior to undertaking new obligation

Identify new, sustainable revenue sources



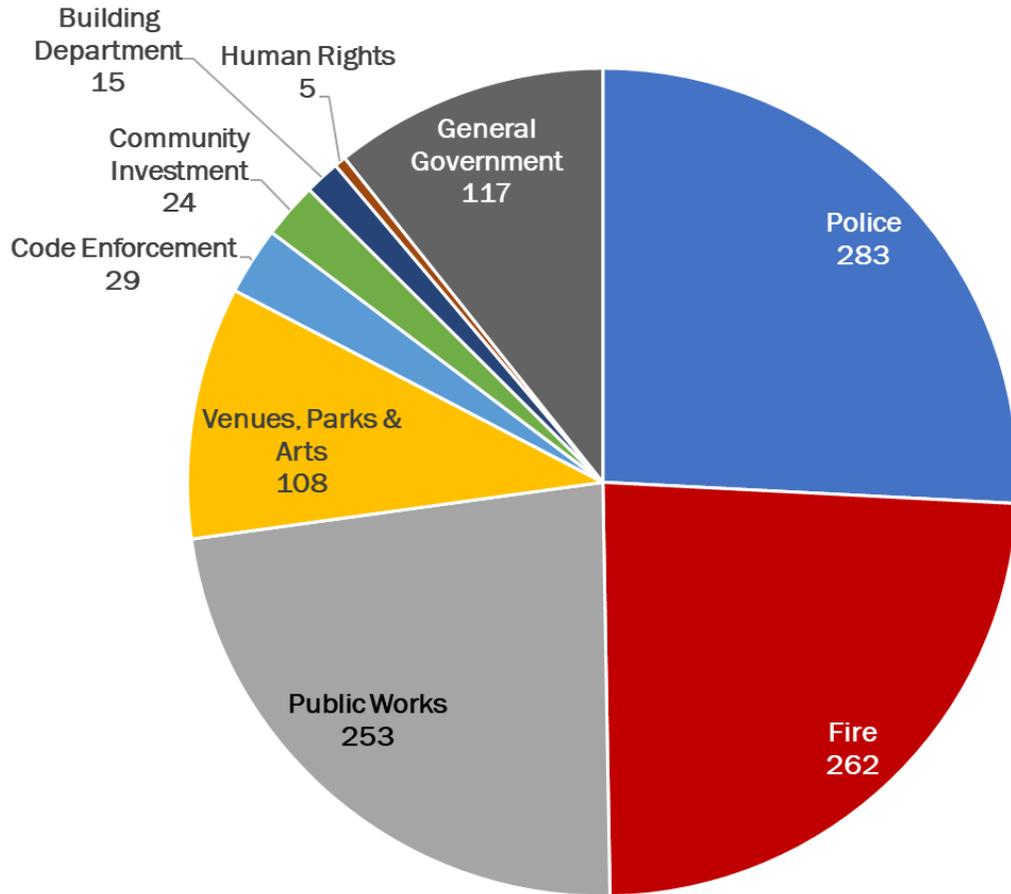
Operating Expenditures



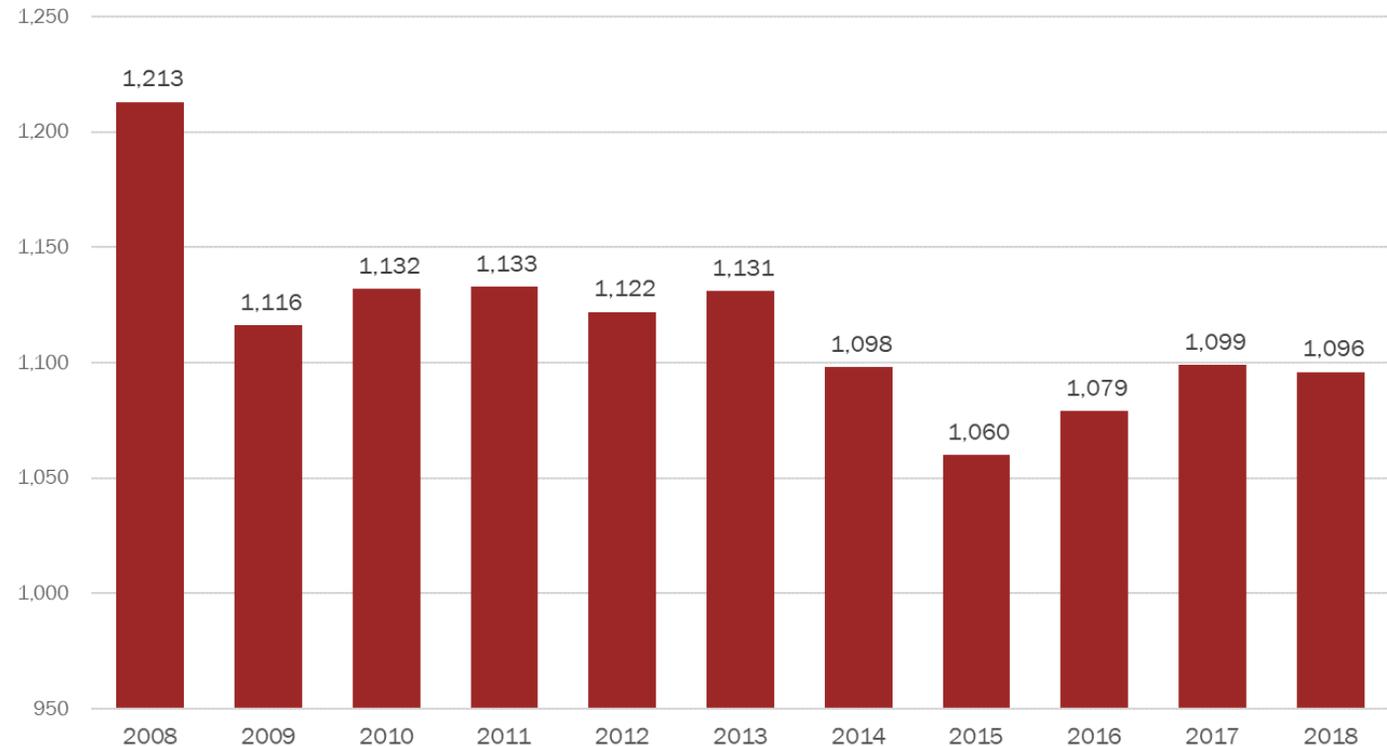
Soft Hiring Freeze

Average Cost per Employee
(Salary & Benefits)

\$86,780



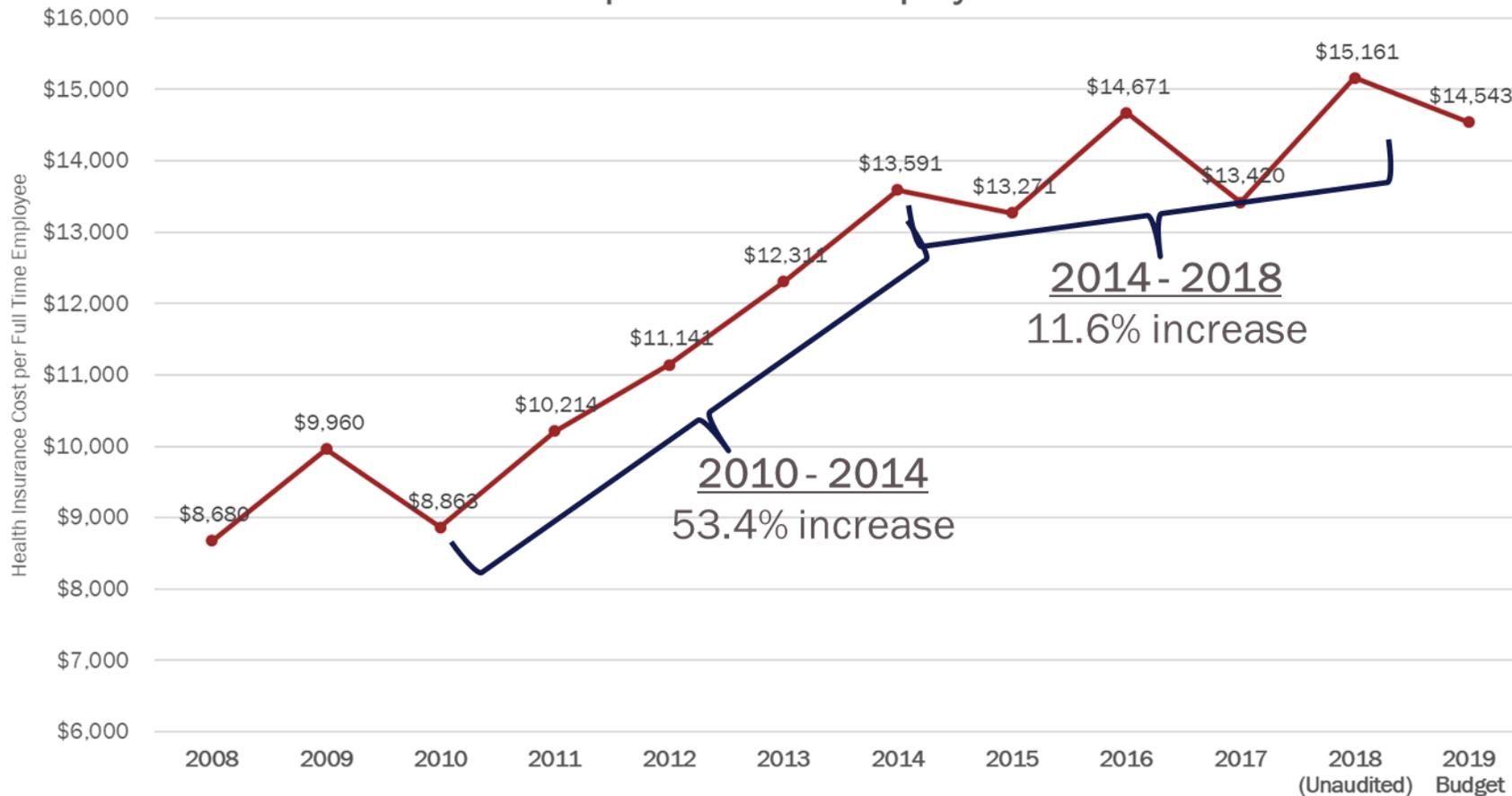
Full Time Employees





Health Insurance Costs

Health Insurance (Fund 711)
Cost per Full Time Employee



Structure & Plan Design

Workplace Health

Data Analytics & Care Management



Centralized Services

Central Services

- Encourage departments to use less expensive Central Services (Equipment Services, Facilities, Print Shop, etc.) when possible.
- Continue to analyze cost savings gained from Central Services

Central Purchasing

- Refine centralized purchasing structure to identify unnecessary spending and use City's buying power to pursue greater discounts.

Innovation & Technology

- Work with Department of Innovation & Technology to identify areas for software consolidation or gaining of efficiencies.



Continuation of Culture Change

- **The 2% exercise**

- If you had to, how would you cut 2% of expenses from your department (with the smallest impact on services)?
 - If you had 2% more in your budget, what would you do with it?
-
- Draw a distinction between “Need to Have” and “Nice to Have”
-
- New Spending is exercise in prioritization



Operating Expenditures By Department

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Capital Expenditures



Capital Budgeting Process

City-Wide Process

**Identification of
Potential Projects**

**Project
Evaluation
(Financial &
Non-Financial)**

**Formal
Consideration of
Ongoing Project
Operations Cost**



Questions?