

city of **South Bend**
Indiana

2018 PAFR (Popular Annual Financial Report)

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

Letter From the Mayor

June 30, 2019

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.

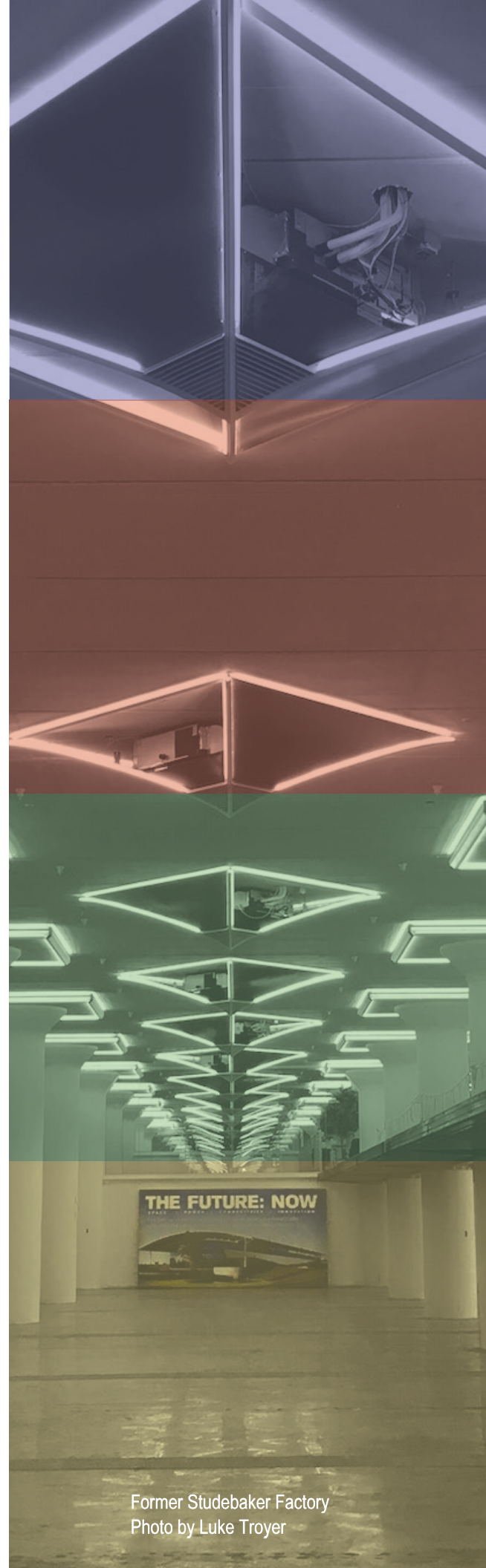
In that spirit, I am pleased to present the City of South Bend's fourth Popular Annual Financial Report (PAFR) to you, the City's ultimate executive board. The PAFR contains information about the City and its finances in a user-friendly format that is easier to digest and understand than the City's 313-page Comprehensive Annual Financial Report (CAFR). The PAFR contains information about the City 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 2017 PAFR received an award for outstanding achievement in Popular Annual Financial Reporting from the Government Finance Officers Association. This was our third year in a row to receive the award, and we were once again the only city in Indiana to do so.

South Bend continued its positive trajectory throughout 2018. Even as we prepared for upcoming revenue challenges in 2020, we delivered on priorities in public works, public safety, and inclusive economic development. Our downtown continues to see new commercial and residential opportunities, with enhancements down major corridors through façade grants and streetscape improvements. We've invested in neighborhoods throughout South Bend to enhance equity and make sure that all residents have access to high-quality resources. Of course, roads, sewers, and other public infrastructure remain top priorities for delivering enhanced quality of life for residents. We've also put funding towards making sure our fire and police departments are well-equipped to keep our neighborhoods safe. Our AA bond rating continues to be one of the best in the state.

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 Highest Regards,
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, 2017

Christopher P. Morill
Executive Director/CEO

for more information visit www.southbendin.gov



Saint Joseph County Courthouse
Downtown South Bend
Photo by Joe Molnar

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.

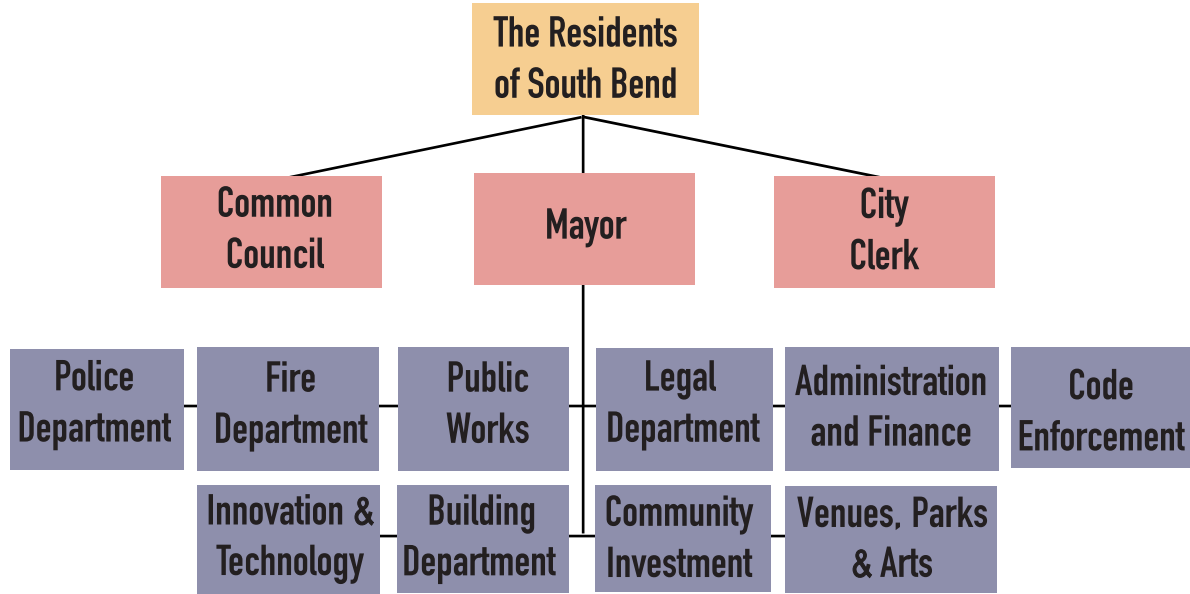
Expenditures are the costs of the City and are divided into three main types: operating, debt service and capital outlay. Operating expenditures are the costs for salaries and supplies needed to provide the services. These expenditures are ongoing, in that they will be incurred year after year as the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

Common Council
 Legislative Authority, 4 years each

Tim Scott
 1st District



Sharon McBride
 3rd District



Jake Teshka
 5th District



Gavin Ferlic
 Council Member at Large



Karen White
 Council Member at Large



Regina Williams-Preston
 2nd District



Jo M. Broden
 4th District



Oliver Davis
 6th District



John Voorde
 Council Member at Large



We Are South Bend

Population Statistics

Population Estimate..... 101,928
 % Female..... 51.7%
 % Male..... 48.3%

Average Persons Per Household..... 2.54

Median Household Income..... \$37,441
 Median Housing Value..... \$85,500
 Median Gross Rent..... \$741
 Persons Below Poverty Level..... 20.1%

Educational Attainment
 High school graduate or higher up to
 an associate's degree..... 59.1%
 Bachelor's degree or higher..... 24.3%

Population Demographics
 White..... 53.9%
 Black or African American..... 26.1%
 Hispanic or Latino..... 14.4%
 Asian..... 1.4%
 American Indian/Alaska Native..... 0.4%
 Native Hawaiian and Other Pacific Islander..... 0.1%
 Other Race..... 0.2%
 Two or More Races..... 3.5%

Veterans..... 4,630

Source: U.S. Census Bureau (<https://factfinder.census.gov/>)
 2013-2017 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



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 restaurant)	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 Park



Tippecanoe Place



Studebaker National Museum



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
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

For more information, visit www.visitsouthbend.com



Fridays by the Fountain



South Bend Cubs



East Race Rafting

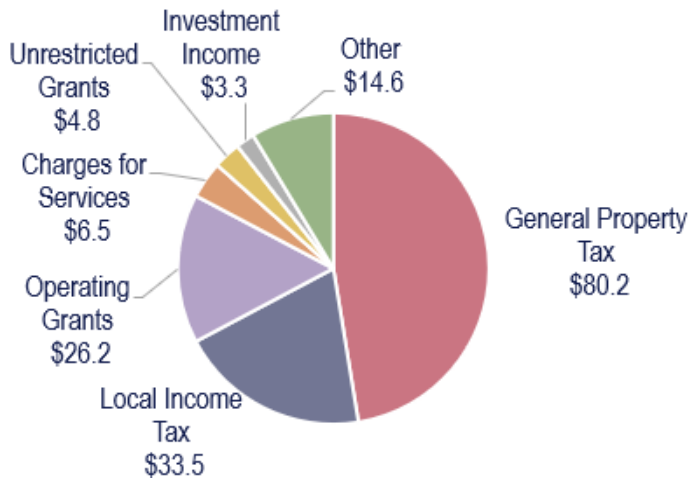


Downtown for the Holidays

The City's Revenue

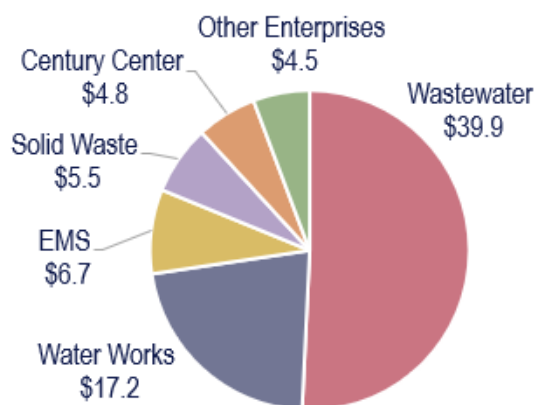
Revenue from **Governmental Activities** totaled **\$169.1 million** in 2018. The largest revenue sources were property taxes and local income taxes. Property taxes are capped at approximately 1% of property values for homeowners.

Governmental Activities Revenue, 2018
(millions)



Revenue from **Business-Type Activities** totaled **\$78.6 million** in 2018. 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, 2018
(millions)

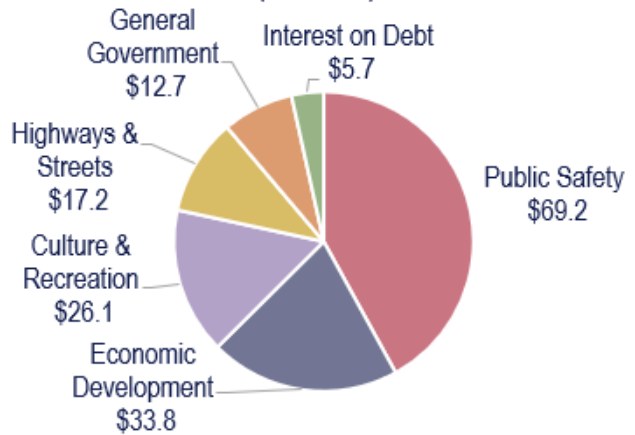




The Cost of City Services

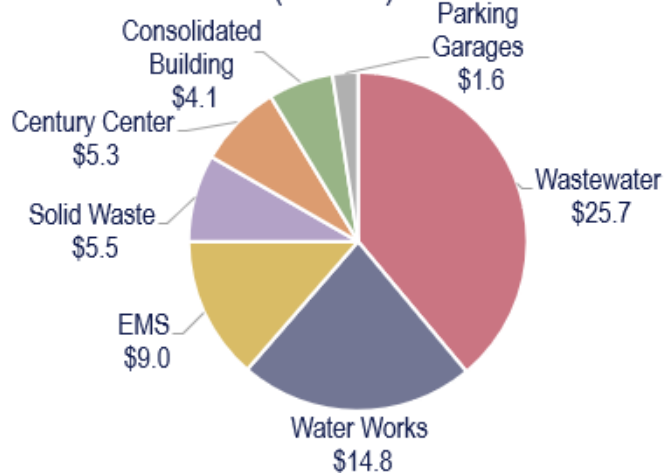
Total Expenses for **Governmental Activities** was **\$164.7 million** in 2018. The largest category was Public Safety (police and fire) followed by Economic Development, Culture & Recreation, and Streets.

Government-Type Expenses, 2018
(millions)



Total Expenses for **Business-Type Activities** was **\$66.0 million** in 2018. 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.

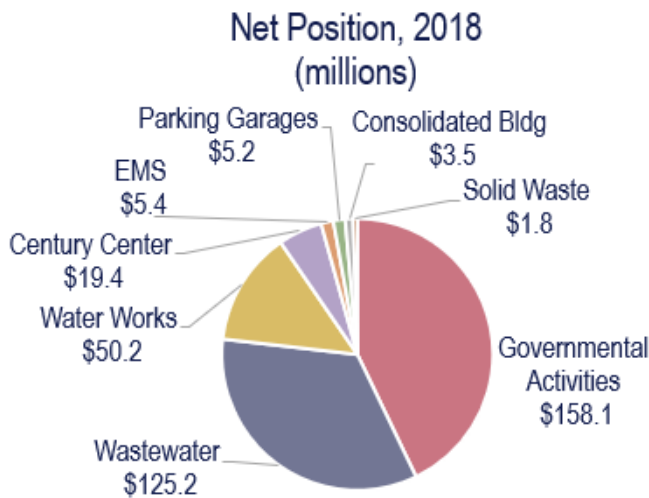
Business-Type Expenses, 2018
(millions)





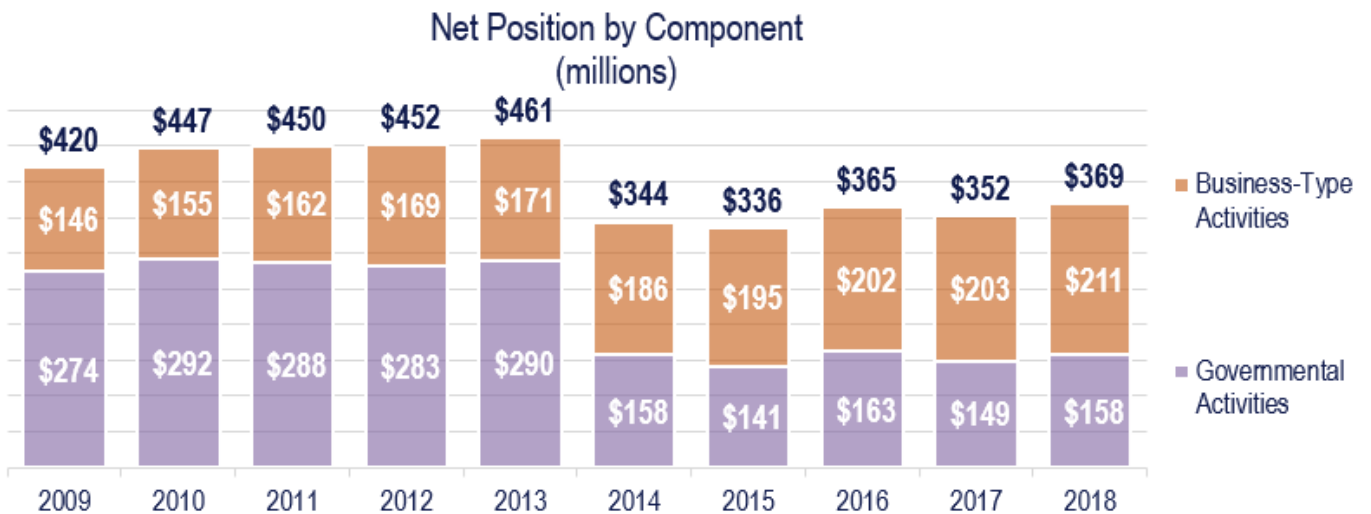
The City's Net Position

For 2018, the City's **Net Position** was **\$368.8 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 \$17,075,921 or 4.9% during fiscal 2018.

Overall, the City is better off financially at December 31, 2018 than it was at December 31, 2017 on a government-wide financial basis. The City's assets increased due to higher-than-expected property taxes and income taxes, while its liabilities were lower driven primarily by a substantial decrease in pension liability.



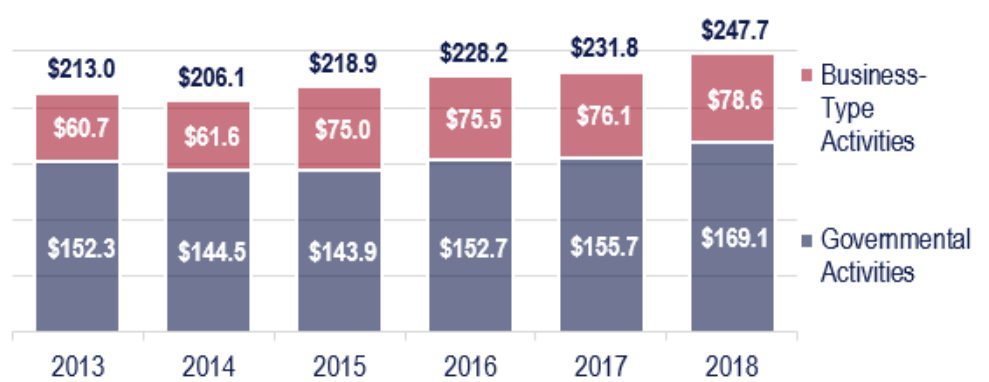
Net Position declined from 2013 to 2014 due to new accounting rules for recording pensions.

Government-Wide Revenue and Expenses

Government-Wide Revenue Changes 2017 to 2018

Government-wide revenue increased by 6.9% from 2017 to 2018. Governmental activity revenue increases are due mainly to increases in overall property taxes and income taxes, as well as certain one-time capital or operating grants. The increase in the business-type activity revenue is due mainly to significant increases in Water Utility and Wastewater Utility revenue, but is offset somewhat by a slight decrease in Emergency Medical Services (EMS) revenue.

Government-Wide Revenues, 2013-2018
(millions)



Government-Wide Expense Changes 2017 to 2018

Government-wide expenses decreased by 0.4% from 2017 to 2018. The increase in the governmental activity expenses was due mainly to increased salary and wage expense and health insurance costs. In contrast, the cost of business-type activities decreased in 2018, driven primarily by a decrease in costs of the Wastewater Utility, which had unusually high maintenance costs in 2017, and in 2018 saw costs that are closer to the five-year average.

Government-Wide Expenses, 2013-2018
(millions)



The City's Debt Burden

The City's total debt obligation at the end of 2018 was \$452.9 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.

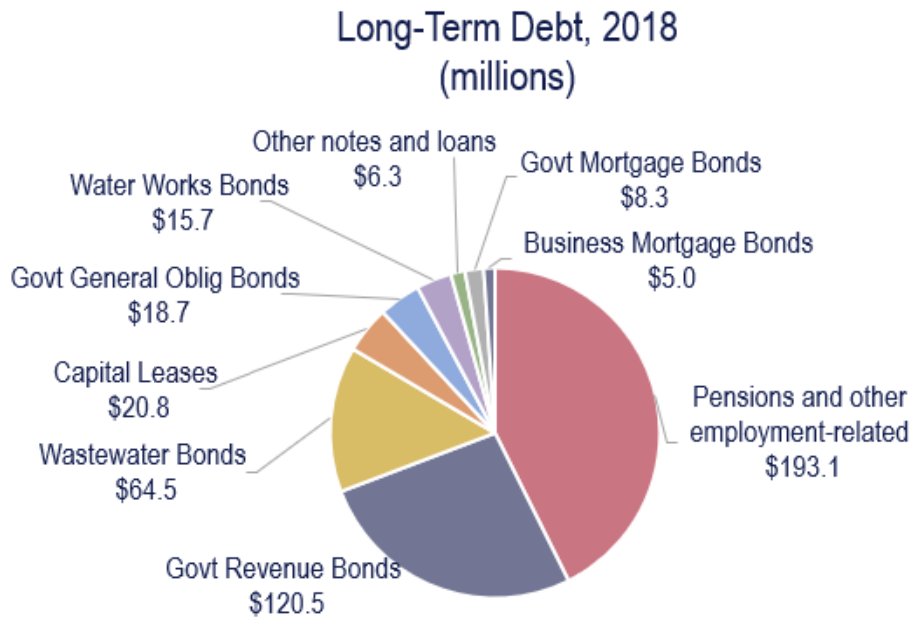
The largest segment of the City's debt is its pension and other employment liability. At the end of 2018, the City's Net Pension Liability was \$163.5 million. The City is required to contribute 11.2% of annual payroll for nonbargaining and Teamster employees, and 17.5% for Police and Fire department 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 2018, the City's expenditures toward debt repayment were \$31.8 million, 13.8% of government-wide expenses.

During 2018, the City initiated the following debt transactions:

- Issued General Obligation Bonds in the amount of \$5,045,000 to finance the construction of Fire Station #9 on the east side of the City and an additional building at the Fire Training Center.
- Entered into capital lease agreements in the amount of \$9,625,335 to purchase certain vehicles, copiers, and equipment.
- Issued Redevelopment District Bonds in the amount of \$11,995,000 million for various park improvements.
- Issued Economic Development Revenue Bonds in the amount of \$3,440,000 for the renovation of the Potawatomi Zoo entrance and exhibits.



Great Bond Rating

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

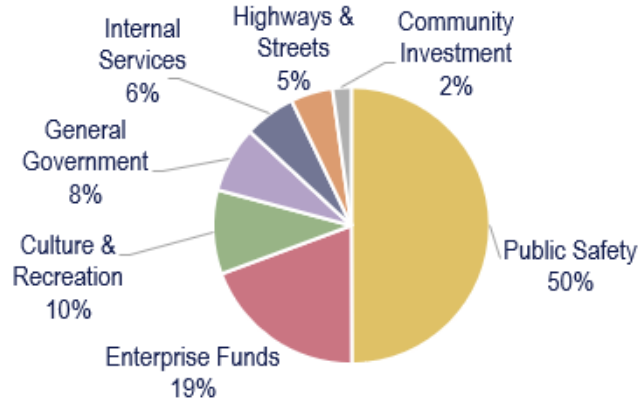
The bond or credit rating is a measure of the City's financial reputation. A good credit rating enables the City to borrow money for construction projects and other needs at the most competitive interest rates available. This saves thousands of taxpayer dollars in interest payments.

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 (FTE's)

General Government	
Mayor's Office.....	7
City Clerk's Office.....	5
Common Council (elected officials, part-time).....	9
Administration & Finance.....	23
Legal Department.....	10
Engineering & Sustainability.....	23
Safety & Risk.....	3
Human Rights.....	5
Public Safety	
Police Department.....	283
Fire Department.....	266
Culture & Recreation	
Parks & Recreation.....	90
Convention & Events Management.....	18
Community Investment	
Department of Community Investment.....	24
Highways & Streets	
Street Department.....	54
Enterprise Funds	
Water Works.....	63
Wastewater.....	42
Organic Resources.....	6
Sewer.....	39
Solid Waste.....	22
Building Department.....	15
Code Enforcement/Animal Care & Control.....	26
Internal Services	
Central Services.....	39
311 Call Center.....	7
Innovation & Technology.....	20

Full-Time Employees By Category
December 31, 2018



Full-Time Positions, 10 Year Trend
(Dec 31st Actual)



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 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:**

Department of Administration & Finance
City of South Bend
227 W. Jefferson Blvd., Suite 1200
South Bend, IN 46601
(574) 235-9217

For more detail regarding financial data, please refer to the 2018 Comprehensive Annual Financial Report (CAFR), found at <http://www.southbendin.gov/2018-CAFR>

Report Designed by Marie Hostetler

All imagery sourced from respective City websites and organizations.
Cover photo by Anna Kennedy.