

2019 PAFR (Popular Annual Financial Report)

Fiscal Year Ending on December 31, 2019

city of
South Bend
Indiana



Report prepared by City of South Bend Department of Administration and Finance

Letter From the Mayor

June 30, 2020

Dear Neighbor,

Two pillars of public service are transparency and accountability. That's why it's so important the City provide meaningful reports to summarize our financial condition to you, the taxpayer.

As a result, I hope you'll take some time to read through the City of South Bend's fifth Popular Annual Financial Report (PAFR), which is a trimmed-down and easy-to-digest version of the 313-page Comprehensive Annual Financial Report (CAFR). This shorter report contains excerpts from the larger report and provides a strong summary of our overall position. I always encourage residents to dig into the details from the longer comprehensive report as well.

We're also proud to announce that the 2018 PAFR received an award for outstanding achievement in Popular Annual Financial Reporting from the Government Finance Officers Association. This was our fourth year in a row to receive the award, and we were once again the only city in Indiana to do so.

This financial report paints a picture of a City that is ready to meet the substantial challenges we face from the COVID-19 pandemic and economic recovery ahead. While the strength of our financial resources will be tested over the next several years, strong fiscal management has put the City in the position to continue to protect the health and safety of our residents as well as to expand innovative programs to assist vulnerable individuals and businesses. Our commitment to ensuring that every resident is provided the opportunity to thrive has never been stronger, and I am convinced that our City will overcome our current challenges and be stronger than ever on the other side.

The City of South Bend is interested in your feedback, so we may improve the PAFR in future years. I welcome your comments and suggestions on behalf of the Administration & Finance Department and encourage you to contact City Controller Daniel Parker at (574) 235-9822.

With appreciation,




James Mueller



The Popular Annual Financial Report

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Government Finance Officers Association

**Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting**

Presented to
**City of South Bend
Indiana**

For its Annual
Financial Report
for the Fiscal Year Ended
December 31, 2018

Christopher P. Morill
Executive Director/CEO



City Government Finances Overview

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”: revenue exceeds 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; revenue and expenses, or expenditures.

Revenue is the sum of money coming into the City. The main sources, as noted above, are tax dollars and charges for services. Revenue also includes 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

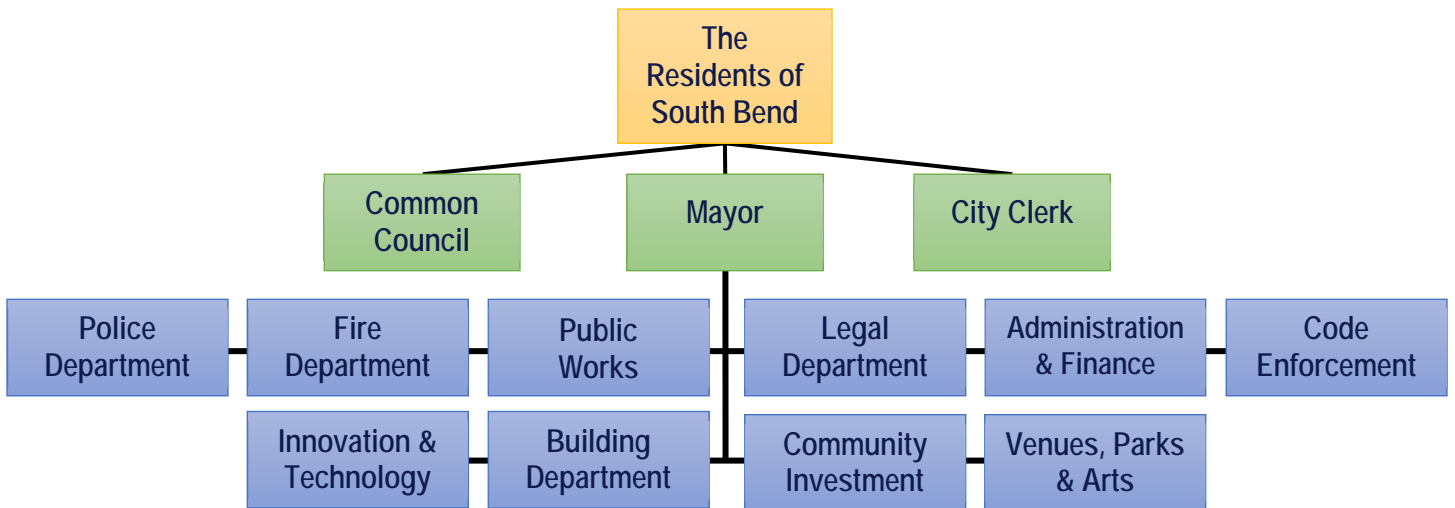
outstanding. These expenditures are ongoing as well, but the amounts are stable, based on the repayment schedules negotiated at the time the debt was incurred.

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 Organization



Mayor
James Mueller
Chief Executive Officer,
4 year term



City Clerk
Dawn M. Jones
Maintain Council records, ordinance violation collections,
4 year term



Common Council
Legislative Authority, 4 year term

Canneth Lee
1st District



Sharon McBride
3rd District



Jake Teshka
5th District



Karen White
Council Member at Large



Rachel Tomas Morgan
Council Member at Large



Henry Davis, Jr.
2nd District



Troy Warner
4th District



Sheila Niezgodski
6th District



Lori K. Hamann
Council Member at Large



Population Statistics

Population Estimate 102,233
 % Female 52.2%
 % Male 47.8%

Average Persons Per Household 2.57

Median Household Income..... \$40,315
 Median Housing Value \$82,500
 Median Gross Rent \$767
 Persons Below Poverty Level..... 23.8%

Educational Attainment

High school graduate or higher
 up to an associate's degree 52.3%
 Bachelor's degree or higher 15.4%

Population Demographics

White 52.8%
 Black or African American 26.0%
 Hispanic or Latino..... 15.3%
 Asian 1.5%
 American Indian/Alaska Native 0.3%
 Native Hawaiian and
 Other Pacific Islander 0.1%
 Other Race 0.2%
 Two or more races 3.8%

Veterans 4,564

Source: U.S. Census Bureau (data.census.gov)
 2018 American Community Survey 5-Year
 Estimates

The City Administration's Priorities

Reform Public Safety Systems

- Institute comprehensive mandatory training on best practices for community policing
- Continue focus on improving diversity in SBPD and SBFD
- Expand violence intervention initiatives

Build Reliable Infrastructure

- Invest in a multiyear road improvement plan
- Maintain and improve safe, reliable water and wastewater utility
- Expand reliable, high-speed internet access
- Invest in sustainable, green infrastructure improvements

Support Economic Recovery

- Support small businesses as they rebuild from economic downturn
- Develop an opportunity fund for underrepresented local businesses
- Expand programming for the Office of Diversity & Inclusion to increase the utilization of MWBE businesses for City contracts
- Incentivize public-private partnerships to invest in South Bend and create jobs

Rebuild Vibrant Neighborhoods

- Align code enforcement with community incentives to improve our neighborhoods
- Continue work to revamp parks and trails
- Expand access to affordable housing
- Invest in improvements to our major corridors

Expand Access to Opportunity

- Expand economic empowerment programs like Love Your Block, financial literacy training, and an eviction legal defense fund
- Continue to fund workforce development programs like Pathways for residents who want to build their skills and advance their career
- Partner with the South Bend Community School Corporation to develop a new way forward for our public schools

Protect the Vulnerable

- Pursue a housing-first approach to homelessness, supported by an intake center, coordinated care among service agencies, and scattered site permanent supportive housing
- Partner with public health experts to reduce infant mortality and other health disparities
- Incentivize grocers to fill in food deserts
- Support programs and policies that encourage immigration and engage new residents

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 Business Headquarters

- 1st Source Bank (Financial Institution)
- Tire Rack (Automotive Parts Supplier)
- Fulton Industries (Custom Component Manufacturing)
- ABRO Industries (Automotive & Household Chemical Products)
- Data Realty (Digital Information Management)
- Crowe LLP (CPA Firm)
- Press Ganey (Health Care Management)

Largest Employers

| | |
|--|-------|
| Beacon Health System (Health Care) | 7,088 |
| University of Notre Dame (Higher Education) | 6,535 |
| South Bend Community School Corp (K-12 Public Schools) | 3,432 |
| Indiana University South Bend (Higher Education) | 1,400 |
| City of South Bend (Government) | 1,285 |
| Four Winds Casino (Casino and restaurants) | 1,200 |
| AM General Corporation (Manufacturing/Assembly) | 873 |
| Honeywell Aerospace (Aerospace Manufacturing) | 850 |



South Bend Culture and Recreation

Byers Softball Complex at St. Clair Park



South Bend Symphony Orchestra at the Morris Performing Arts Center



Potawatomi Zoo



Tippecanoe Place



Studebaker National Museum





Fridays by the Fountain



South Bend Cubs



East Race Rafting



Howard Park Ice Skating Rink

Events

Year Round

First Fridays, Downtown

Spring

St. Patrick's Day Parade and
"Greening of the East Race"

Egg Stravaganza

River Lights Music Festival

Mayors' Ride

Bike to Work Week

Best. Week. Ever.

Sunburst Race

Summer

South Bend Cubs Baseball

Summer Concert Series: Various Parks

West Side Memorial Day Parade

Leeper Park Art Fair

Art Beat

Red Table Plaza Concert Series

Fridays by the Fountain (above)

Restaurant Week

East Race Waterway Rafting

DTSB Outdoor Film Series

DTSB Summer Fitness Series

Fall/Winter

Notre Dame Football Games

Downtown for the Holidays

Restaurant Week

RV & Camping Show

South Bend BrewFest

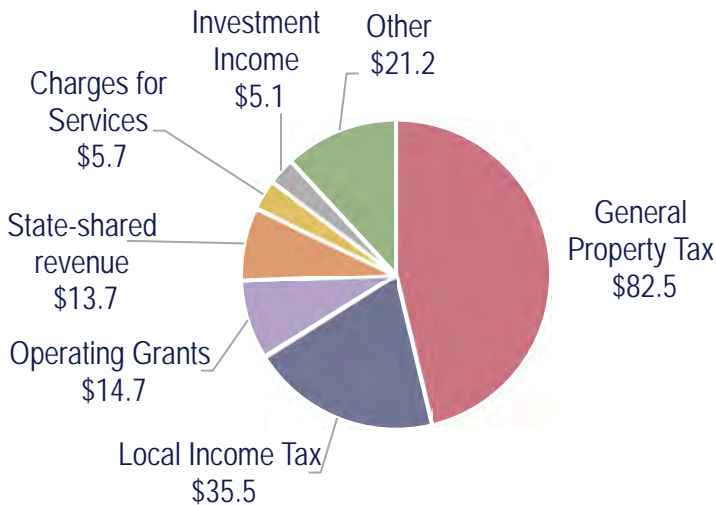
Howard Park Ice Skating Rink

For more information, visit
www.visitsouthbend.com

The City's Revenue

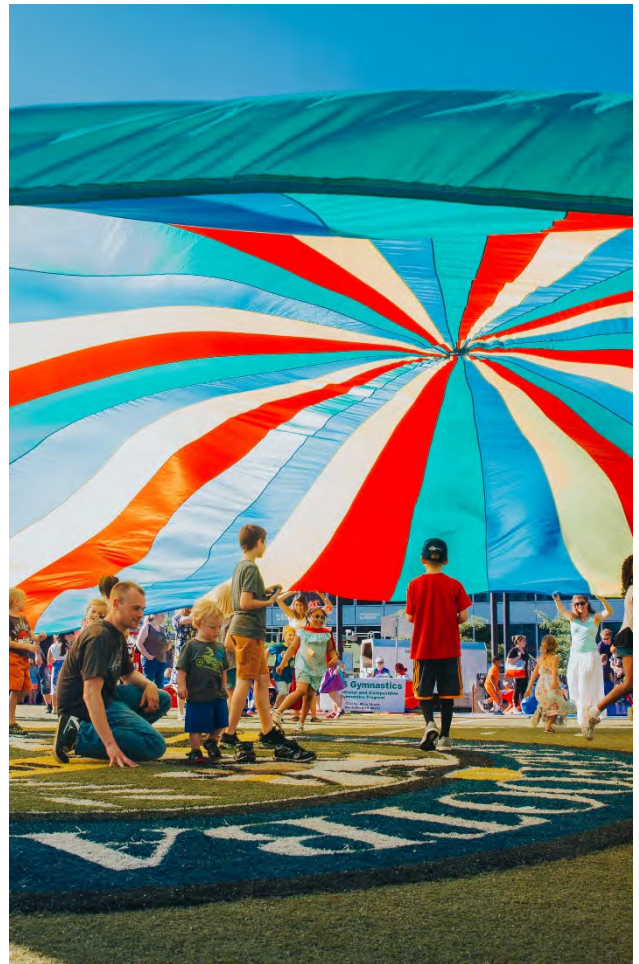
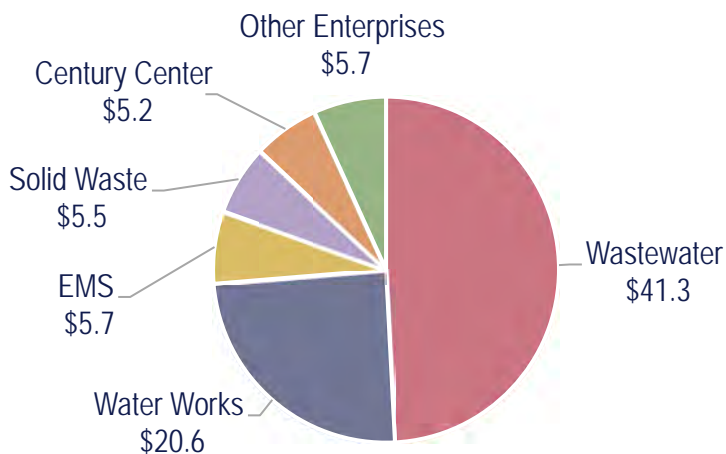
Revenue from **Governmental Activities** totaled **\$178.4 million** in 2019. The largest revenue sources were property taxes and local income taxes. Property taxes are capped at approximately 1% of property values for homeowners.

Governmental Activities Revenue, 2019
(millions)



Revenue from **Business-Type Activities** totaled **\$84.0 million** in 2019. The Wastewater and Water Utilities were the largest Business-Type funds and provide essential services to residents. Solid Waste provides trash collection services on a weekly basis and EMS provides emergency ambulance services to residents in need.

Business-Type Activities Revenue, 2019
(millions)

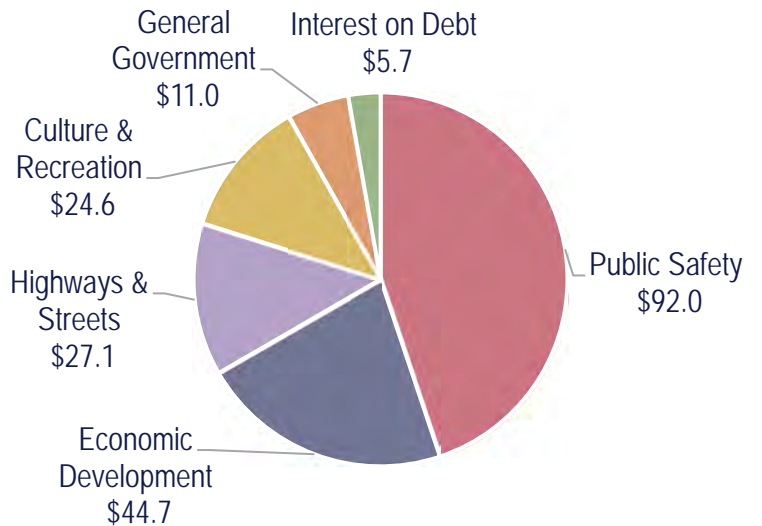




The Cost of City Services

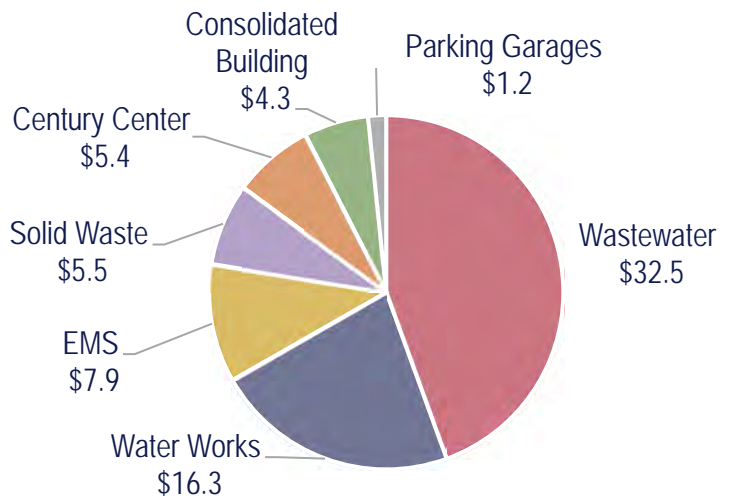
Total Expenses for **Governmental Activities** was **\$205.1 million** in 2019. The largest category was Public Safety (police and fire) followed by Economic Development, Culture & Recreation, and Streets.

Government-Type Expenses, 2019 (millions)



Total Expenses for **Business-Type Activities** was **\$73.1 million** in 2019. The largest Business-Type activities are the Wastewater and Water Works operations, which charge fees for services rendered. Solid Waste provides trash collection services that are essential to City residents. The City also manages three downtown parking garages and owns the Century Center convention venue located on the Saint Joseph River.

Business-Type Expenses, 2019 (millions)





The City's Net Position

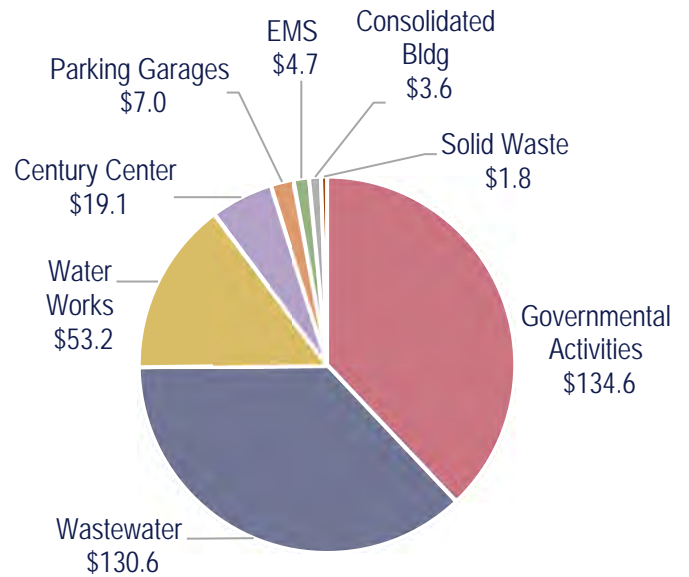
For 2019, the City's **Net Position** was **\$354.6 million**.

"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.

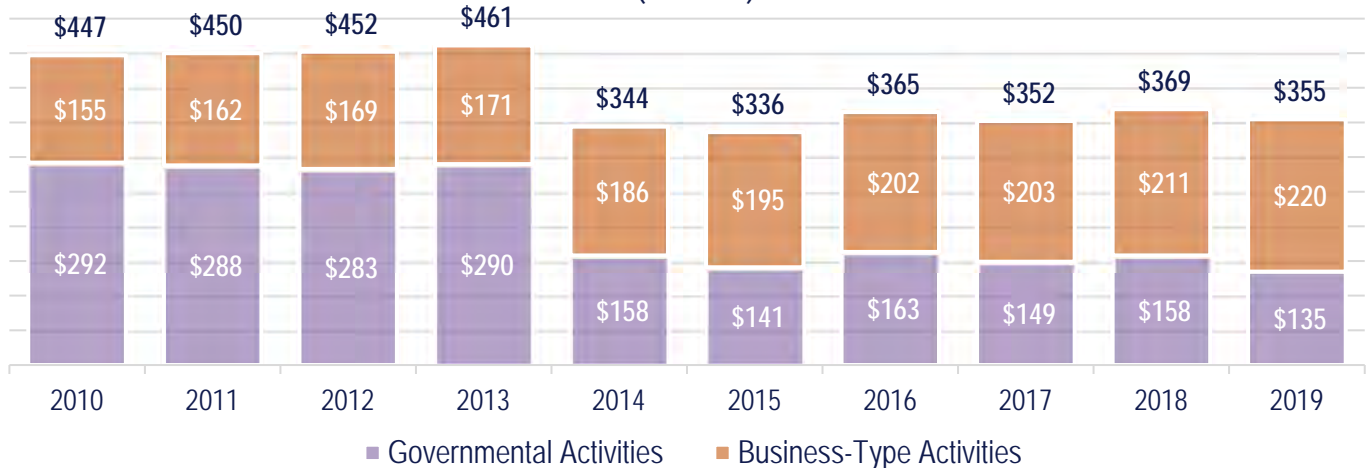
Government-wide net position decreased by \$15,788,077 or 4.3% during fiscal 2019. The decrease in net position is primarily driven by two factors:

- First, the City had several large, debt-financed expenditures that were not spent on City-owned assets and thus were recognized as expenses and were not capitalized. These expenditures included \$9,125,000 for the South Shore Double Tracking Project and \$4,602,119 for the Eddy Street Commons project.
- Second, the City saw a substantial increase in net pension liability, which reduced governmental activities net position by \$11,452,715.

Net Position, 2019
(millions)



Net Position by Component
(millions)



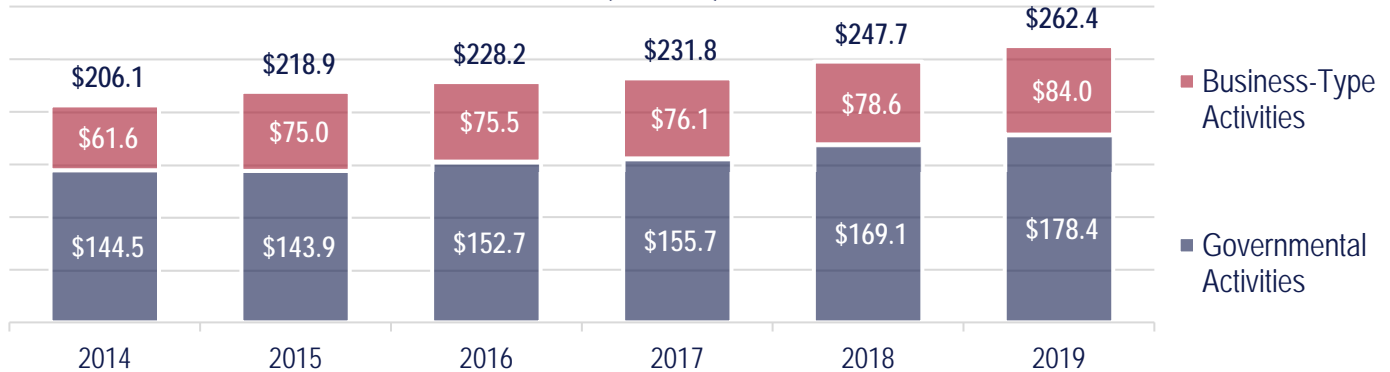
Government-Wide Revenue and Expenses

Government-Wide Revenue

Changes 2018 to 2019

Government-wide revenue increased by 5.9% from 2018 to 2019. The governmental activities revenue increases were due primarily to higher property tax and income tax revenue during 2019 resulting from an increase in assessed property values and an improving local economy. Additionally, investment revenues increased dramatically in 2019, spurred by a larger asset pool in the investment portfolio and strong market performances.

Government-Wide Revenues, 2014-2019
(millions)

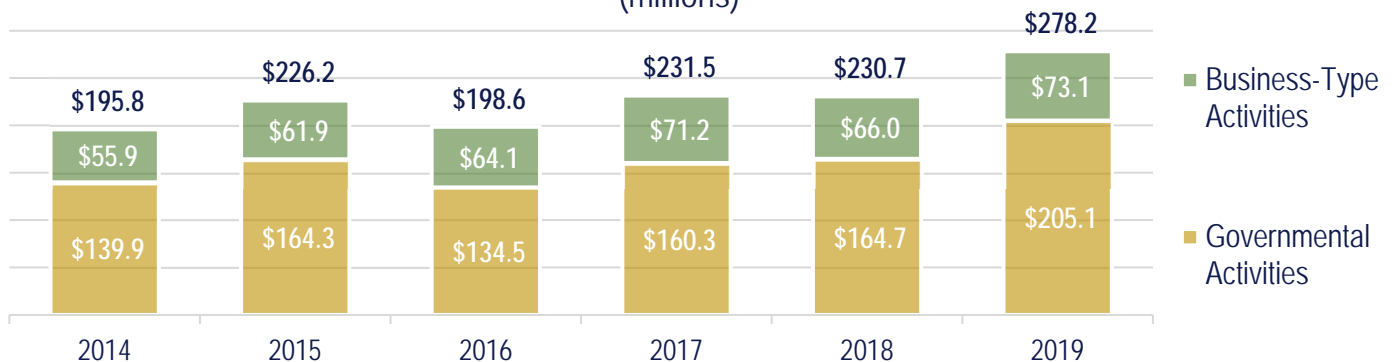


Government-Wide Expense

Changes 2018 to 2019

Government-wide expenses increased by 20.6% from 2018 to 2019. Governmental activities expenses increased significantly in 2019, due primarily to several large debt-funded expenditures that were not recognized as capital assets. Additionally, pension and OPEB expense increased significantly in 2019.

Government-Wide Expenses, 2014-2019
(millions)



The City's Debt Burden

The City's total debt obligation at the end of 2019 was \$447.0 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. At the end of 2019, the City's Net Pension Liability was \$172.0 million. The City is required to contribute 11.2% of annual payroll for nonbargaining and Teamster employees, and 17.5% for Police and Fire department employees. Pension liabilities are funded over a long-term time period.

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

In 2019, the City's expenditures toward debt repayment were \$39.2 million, 14.1% of government-wide expenses.

During 2019, the City initiated the following debt transactions:

- Entered into capital lease agreements in the amount of \$2,431,368 to purchase certain vehicles, copiers, and equipment.
- Issued revenue bonds in the amount of \$9,447,841 to fund the Northern Indiana Commuter Transportation District Main Line Double-Tracking Project (South Shore).

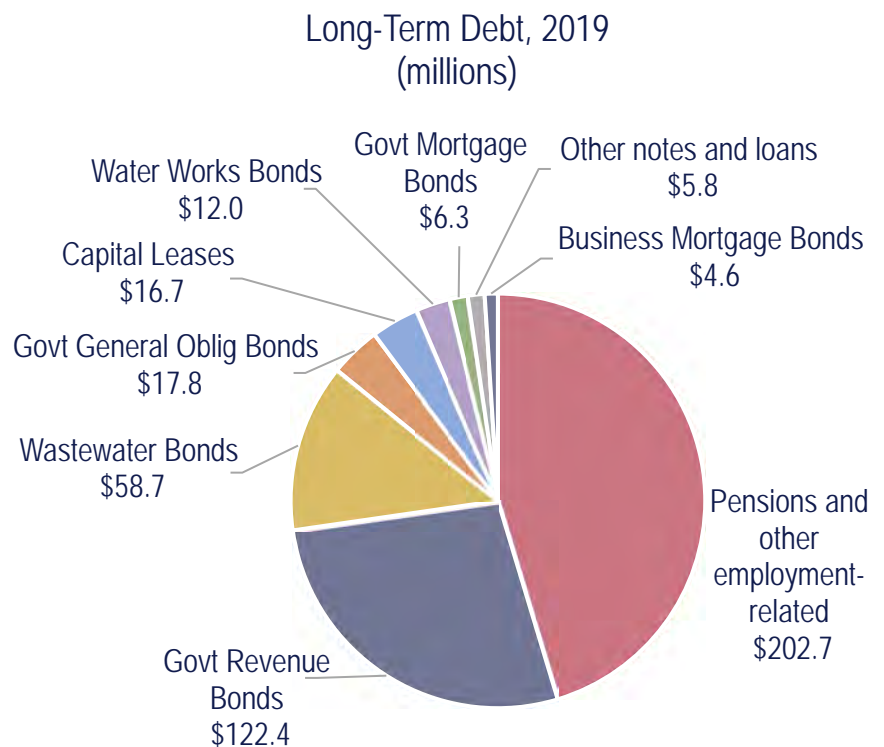
Sources: Management's Discussion and Analysis - Debt Administration, CAFR Note 9 - Long-term Debt

Great Bond Rating

The City of South Bend has a strong **AA** bond rating.

The bond or credit rating is a measure of the City's financial reputation. A good credit rating enables the City to borrow money for construction projects and other needs at the most competitive interest rates available. This saves thousands of taxpayer dollars in interest payments.

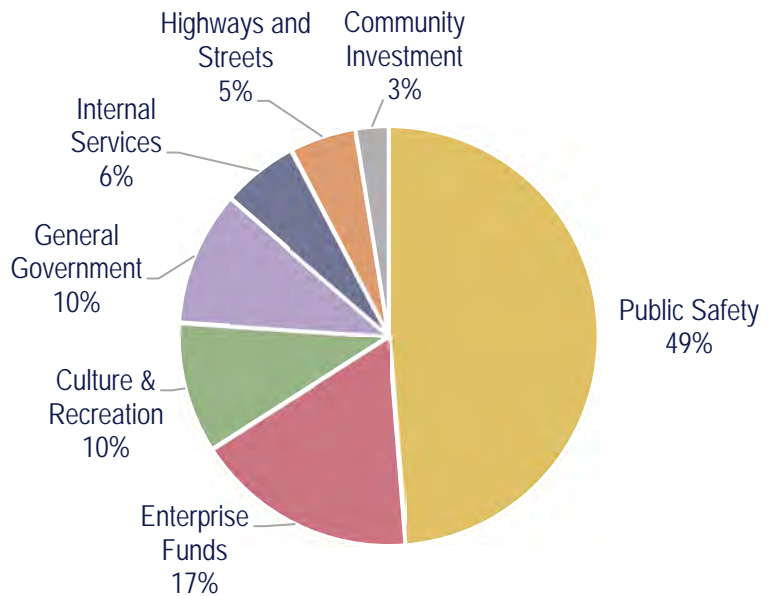
S&P Global ratings assigned a **AA** bond rating to the City of South Bend due to several factors: Strong management, adequate budgetary performance, very strong budgetary flexibility, very strong liquidity, strong institutional framework, weak but growing economy.



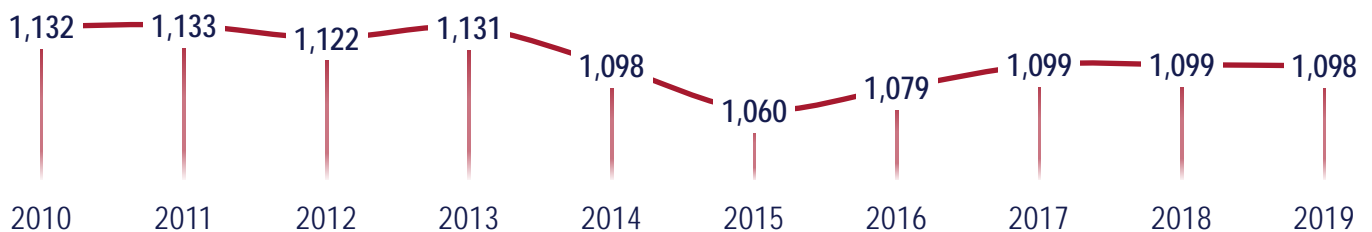
Full-Time Employees

| | |
|--|-----|
| General Government | |
| Mayor's Office | 7 |
| City Clerk's Office | 4 |
| Common Council (elected officials, part-time)..... | 9 |
| Administration & Finance | 23 |
| Legal Department | 10 |
| Code Enforcement | 4 |
| Engineering & Sustainability | 23 |
| Safety & Risk | 2 |
| Human Rights | 5 |
| Public Safety | |
| Police Department | 270 |
| Fire Department | 265 |
| Culture & Recreation | |
| Parks & Recreation | 94 |
| Convention and Events Management | 17 |
| Community Investment | |
| Department of Community Investment..... | 28 |
| Highways & Streets | |
| Streets | 56 |
| Enterprise Funds | |
| Water Works | 63 |
| Wastewater | 43 |
| Organic Resources | 6 |
| Sewers | 41 |
| Solid Waste..... | 23 |
| Building Department | 13 |
| Internal Services | |
| Central Services..... | 37 |
| 311 Call Center | 7 |
| Innovation & Technology | 21 |

Full-Time Employees By Category
December 31, 2019



FULL-TIME POSITIONS, 10 YEAR TREND (DEC 31ST ACTUAL)



In 2014, 33 Parks & Recreation employees working at the Zoo began working for the Potawatomi Zoological Society and were no longer City employees.

In 2015, 34 central dispatch employees began working for St Joseph County due to consolidation of 911 operations.

We hope 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:

Department of Administration & Finance
City of South Bend
227 W. Jefferson Blvd., Suite 1200 N
South Bend, IN 46601
(574) 235-9216



For more information regarding financial data, please refer to the 2019 Comprehensive Annual Financial Report (CAFR), found at www.southbendin.gov/2019_CAFR