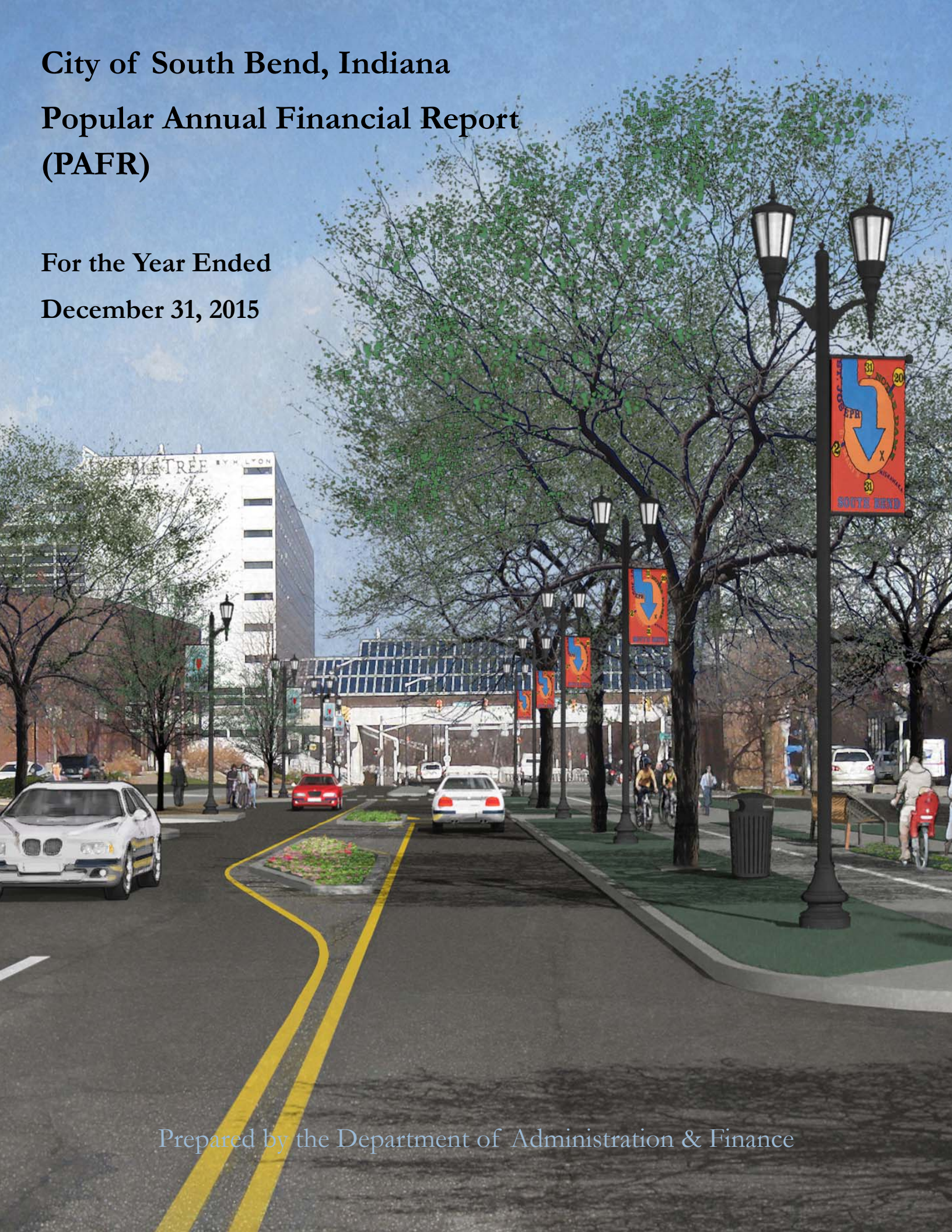


City of South Bend, Indiana Popular Annual Financial Report (PAFR)

For the Year Ended
December 31, 2015



Prepared by the Department of Administration & Finance



Message from the Mayor:

June 30, 2016

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 first 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 302-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.

2015 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 completion of the vacant and abandoned building initiative, increased residential and commercial development in the downtown area, the enhancement of neighborhoods and school safety with curb, sidewalk and lighting projects, and the start of the "Smart Streets" conversion of one-way streets to two-way with the objective of enhancing economic activity. 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.

As this is the City's first PAFR, we are especially interested in your feedback so that we may improve its presentation in future years. I welcome your comments and suggestions on behalf of the Administration and Finance Department and encourage you to contact John Murphy, City Controller at 574/235-7678 or e-mail jmurphy@southbendin.gov.

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



Mayor Pete Buttigieg



The Popular Annual Financial Report

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Cover Image: design for Smart Streets two-way conversion of St. Joseph Street in front of the Century Center, Lawson-Fisher Associates

City Government Finance: A Primer

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”: revenues exceed 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; revenues and expenditures or expenses.

Revenues are the sums of money coming in to the City. The main sources, as noted above, are tax dollars and charges for services. Revenues also include 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.

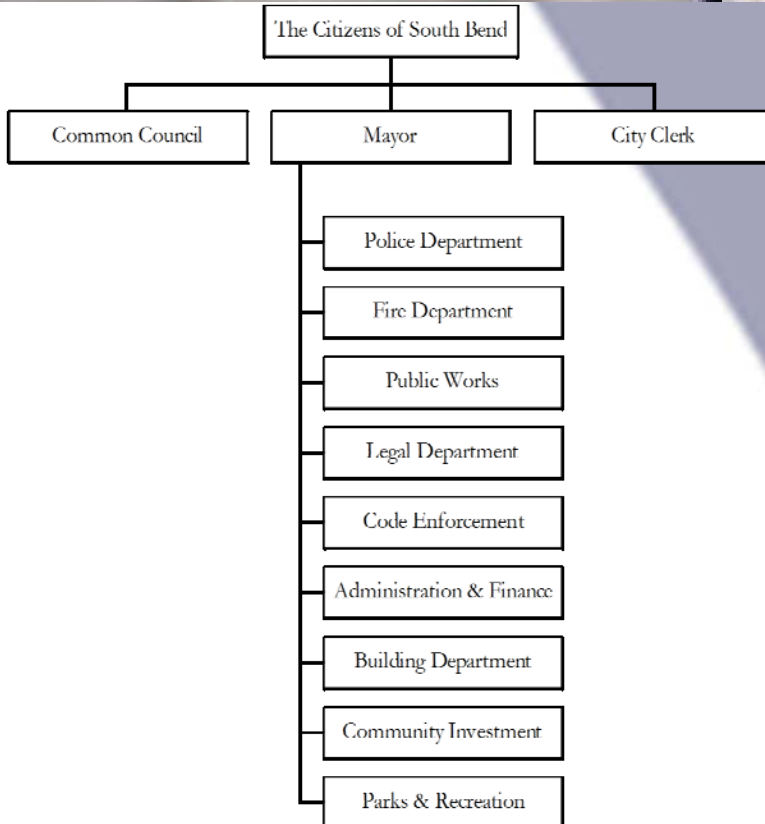
Expenditures are the costs of the City and are divided into three main types: operating, debt service and capital outlay. *Operating expenditures* are the costs for salaries and supplies needed to provide the services. These expenditures are ongoing, in that they will be incurred year after year as the 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



Mayor

Pete Buttigieg

Chief Executive Officer, 4-year term

Common Council

1st District

Tim Scott

2nd District

Regina Williams-Preston

3rd District

Randy Kelly

4th District

Jo M. Broden

5th District

Dr. David Varner

6th District

Oliver Davis

At Large

John Voorde

Gavin Ferlic

Karen White

Legislative Authority, 4 years each

City Clerk

Kareemah Fowler

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

We Are South Bend



Population Statistics

Population (2014 Estimate)	101,190
% Female (2010 Census)	51.6%
% Male (2010 Census)	48.4%
Persons Per Household (2010 – 2014)	2.45
Median Household Income (2010 – 2014)	\$34,656
Persons Below Poverty Level (2014 Estimate)	27.8%
Educational Attainment (2010 - 2014)	
High school graduate or higher	84.5%
Bachelor’s degree or higher	23.5%
People Quick Facts	
White	60.5%
Black or African American	26.6%
American Indian/Alaska Native	0.5%
Asian	1.3%
Native American and Other Pacific Islander	0.1%
Two or more races	4.2%
Veterans (2014 Estimate)	5,759

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



Local Businesses Headquarters

AM General
1st Source Bank
Tire Rack
Fulton Industries, Inc.
ABRO
Data Realty
The Indiana Whiskey Company



Largest Employers

University of Notre Dame
Beacon Health System
South Bend Community Schools
AM General
The City of South Bend



South Bend Culture & Recreation



SB150 River Lights Celebration, May 22, 2015

Studebaker National Museum

South Bend Symphony Orchestra at the
Morris Performing Arts Center



Byers Softball Complex at St. Clair Park



Joseph D. Oliver House Museum, "Copshaholm"

South Bend Events



Spring

- “Greening of the Race”, St. Patrick’s Day celebration
- St. Patrick’s Day parade
- River Lights Music Festival—**New for 2016!**
- Mayors’ Ride—**New for 2016!**
- Bike to Work Week

Summer

- South Bend Cubs baseball
- Seitz & Sounds music series
- Memorial Day Parade
- First Fridays Downtown
- Art Beat
- Outdoor film series
- Red Table Plaza
- Fridays by the Fountain



Fall/Winter

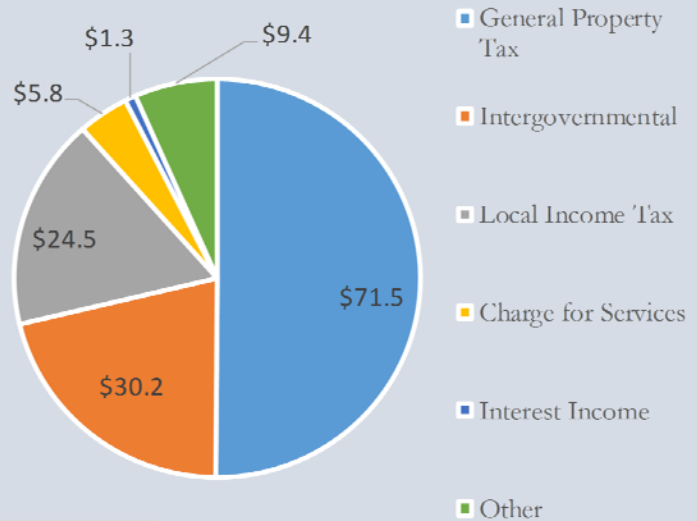
- Downtown for the Holidays
- Restaurant Week



The City's Revenues

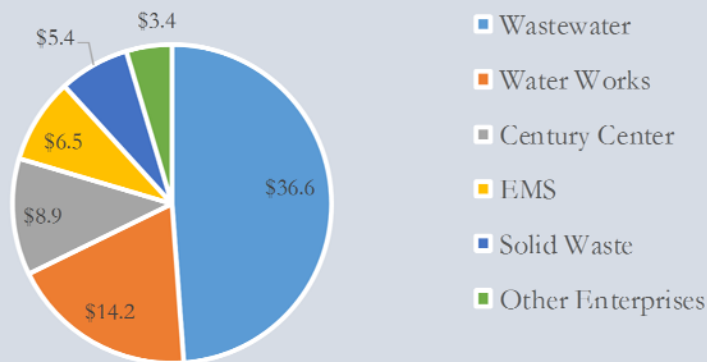


Governmental Funds Revenues, 2015 (millions)



Governmental Funds' revenues totaled **\$142.7 million** in 2015.

Business-Type Activities Revenues, 2015 (millions)

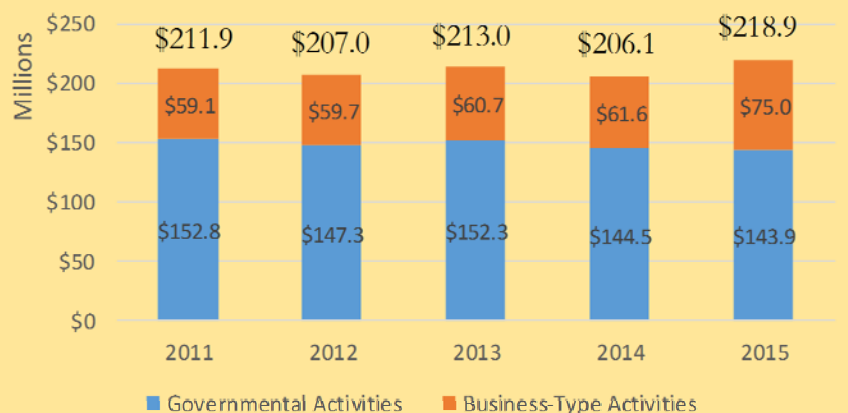


Revenues from Business-Type Activities totaled **\$75.0 million** in 2015. New this year, the Emergency Medical Services (EMS) program was separated from the rest of the Fire Department to become its own business-type activity, responsible for its own revenues.

Change, 2015 from 2014

Small declines in revenues within governmental funds were more than offset by increases in Wastewater revenues due to rate increases, and the transfer of the EMS program to a business-type activity.

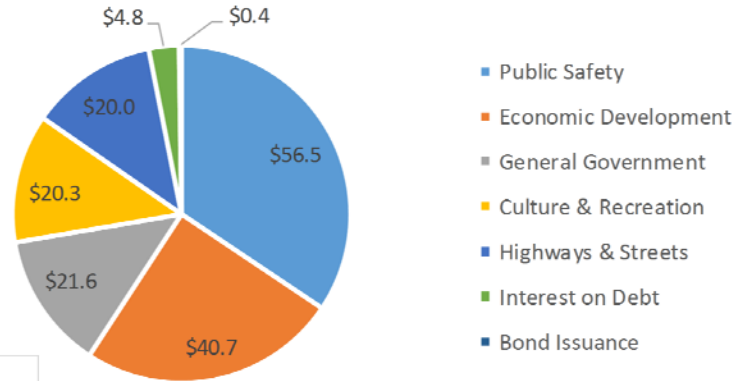
Government-Wide Revenues, 2011-2015



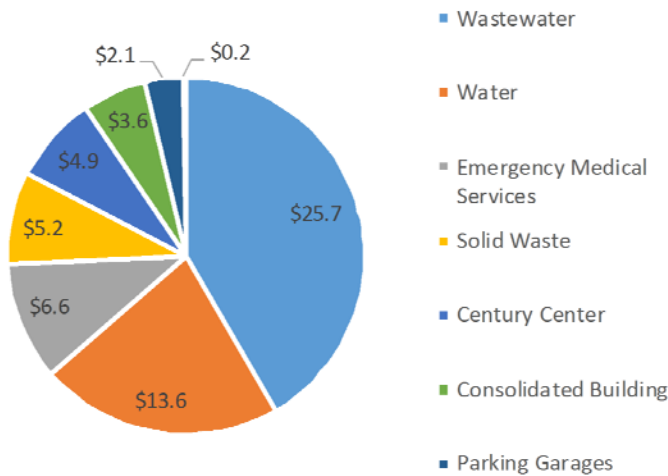
The Cost of City Services

Total Expenses for Governmental activities was **\$164.3 million** in 2015

Government-Type Expenses, 2015 (millions)



Business-type Expenses, 2015 (millions)

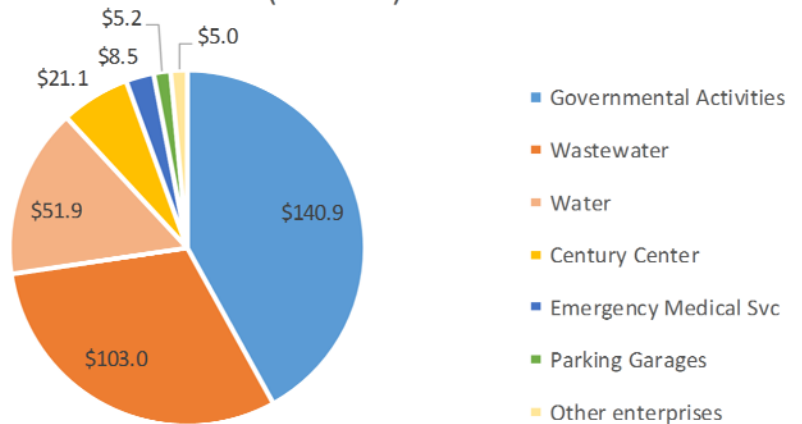


Total Expenses for Business-Type Activities was **\$61.9 million** in 2015. The largest business-type activities are the Wastewater and Water Works operations which charge fees for services rendered.

For 2015, the City's Net Position was **\$335.6 million**.

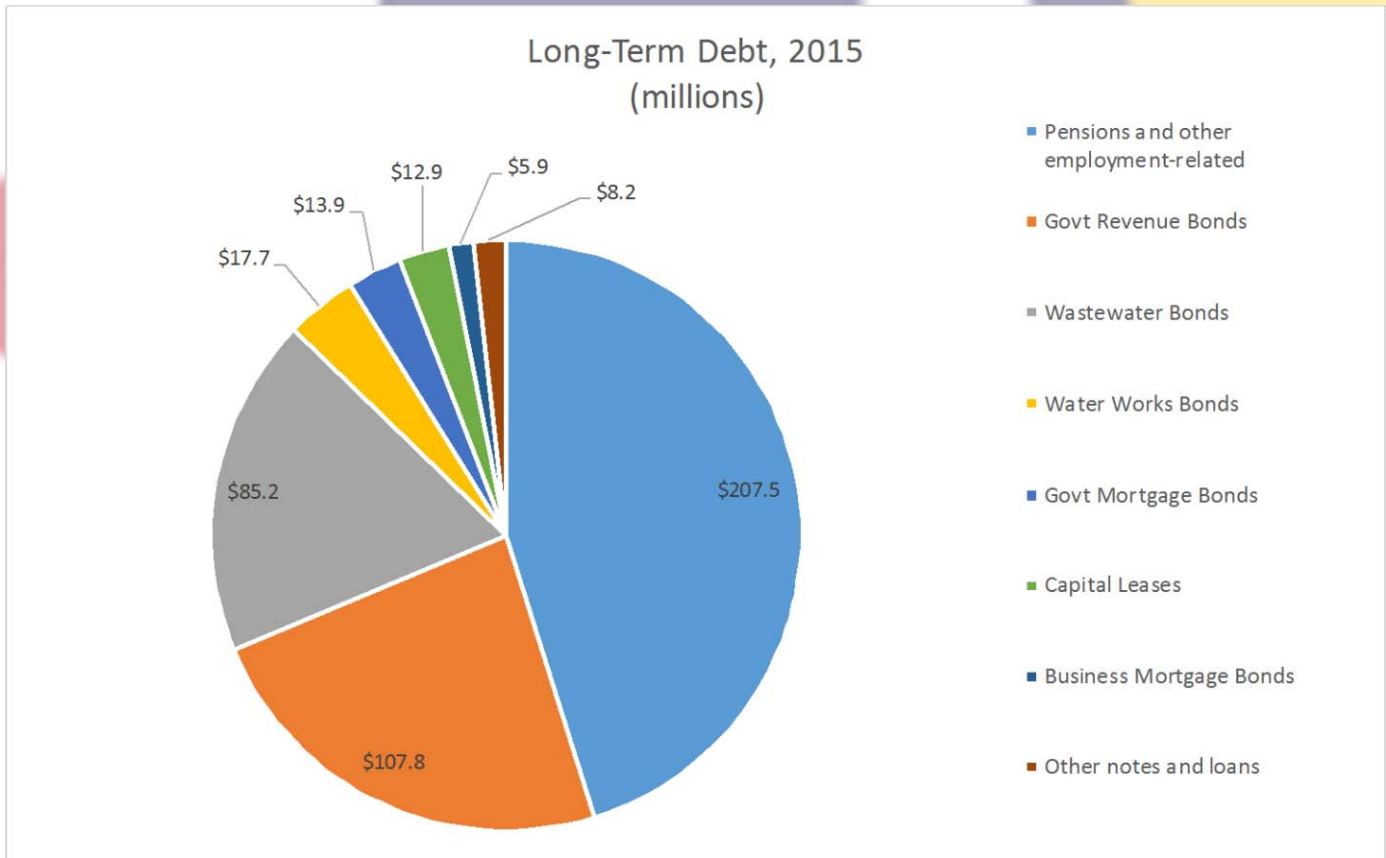
"Net Position" is the difference between the City's assets and its liabilities. It represents resources currently available to the City for future services and economic safety buffers. The majority of Net Position consists of investment in capital assets.

Net Position, 2015 (millions)



Please refer to the 2015 Comprehensive Annual Financial Report (CAFR) for more detail, found at www.southbendin.gov/2015_CAFR

The City's Debt Burden



The City's total debt obligation at the end of 2015 was **\$459.1 million**.

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 2015, the City's Net Pension Liability was **\$191.2 million**. The City is required to contribute 11.2% of annual payroll for non-bargaining and Teamster employees, and 19.7% for Police and Fire department employees.

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, averaging 20-30 years; this is appropriate since they are used to pay for longer-lasting assets such as buildings, roads, and other infrastructure.

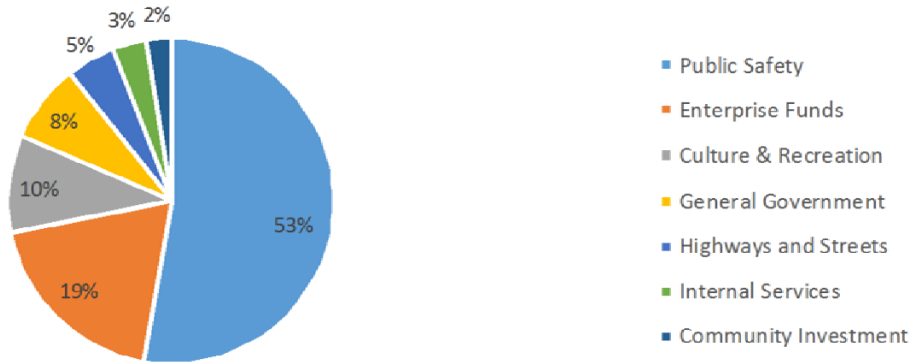
In 2015, **10.8%** of the City's expenditures went toward debt repayment.

The City obtained 3 major new debt instruments in 2015:

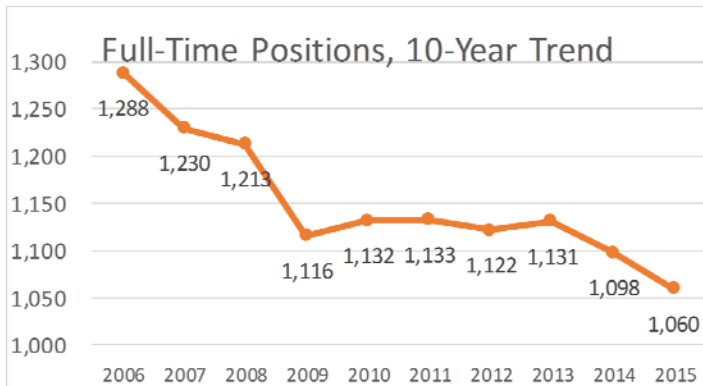
- **The "Smart Streets" Bond** of \$25 million, used to revert the City's main one-way streets back to two-way as well as other related roadwork
- **A Parks Bond** of \$5.6 million, to enhance the City's parks network
- **The Century Center Energy Conservation Bond** of \$4.1 million, to upgrade the building systems of the City's convention center to state-of-the-art energy efficiency. The cost of this bond is being partially offset by energy rebates on the interest, available through the federal government.

Full-Time Employees (FTE's)

Full-Time Employees by Category



	Department	Full-Time Positions
General Government	Mayor's Office	7
	City Clerk's Office	5
	Common Council (elected officials, part-time)	9
	Administration and Finance	18
	Legal Department	12
	Engineering	16
	311 Call Center	7
	Safety and Risk	2
	Human Rights	6
	Public Safety	Police Department
Fire Department		259
Culture & Recreation	Parks and Recreation	88
	Convention and Events Management	14
Community Investment	Dept of Community Investment	25
Highways and Streets	Street Department	53
Enterprise Funds	Water Works	67
	Wastewater	43
	Organic Resources	6
	Sewer	30
	Solid Waste	21
	Building Department	13
	Code Enforcement	23
Internal Services	Central Services	36



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, City Controller
City of South Bend
227 W. Jefferson Blvd., Suite 1200
South Bend, IN 46601
574/235-7678
jmurphy@southbendin.gov
www.southbendin.gov

