



OFFICE OF THE CITY CLERK

BIANCA L. TIRADO, CITY CLERK

PERSONNEL & FINANCE

AUGUST 14, 2024 5:30 P.M.

Committee Members Present:

Sheila Niezgodski, Canneth Lee, Rachel Tomas Morgan, Angela Smith, Ross Deal, Karen White

Committee Members Absent:

Troy Warner

Councilmembers Present:

Ophelia Gooden Rodgers, Sherry Bolden-Simpson, Dr. Oliver Davis

Councilmembers Absent:

Sharon McBride

Others Present:

Bianca L. Tirado, Matthew Neal, Samuel Turck, Bob Palmer

Agenda:

2025 City-Wide Budget Overview

Members marked with an asterisk (*) are in virtual attendance.

Please note the attached link for the meeting recording:

<https://docs.southbendin.gov/WebLink/browse.aspx?mediaid=382881&dbid=0>

Please note the attached link for the meeting presentation:

<https://docs.southbendin.gov/WebLink/0/edoc/384325/08-14-2024%20Mayor%20Budget%20Overview.pdf>

Committee Chair Sheila Niezgodski called to order the Personnel & Finance Committee meeting at 5:30 p.m.

Committee Chair Sheila Niezgodski provided information regarding the 2025 Budget Overview process. City Residents can access the City Budget Survey to provide their input using the flowing link: <https://southbendin.gov/budget/>. Additional questions pertaining to this meeting or the budget hearing can be emailed to the Personnel and Finance Committee Chair, Sheila Niezgodski, at sneizgodski@southbendin.gov and they will be directed to the appropriate department. The Final Budget Hearing is scheduled for October 14, 2024.

Mayor James Mueller, with offices on the 14th floor of the County-City Building presented to the Council and the public the Strategic Priorities for the City of South Bend. Mayor Mueller also

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Elivet Quijada-Navarro
CHIEF DEPUTY CITY CLERK

Matthew Neal
DEPUTY/ DIRECTOR OF POLICY

Samuel Turck
DIRECTOR OF SPECIAL OF PROJECTS

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discussed the context that this budget was being built in. Mayor Mueller stated that inflation has stabilized but overall costs remain high. New federal spending is highly unlikely in the next couple of years. Mayor Mueller stated that some cuts will need to be made in 2025 due to the current state of the economy. Structural deficits are unsustainable moving forward. Mayor Mueller stated that a budgeted deficit is not an actual deficit. Mayor Mueller stated that the state government is discussing changing the road funding formula. This would benefit the City as the new road formula would take in to account the traffic of the road, instead of just counting lane miles.

Mayor Mueller thanked the Council for sharing their budget priorities. Elimination of American Rescue Plan (ARP) or nontraditional services may be cut in order to eliminate the budgeted deficit. These are programs that were funded by a one (1) time appropriation. Mayor Mueller stated that the budget is intent on stabilizing City spending. Mayor Mueller stated that the budget is framed around increasing basic services such as public safety and infrastructure, specifically listing roads. Mayor Mueller reaffirmed the City's commitment to investments in battling homelessness.

Kyle Willis, City Controller, with offices on the 12th floor of the County-City Building presented a financial overview of the budget. The City's general fund is estimated to be one hundred million, eight hundred and eighty nine thousand, one hundred and seventy five dollars (\$100,899,175) by December 31, 2024. The cash reserve requirement is fifty percent (50%) of annual operating expenses. For 2024 this number is fifty four million, four hundred and eleven thousand, seven hundred and fifty one dollars (\$54,411,751). Local Income Tax Funds are used to pay for the Department of Community Investment, as well as public safety. The projected cash balance is thirty million, seventy eight thousand, six hundred and forty five dollars (\$30,078,645). Eleven million, ninety four thousand, nine hundred and eighty three dollars (\$11,094,983) would need to be spent down to reach the cash reserve requirement of eighteen million, nine hundred and eighty three thousand, six hundred and sixty two dollars (\$18,983,662). Special Revenue Funds includes a myriad of funds including the Rainy Day Fund, Parks and Recreation, and the Motor Vehicle Tax Fund. Kyle Willis stated that the Motor Vehicle Tax Fund is subject to change by the State government, as Mayor Mueller alluded to. Kyle Willis stated that the cash reserve requirement for the Rainy Day Fund is three percent (3%) of total City expenditures. The City would need to spend one hundred million eight hundred and thirty six thousand, one hundred and thirty two dollars (\$100,836,1132) before going into reserves. Property taxes as well as local income taxes will both slightly increase next year. Kyle Willis stated there will be a reduction in donations, last year the donations were unusually high due to the funding of the Martin Luther King Jr. Dream Center.

Kyle Willis stated that the projected budget deficit is sixteen million, five hundred twenty seven thousand, two hundred and thirty one dollars (\$16,527,231). Seven million, seven hundred and thirty eight thousand, six hundred and forty six dollars (\$7,738,646) of this budgeted deficit will be in the General Plus Fund. A surplus of four million, eighty seven thousand, seven hundred and sixty dollars (\$4,087,760) reduces the total Governmental Fund Deficit to three million, six hundred and fifty thousand, eight hundred and eighty six dollars (\$3,650,886). The remaining twelve million, eight hundred and seventy six thousand, three hundred and forty five dollars (\$12,876,345) will be in the Enterprise Fund. A spend down of Internal Service fund balances across various funds totaling two million one hundred thousand dollars (\$2,100,000) and a transfer of



funds across Water and Sewer funds for capital and debt service expenditures totaling ten million, seven hundred thousand dollars (\$10,700,000) will cover the rest of the budgeted deficit.

Kyle Willis stated the City subsidizes the Streets Department capital and operational expenditures due to low funding from the State. The City also subsidizes the Real-Time Crime Center, cameras for the Fire Department, and City Parks from the General Plus fund deficit. Kyle Willis stated another cost contributing to the General Plus fund deficit is increased operating cost due to inflation and increased salaries and wages from both bargaining and non-bargaining employees. Actual revenues were higher than the budgeted deficit in both 2022 and 2023. In 2022 the budgeted deficit was six million, three hundred thousand dollars (\$6,300,000) while the surplus was two million, seven hundred thousand dollars (\$2,700,000). In 2023 the budgeted deficit was thirteen million, one hundred thousand dollars (\$13,100,000) while the surplus was nine million, two hundred and eighty thousand dollars (\$9,280,000). At mid year the City with a sixteen million, one hundred thousand dollar (\$16,100,000) budgeted deficit has a surplus of five million, two hundred thousand dollars (\$5,200,000). This is due to not having started spending the funds to renovate the new City Hall. Construction will start before the end of this year. Kyle Willis stated that the actual revenues have exceeded their calculations for the last two (2) years. Regarding income tax revenue it is standard to not budget for the supplemental local income tax distribution that the City receives from the State each year. The City only budgets for what it receives monthly from income tax, and what is received from the State is seen as a bonus. Seventy percent (70%) to seventy five percent (75%) of most departments budgets are salaries and wages, the City budgets each employee at the maximum cap. Everyone is not going to reach their maximum income cap, so every department does not spend one hundred percent (100%) of their budget.

Kyle Willis gave an overview of the budget broken down by each department. The department of Administration and Finance will see a slight increase due to an increase of health care costs. The Innovation and Technology department will see an increased budget due to the City government continuing to grow. The Police Department will see a small increase due to new staff costs. The Fire Department's budget is currently the same, as the negotiations regarding a pay raise are ongoing. The Department of Community Investment has a slightly decreased budget due to lower operational costs. Venues, Parks & Arts will see a slight increase due to new hires within the last year. Non-bargaining personnel with the City will see a three percent (3%) raise in their wages along with a two thousand dollar (\$2,000) City residency incentive. Sworn Firefighters' wages are to be determined following the completion of negotiations between Firefighters' and the City. Teamsters' wages are to be determined following the completion of negotiations with with the City. Teamsters will also receive a two thousand dollar (\$2,000) City residency incentive. Sworn Police Officers will see a four point two five percent (4.25%) raise in wages.

Kyle Willis presented the budget hearing schedule. There will be twelve (12) budget meetings in total. All budget presentations are to be submitted twenty four (24) hours before the presentation takes place to allow the Common Council time to review the material. This will be accompanied by a high-level summary of proposed personnel changes, and a budget summary sheet.

Committee Chair Sheila Niezgodski turned to the Committee for questions.



Citizen Member Ross Deal asked what is the plan in terms of a time goal for eliminating the budget deficit.

Kyle Willis answered that there is not currently a timeline for eliminating the budget deficit. What creates the budgeted deficit is that the City subsidizes the Streets Department which is essential.

Mayor Mueller stated that the City has to budget carefully due to not being able to predict the future. Mayor Mueller stated that in his time building budgets there has been budgeted deficits in the General Plus fund between three million dollars (\$3,000,000) and six million dollars (\$6,000,000) and have always built up reserves. Mayor Mueller stated that the residents want the money to be spent, it is their tax dollars so they should not be built up in huge reserves. Mayor Mueller stated that the cuts made to the budget have been carefully chosen. Mayor Mueller stated that cooperation between the Mayor, City residents, and the Councilmembers is important for this budget. If the Councilmembers wanted to reduce the structural deficit the Mayor would be supportive.

Committee Member Canneth Lee asked how has South Bend distributed and utilized its American Rescue Plan (ARP) funds.

Mayor Mueller stated that they will supply those statistics at a later date. The remaining funds from ARP are currently in the General fund.

Committee Member Rachel Tomas Morgan asked do the revenues presented reflect monies that will be received through the opioid lawsuit settlement, the Infrastructure Act, or the Inflation Reduction Act?

Mayor Mueller answered the City does not budget perspective grants. It is only budgeted in when the City receives the grants. It oftentimes come in the quarterly appropriations.

Committee Member Karen White asked has the City spent any money from its Rainy Day Fund.

Mayor Mueller answered that they have not tapped into the Rainy Day Fund and they will not. The Rainy Day Fund is the last thing to be spent.

Committee Member White asked what new positions are being proposed in the 2025 Budget?

Mayor Mueller stated that information will be supplied at a later date.

Citizen Member Angela Smith asked what is the timeline for the new City Hall and how are the costs involved with the new City Hall being addressed within the 2025 Budget?

Mayor Mueller stated that the new City Hall budget is not in the 2025 budget due to there being encumbered funds from 2022 that will cover the renovation expenses. There are some IT expenses that will be in the third (3rd) quarter appropriations.

Citizen Member Smith asked are costs such as maintenance and personnel for the new City Hall in the 2025 Budget?

Mayor Mueller answered yes.



Councilmember Dr. Oliver Davis asked is it possible to have budget powerpoints made available to the public in advance of their respective meetings?

Mayor Mueller answered that the City staff will try their best to get the presentations to Clerk Tirado quickly.

Councilmember Dr. Davis asked will the Martin Luther King Jr. Dream Center require more staff?

Mayor Mueller stated that the full staffing needs of the Martin Luther King Jr. Dream Center will be in the Venue, Parks & Arts presentation to the Council.

Councilmember Dr. Davis asked how can statewide tax changes affect South Bend?

Mayor Mueller answered that these are proposed changes by the State legislature. If taxes are lowered statewide the City would have to raise taxes to cover essential City expenses.

Councilmember Dr. Davis asked what can be done to voice the concerns of municipalities regarding statewide tax changes, and what can be done preemptively to reduce the potential harm of statewide tax changes?

Mayor Mueller answered that Accelerate Indiana Municipalities (AIM) is a good first (1st) step. If legislation to reduce taxes grows legs in the legislature then it will be up to local officials lobbying their representatives in the State House.

Councilmember Dr. Davis asked what can citizens do to make their concerns regarding statewide tax changes known. If a budget is not passed this year South Bend will be required to keep the same budget for next year. What would be the disadvantages to keeping the same budget?

Mayor Mueller stated they will compile that for a later date.

Committee Chair Niezgodski opened the public hearing.

Don Foster, 132 Chapin Street, South Bend IN 46601 thanked the Mayor for the presentation and comments. Given that Fort Wayne has a larger population than South Bend, why is South Bend's budget higher?

Committee Chair Niezgodski stated that Clerk Tirado will be recording all of the questions and getting them to the relevant department for an answer.

Logan Foster 1128 College Street, South Bend IN 46628 asked why is South Bend's Budget as high as it is? Why would South Bend ever have a budget deficit? Should South Bend's budget be reduced from four hundred and twenty three million (\$423,000,000) to three hundred million (\$300,000,000)?

Mayor Mueller stated that the City has different expenses than the other cities around South Bend. The City runs the water services, which other municipalities do not. Mayor Mueller stated that some taxes are set at the state level such as property taxes, and other taxes such as income taxes are county by county. It is very difficult to compare the spending of different municipalities.



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With no further business, Committee Chair Niezgodski adjourned the Personnel & Finance Committee meeting at 6:41p.m.

Respectfully Submitted,

A handwritten signature in black ink that reads "Sheila Niezgodski".

Sheila Niezgodski, Committee Chair

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