



city of
South Bend
Indiana

2017

Popular Annual Financial Report (PAFR)

Prepared by the Department of Administration and Finance

Letter From the Mayor

June 29, 2018

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.

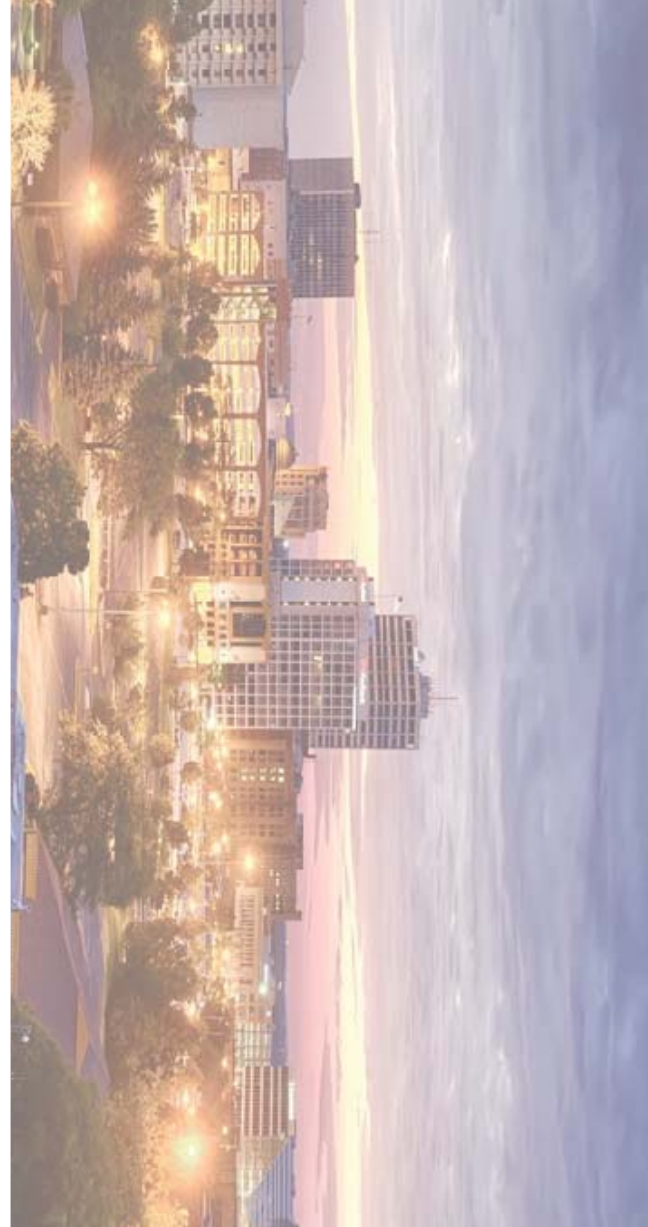
In that spirit, I am pleased to present the City of South Bend's third Popular Annual Financial Report (PAFR) to you, the City's ultimate executive board. The PAFR contains information about the City and its finances in a user-friendly format that is easier to digest and understand than the City's 274-page 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.

The City is delighted to announce that its 2016 PAFR received an award for outstanding achievement in Popular Annual Financial Reporting from the Government Finance Officers Association. This was our second year in a row to receive the award, and we were the only city in Indiana to do so.

South Bend continued its upward climb in 2017. Our population grew for the fifth consecutive year as our commitment to quality of life attracts more visitors and residents to our community. Part of that commitment was the completion of the downtown "Smart Streets" conversion to a more inviting, pedestrian-friendly streetscape. Businesses have already taken notice, and we've seen over \$100 million in private investment flood downtown with new hotels, apartments, and restaurants. We're paying attention to our neighborhoods, too. In late summer we unveiled the My SB Parks & Trails plan, which will enhance community spaces and green spaces across town. Over \$40 million will touch over 30 parks and trails, making it the largest investment in parks in South Bend's history. This report will also showcase our commitment to strong public safety, smooth roads, and inclusive economic development, among many other priorities. We've also maintained our AA bond rating, one the best for Indiana cities of our size.

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 Jennifer Hockenull at (574) 235-9822.

With Highest Regards,
Pete Buttigieg



Mayor Pete Buttigieg

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, 2016

Christopher P. Morrell
Executive Director/CEO

for more information visit www.southbendin.gov



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 in to 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.



**3.5 Million Pounds of
litter removed**

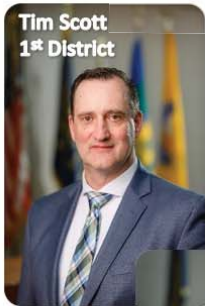
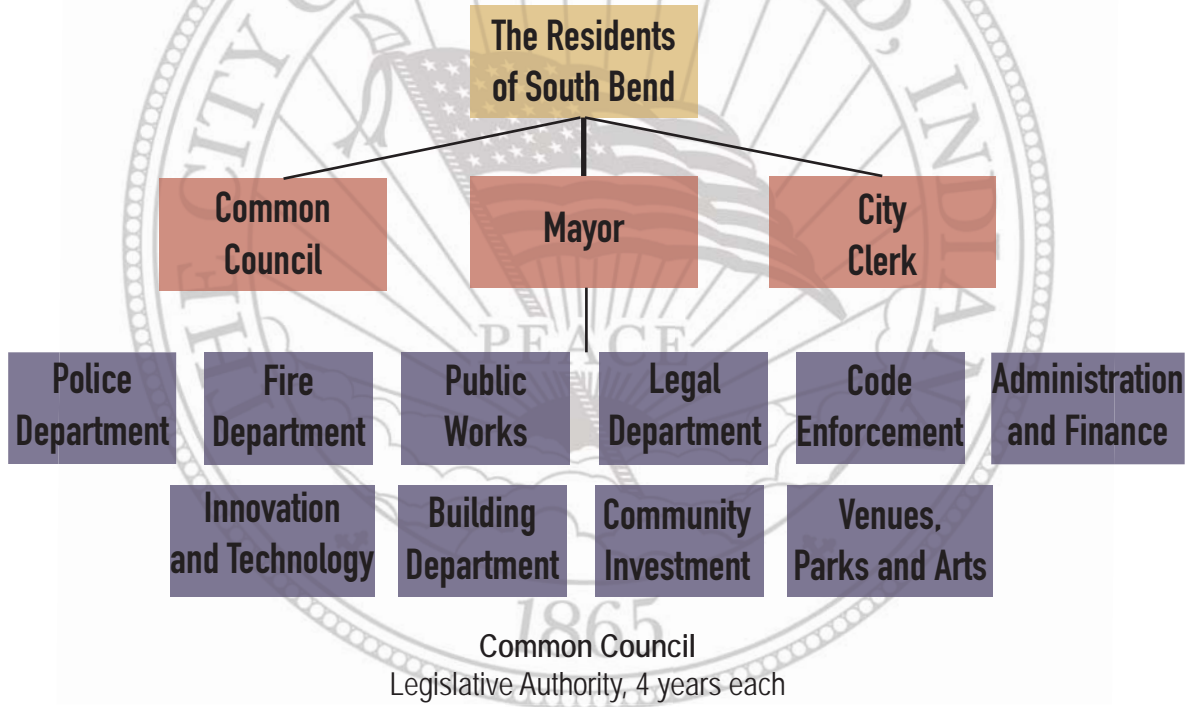
Expenditures are the costs of the City and are divided into three main types: operating, debt service and capital outlay. Operating expenditures are the costs for salaries and supplies needed to provide the services. These expenditures are ongoing, in that they will be incurred year after year as the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

City Clerk
Kareemah Fowler
Maintain Council records, ordinance violation collections,
4 year term





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Population Statistics

Population (2017 estimate) **102,245**
 % Female **52.3%**
 % Male **47.7%**

Average Persons Per Household **2.45**
 Median Household Income **\$38,463**
 Median Housing Value **\$80,500**
 Persons Below Poverty Level **26.7%**

Educational Attainment
 High school graduate or higher **58.6%**
 Bachelor's degree or higher **24.4%**

Population Demographics
 White **63.3%**
 Black or African American **24.6%**
 Hispanic or Latino **8.5%**
 Asian **1.2%**
 American Indian/Alaska Native **0.4%**
 Native American and Other **0.1%**
 Pacific Islander **1.9%**
 Other Race **4.4%**
 Two or more races

Veterans (2015 Estimate) **4,809**

Source: U.S. Census Bureau (<https://factfinder.census.gov/>)
 2012-2016 American Community Survey 5-Year Estimates

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





Wikimedia Commons

Education and Business

Colleges and Universities

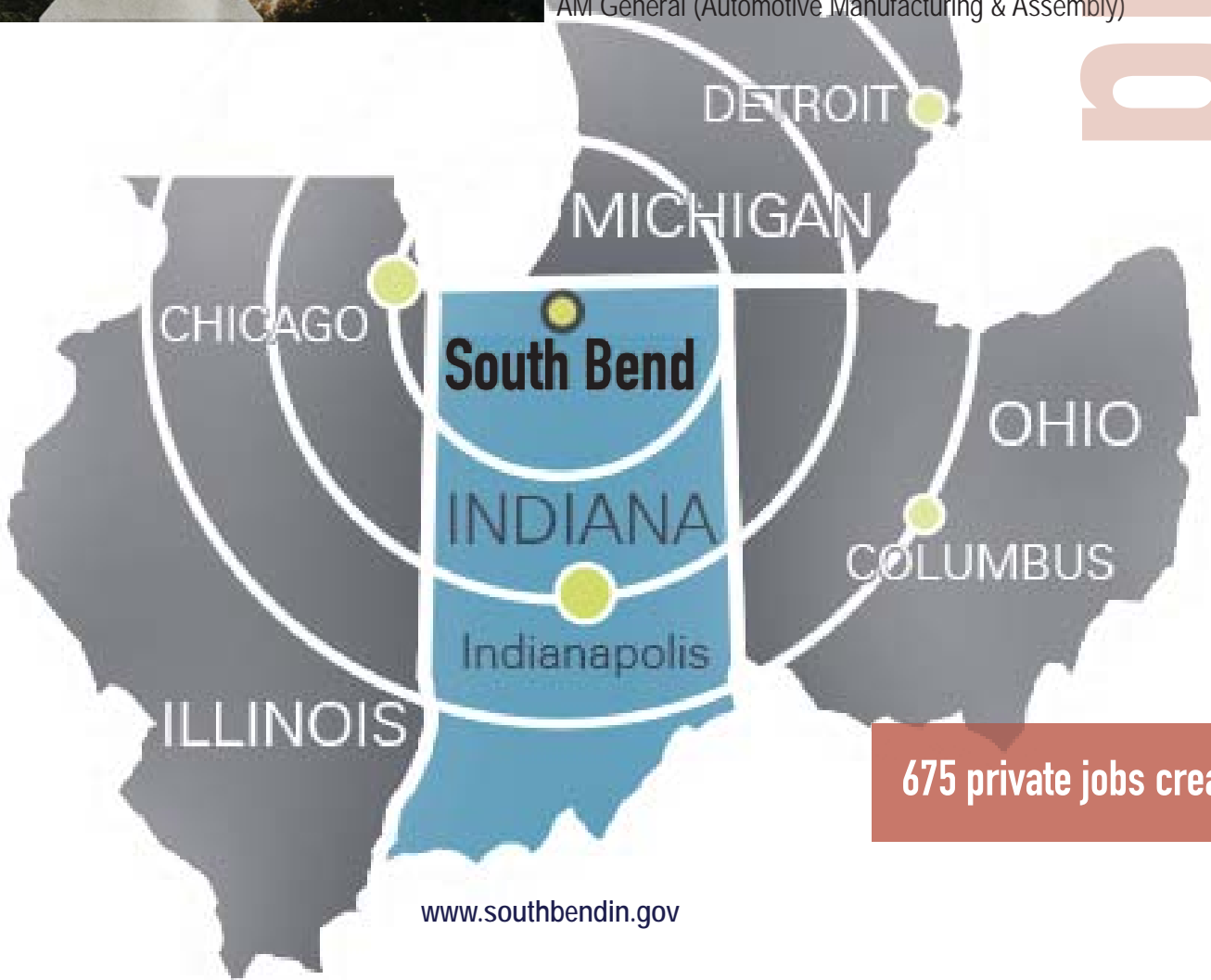
- University of Notre Dame
- Indiana University South Bend
- Holy Cross College
- Saint Mary's College
- Ivy Tech Community College

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

- University of Notre Dame (Higher Education)
- Beacon Health System (Health Care)
- South Bend Community Schools (K-12 Public Schools)
- Saint Joseph Health System (Health Care)
- Indiana University South Bend (Higher Education)
- City of South Bend (Government)
- AM General (Automotive Manufacturing & Assembly)





South Bend Culture and Recreation

Byers Softball Complex at St. Clair Park



South Bend Symphony Orchestra at the Morris Performing Arts Center



Potawatomi Zoo Park



Tippecanoe Place



Wikimedia Commons

Studebaker National Museum





River Lights



South Bend Cubs



East Race Rafting



Downtown for the Holidays

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
- Outdoor Film Series
- Red Table Plaza Concert Series
- Fridays by the Fountain
- Restaurant Week
- East Race Waterway Rafting

Fall/Winter

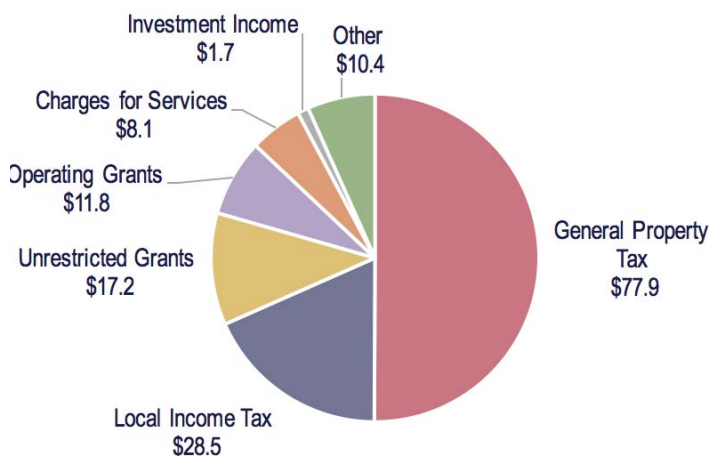
- Notre Dame Football Games
- Downtown for the Holidays
- Restaurant Week

50,000 Attendees
to the First Annual
Best. Week. Ever.

The City's Revenue

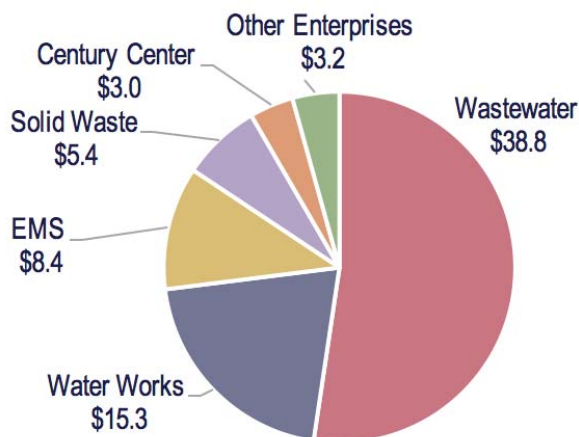
Revenue from **Governmental Activities** totaled **\$155.7 million** in 2017. The largest revenue sources were property taxes and local income taxes. Property taxes are capped at approximately 1% of property values for homeowners.

Governmental Activities Revenue, 2017
(millions)



Revenue from **Business-Type Activities** totaled **\$77.1 million** in 2017. 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, 2017
(millions)



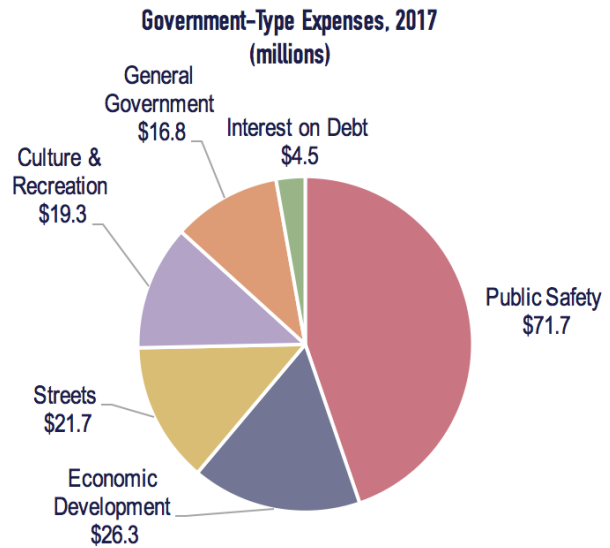
76 shows booked at the Morris Performing Arts Center in 2017



The Cost of City Services

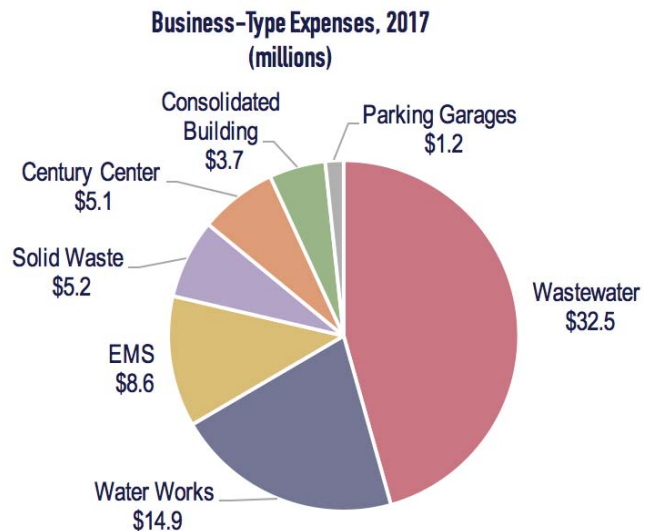
Total Expenses for **Governmental Activities** was **\$160.3 million** in 2017.

The largest category was Public Safety (police and fire) followed by Economic Development, Streets, and Culture & Recreation.



Total Expenses for **Business-Type Activities** was **\$71.2 million** in 2017.

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.



35 parks and 20 miles of trails touched by the My SB Parks & Trails plan





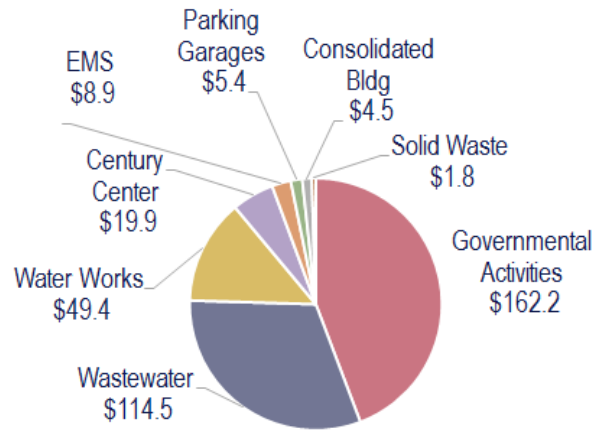
\$207,663,000 in private investment in the City

The City's Net Position

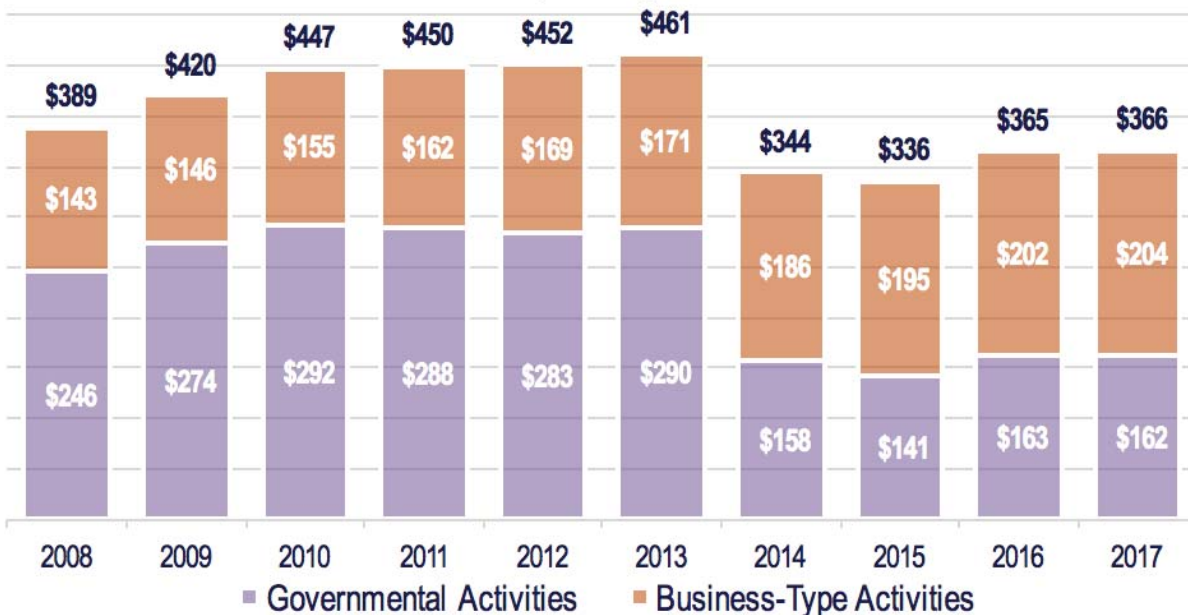
For 2017, the City's **Net Position** was **\$366.6 million**. "Net Position" is the difference between the City's assets and its liabilities. It represents resources currently available to the City for future services and economic safety buffers. The majority of Net Position consists of investment in capital assets and is, therefore, not able to be spent on governmental programs and services.

Government-wide net position increased by \$1,322,668 or 0.4% during fiscal 2017. Overall, the City is better off financially at December 31, 2017 than it was at December 31, 2016 on a government-wide financial basis. The primary reason is that the City received slightly higher than expected property taxes in 2017 and the Wastewater activities accumulated reserves to fund capital projects in the future.

Net Position, 2017 (millions)



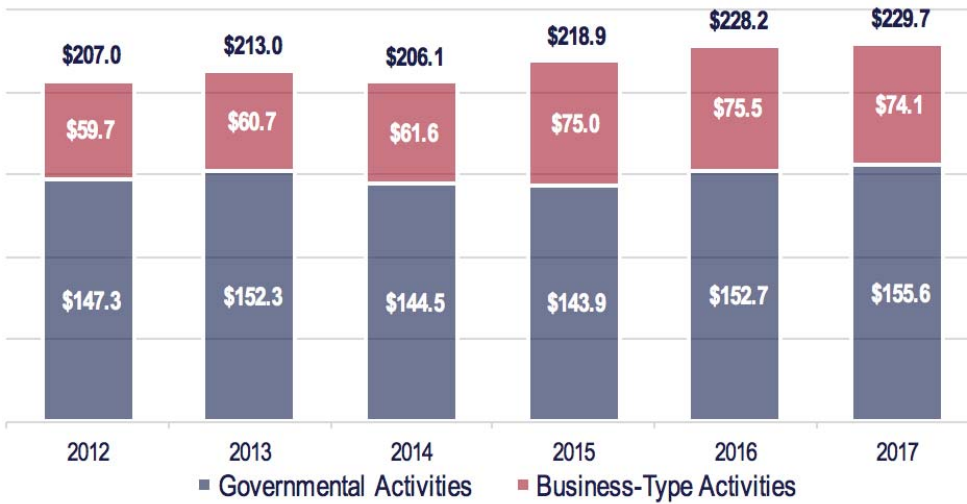
Net Position by Component (millions)



Net Position declined from 2013 to 2014 due to new accounting rules for recording pensions.

Government-Wide Revenue and Expenses

Government-Wide Revenues, 2012-2017
(millions)



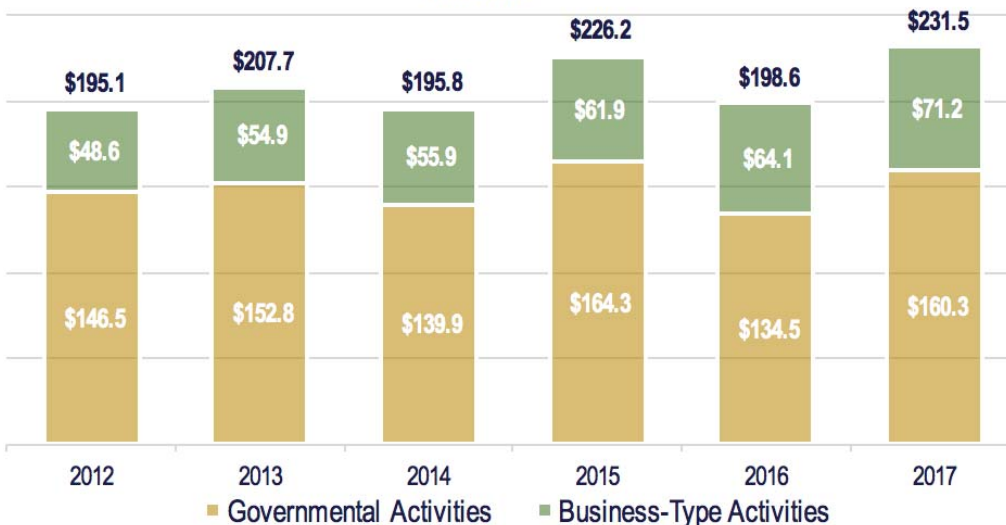
Changes 2016 to 2017

Government-wide revenue increased by 2.0% from 2016 to 2017. Governmental activity revenue increases were due mainly to increases in overall property taxes and the increase in the business-type activity revenue was due mainly to a 5% surcharge for wastewater customers who live outside City limits as well as increases in solid waste fees during 2017.



**0 fire fatalities,
55,287 hours of training
by the Fire Department**

Government-Wide Expenses, 2012-2017
(millions)



Changes 2016 to 2017

Government-wide expenses increased by 16.6% from 2016 to 2017. The increase in the governmental activity expenses was due mainly to the increased costs in the public safety area including negotiated wage increases for sworn police officers. The increase in the business-type activities was due mainly to increased costs in the Wastewater area due to increased costs of operations and ongoing maintenance needs.

The City's Debt Burden

The City's total debt obligation at the end of 2017 was **\$452 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.

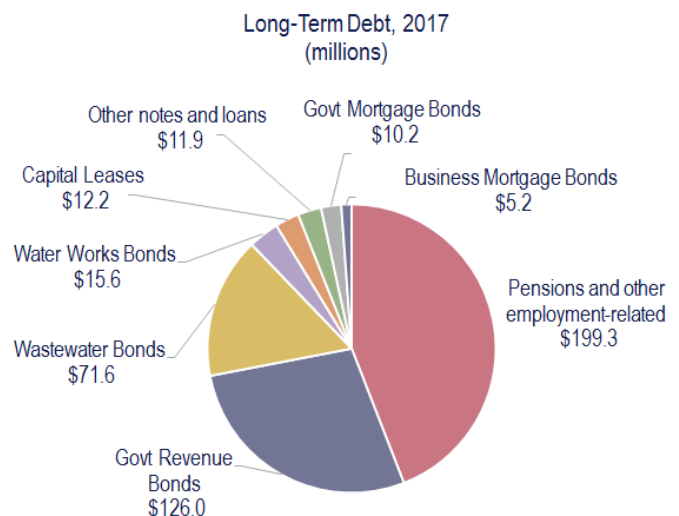
The largest segment of the City's debt is its pension and other employment liability. At the end of 2017, the City's Net Pension Liability was \$178.9 million. The City is required to contribute 11.2% of annual payroll for nonbargaining and Teamster employees, and 17.5% for Police and Fire department 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 2017, the City's expenditures toward debt repayment were \$27.6 million, 11.9% of government-wide expenses.

During 2017, the City initiated the following debt transactions:

- Entered into capital lease agreements in the amount of \$4.68 million to purchase certain vehicles, copiers, and equipment.
- Issued Taxable Economic Development Revenue Bonds in the amount of \$25 million to finance a portion of Phase II of the Eddy Street Commons development project.
- Issued Park District Bonds, Series 2017(A-K) in the amount of \$14.075 million for various park improvements.



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.

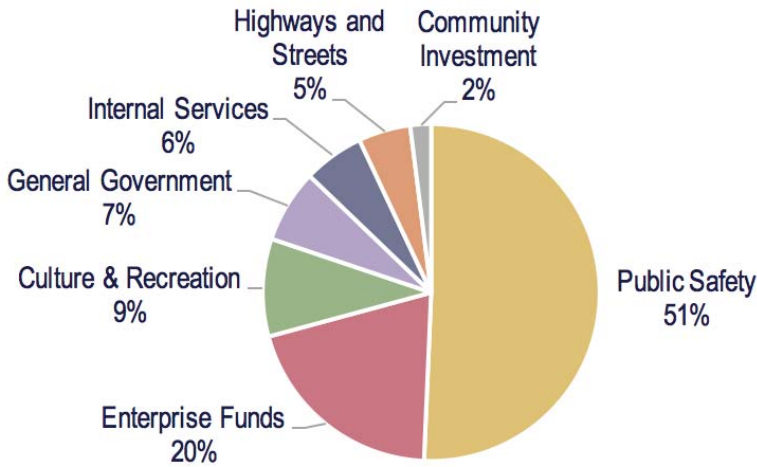
Great Bond Rating



6 weeks of fully paid parental leave

Full-Time Employees (FTE's)

Full-Time Employees By Category
December 31, 2017



General Government

Mayor's Office	7
City Clerk's Office.....	5
Common Council (elected officials, part-time)	9
Administration & Finance /	
Information Technology	21
Legal Department	10
Engineering	18
Safety and Risk	2
Human Rights	5

Public Safety

Police Department	285
Fire Department	272

Culture & Recreation

Parks & Recreation	94
Morris Performing Arts Center /	
Palais Royale	9

Community Investment

Dept of Community	
Investment	22

Highways & Streets

Street Department	55
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Enterprise Funds

Water Works	66
Wastewater	45
Organic Resources	6
Sewer	38
Solid Waste	23
Building Department	14
Code Enforcement /	
Animal Care & Control	29

Internal Services

Central Services	41
311 Call Center	6
Innovation and Technology	17

125,057 calls taken by 311

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 Saint Joseph County due to consolidation of 911 operations.



city of South Bend Indiana

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:

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South Bend, IN 46601
(574) 235-9822
jhockenh@southbendin.gov
www.southbendin.gov

For more detail regarding financial data, please refer to the 2017 Comprehensive Annual Financial Report (CAFR), found at www.southbendin.gov/2017_CAFR

All imagery sourced from respective City websites and organizations.

Report Designed by Marie Hostetler