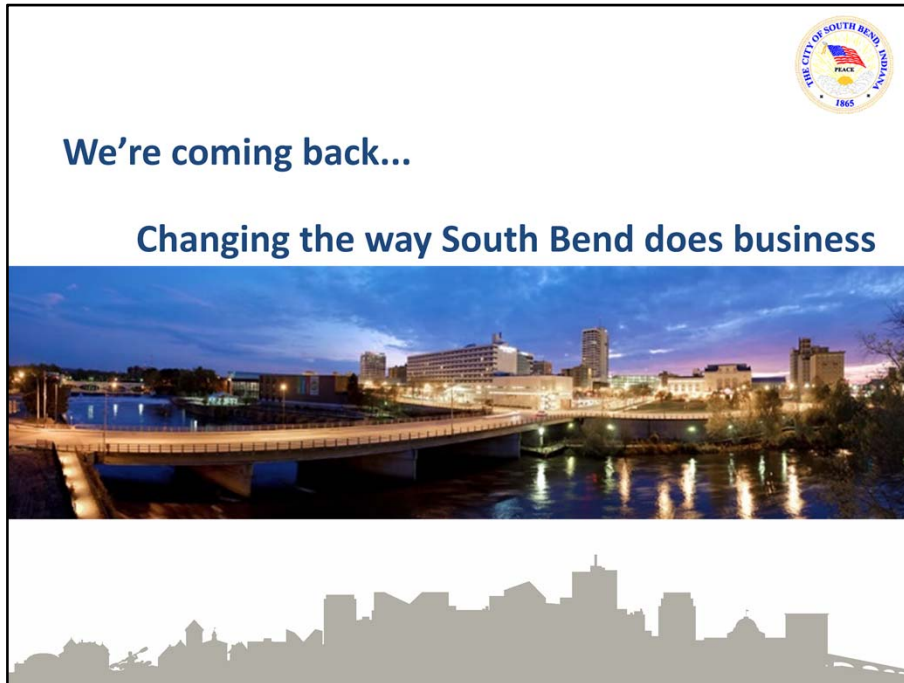




**Budget Presentation  
2014**



Good evening and thank you for this opportunity to present an overview of our proposed budget for 2014.

### **Introduction**

South Bend's comeback is now well underway. People both inside and outside of our community have taken note of a new civic energy, with improvements in the physical and the psychological environment of our community. Soon it will be two years since this administration and this Council were elected with a clear mandate to provide a fresh start for South Bend.

Two things are clear. First, we have seen a change in South Bend's trajectory, with a clear difference in our priorities, our way of doing business, and our ability to deliver. Secondly, we are by no means there yet. We have to make sure that each year, our city's comeback accelerates. Each passing year we need to be better equipped, better organized, better prioritized. And as a government, our framework to do that each year is the budget. South Bend's comeback is now well underway.

A budget is not just a fiscal document. It's a statement of our priorities. Give or take a couple days, the deadline for passing this year's budget represents the two-year mark since

this administration and this Council were elected. This coming year is brings a chance to consolidate our gains, and accelerate down the right track.



Two years ago, South Bend was busy debating whether or not we were a dying city. Newsweek—wrongly of course—said our community was on the list of ones that were not going to make it.



What a difference two years can make. In the last week alone, we were cited in *Fast Company* magazine for our work on wastewater management, our data center economy, and our Code for America engagement. And just yesterday, we had favorable coverage in the A section of the Wall Street Journal, citing our use of data. That’s just in the last week. The Smart Cities expose put us alongside Singapore and San Francisco as one of the world’s smart cities to watch. Last year NPR told the entire country about our story and our framework for setting a new economic direction. Our reputation is turning around.

Even more importantly, people here at home are gaining confidence because they can see progress with their own eyes. The emerging renaissance of residential, cultural, and dining activity has been unmistakable in our downtown area.




South Bend's comeback is now fully underway. The Business section of the Tribune brings stories of new restaurants and job expansions where we used to see only closures. Hundreds of jobs have been added or retained. On the West Side, the Bosch facility is coming back to life. The near South side of downtown boasts a ballpark rated as the best stadium improvement in America last year. Citywide, over \$23 million in private investment has been secured in City-related projects this year alone. Our website is winning awards; our 311 center takes thousands of calls a week; jobs are up, crime is down, population appears to be holding steady.

None of this happens on its own, and none of it can be taken for granted. To keep up the progress, we have to push harder. We have to continue doing what works, and even more importantly, we are nowhere near finished when it comes to changing the way South Bend does business.

We have to organize and fund an administration capable of delivering on the expectations of the people who voted us into office. Most people in South Bend believe we are on the right track, but they also are impatient for us to do more. At no time in the entire year do we get a better chance to make sure that happens than now, in this conversation and this series of decisions, as we prepare our budget for the coming year.

We have to fund myriad competing, valid, and vital priorities. We have to organize and adequately compensate over a thousand hard-working City employees. We have to maintain our credit status as the most highly-rated class 2 city in the state of Indiana. And we have to do all of it within the constraints of a hard ceiling on property tax revenue. All while balancing the general fund budget and maintaining adequate cash reserves.


Tonight I am introducing our plan to do that for 2014. That's what this budget is about.



## What South Bend must be

Our goal is to ensure South Bend is a **strong** and **open** city for **everyone**, where:

- The basics are easy for residents
- Government services are first-rate
- Everyone can thrive



Every time I get a chance, I remind everyone of the three mission elements of the City government.

First, we make the basics of life easy for citizens. Since holding down a job, raising a family, getting through school, is tough enough on its own, we see to it that residents can do all that without worrying about whether their drinking water is clean, their streets functional, their neighborhoods safe.

Second, we offer good government—cost-effective services delivered quickly and professionally by a transparent government that puts citizens first.

And third, the most urgent thing in front of us, related to the other two—we create an environment where everyone can thrive, promoting job creation and economic development by every means available.

In this year's budget, you will see a number of cross-cutting initiatives that make our city better at doing these three things. It's about continuing to change the way we do business in order to accelerate South Bend's comeback.

Over and above funding our basic priorities, balancing our general fund, keeping police



officers and fire fighters on the street and water running through our pipes and doing all the things a city must to do be worthy of the name... over and above that, we have changes we have to make that cut across our departments, our funds, our districts.



## Investment Ready Places

- Proposed 2014 Investments
  - \$32.0m for investment ready places and people
  - \$11.4m for Smart Streets
- KPIs
  - 210 jobs created in 2013
  - \$623,000 public investment leveraged \$23.4m in private investment so far in 2013
- We must create the kind of places where people want to live and business want to invest.



### **Creating jobs / streets**

Five years after the housing bubble burst, all eyes continue to be on the economy first and foremost. Last year we added 1,600 jobs, but we have a long way to go. We must work to continue to drive investment and grow jobs, and this budget makes that our top priority using old tools and new ones.

The strategy comes down to this: we must create the kinds of places where people want to be and businesses want to invest. Not because of advertising, but because it's the right answer for them. Hundreds of jobs and over \$40 million in investment are on the line, just in deals the department is working on right now.

This means developing investment-ready places. The economic development budget includes the completion of a multi-tenant building to house the newest tenants in Ignition Park. With the Ivy Tower building sold last year, we will push to completion of the building's remediation to enable the Renaissance District to remain on a path for tens of millions of dollars in investment. We plan to grow Eddy Street Commons and Blackthorn.

The most important things a City can do to foster development has to do with foundations. The skeleton, the basic services, the infrastructure. Most noticeably, the streets. If we want to realize our economic potential, our city needs to invest in vibrant streets. Right now,

many of our streets have an appearance or a design that actually destroys value. We need to turn this on its head, creating value with investments needed to create smarter streets. This means lifting up our corridors, and straightening our downtown traffic patterns.

In the late 1960s and 1970s, it became commonplace to convert streets in American cities to a one-way pattern. Streetscape features became less of a priority, and the pedestrian was all but forgotten. A generation of urban experience has shown this to be a mistake, and cities across America have spent the last twenty years rethinking their streets, especially their corridors and downtown areas, to make sure they are set up to support organized city life. The current pattern of streets in our city is destroying value. It is depressing exchange, and delaying our comeback. We need to get with the times.

Our 2014 budget paves the way for interventions on key corridors and downtown thoroughfares that will create rather than destroy value, enhancing the look and feel, ease of navigation, pedestrian safety, and economic viability of critical South Bend streets.

This leads me to another key aspect of our job creation agenda, human capital. Smart streets are just part of how we attract and retain the qualified workers you need for a growing economy. We will also launch a workforce development initiative and a deconstruction effort that builds skills and supports direct employment in the context of tackling vacant and abandoned homes.

## Vacant and Abandoned Housing



- Proposed 2014 Investments
  - \$2m for repair and demolitions
  - \$300,000 for deconstruction (12 jobs)
- 2013 KPIs
  - 45 houses repaired
  - 19 houses demolished
- Increasing the value and improving the quality of life in our neighborhoods is critical.



### **Vacant and abandoned homes**

More broadly, the effort to conquer our issue of vacant and abandoned homes continues. Earlier this year I challenged our community to muster the resources to repair or demolish 1,000 houses in 1,000 days. Already dozens of houses have been taken off the vacant and abandoned list, through a combination of demolition and repair. The work continues in 2014, and this budget gives us the resources we need to stay on track.

## Information Technology



- Proposed 2014 Investments
  - \$5.0m in employee, services, and capital
- KPIs
  - 7,371 service calls to IT (target of 6,000)
  - Future measure: Our Technology IQ
- Strategy provides clarity to our services, our partnerships, our integration with other government entities and our community engagement.



### **Information technology**

We're budgeting for a more robust IT infrastructure and strategy for our city. IT no longer means just fixing computers. All organizations, including cities, must use technology wisely if we are to compete and deliver on our mission. A huge part of South Bend's improvement in reputation in recent years relates to our new openness to technology. One of my favorite things has been the disbelieving and fascinated tone of reporters from around the country as I tell them about our use of technology. Getting this right will enable all three of the mission priorities of our city—making the basics easier, delivering good government, and creating jobs.

## Customer Service



- Proposed 2014 Investments
  - \$480,000 for 311
  - 7 employees for 311
- KPIs
  - ~62% of calls answered within 30 seconds (target is 65%; best practice 80%)
  - 57,648 calls taken to date (50,000 goal for 2013)
- Residents expect and deserve exceptional customer service.



### **Customer svc**

When it comes to making good on residents' expectations that we change the way we do business, nothing is more fundamental than customer service. Are we an easy city to deal with? What's it like doing business here? We've come a long way—our 311 center has handled over 50,000 calls already in about six months, and our Department of Community Investment now offers a single point of contact for all business assistance inquiries and needs. This budget continues to reallocate resources to 311 and ensures that business assistance is properly staffed so that we can build on these gains and beat expectations—whether the customer is a resident with a water bill question, or a major business making a site decision.



### Org chart

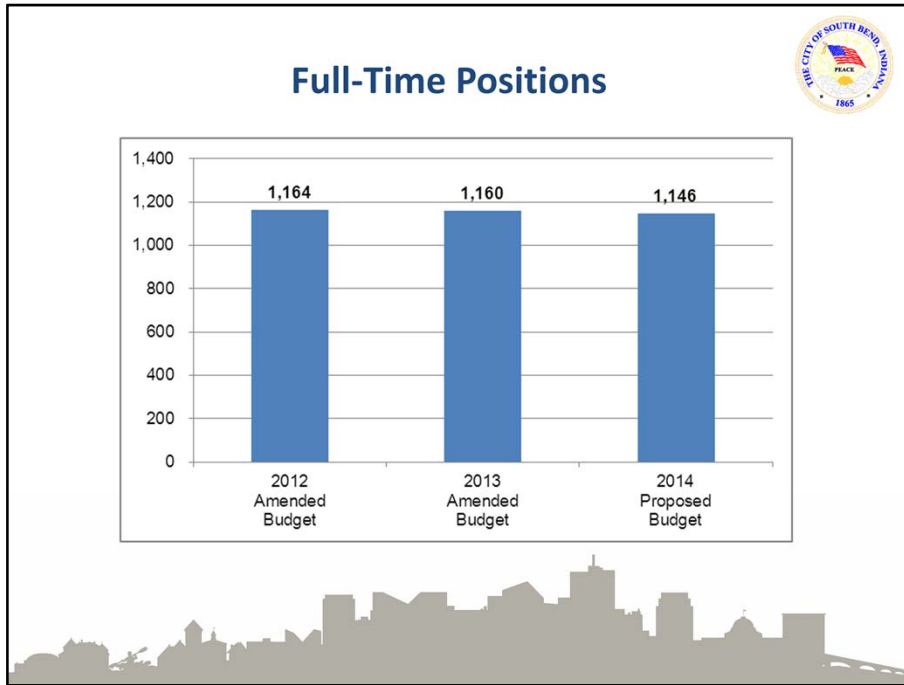
Sometimes changing the way we do business means changing your organization, your structure, to make it happen. As you know, I have repeatedly made the case for us to have an organization and compensation structure that professionalizes city government, and most of our successes trace back to our ability to recruit and organize for a truly professional city administration. Much of our effort last year went into restructuring the DCI which now is much more nimble and effective.

The need to evolve continues, in order for us to be effective and efficient, and this organization chart reflects our latest thinking. The biggest change you will notice is that we propose bringing the building department and the code enforcement department under the same heading. This has the benefit of being both more effective and more affordable. It's more effective because we have employees who deal with properties and codes and ought to be working from the same base of information about our properties. More affordable because this requires one staff, not two. And it takes advantage of seasonal variations in the workflow for both departments.

We are also normalizing compensation in leadership positions to ensure that there is better equity, both internally and with respect to our peer cities. Finding a way to do this has not been easy in this budget environment, but by making careful choices, and some sacrifices

(including pay freezes for myself and a number of other department heads this year), we have ensured that overall payroll changes lead to no overall increase but instead a taxpayer savings compared to business-as-usual.





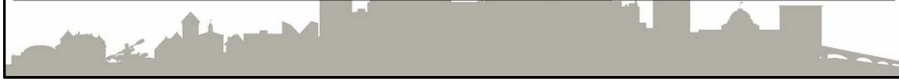
**Employees**

The overall City workforce continues to shrink by a modest amount from year to year. As we drive productivity and efficiency gains with better use of technology and leaner organization, we will [add numbers] continue to see the workforce reduce towards the neighborhood of 1,000 employees. [numbers on slide here]

## Revenue & Expenditure Summary 2008 to 2014



Fund	Fund Name	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Amended Budget	2014 Proposed Budget	2013-2014 Percent Change
<b>Revenues</b>									
	<i>General Fund</i>	33,930,404	96,281,658	61,449,946	60,911,669	63,585,275	63,932,287	55,721,016	-12.8%
	<i>Total Special Revenue Funds</i>	44,925,597	49,411,366	60,382,796	53,315,524	55,684,376	65,412,842	54,527,767	-16.6%
	<i>Total Capital &amp; Debt Service Funds</i>	6,861,960	9,189,365	7,972,851	7,592,782	7,757,647	8,232,776	7,162,033	-13.0%
	<i>Enterprise Funds</i>	64,521,513	72,074,502	74,292,685	103,169,961	113,687,196	98,301,469	102,304,531	4.1%
	<i>Internal Service Funds</i>	20,512,587	18,200,236	15,865,625	17,999,349	21,154,131	23,615,529	24,524,572	3.8%
	<i>Trust Funds</i>	7,821,320	14,193,476	11,011,500	12,021,517	13,207,579	10,914,226	11,701,582	7.2%
	<i>Tax Increment Financing Funds</i>	2,293,413	22,175,881	50,916,689	29,391,567	28,434,536	27,724,411	27,384,603	-1.2%
	<i>Redevelopment Funds</i>	1,690,650	2,379,393	6,775,365	2,337,812	1,785,930	3,196,603	3,151,529	-1.4%
	<i>Debt Service Funds</i>	768,279	45,095	515,797	652,807	23,728	14,550	14,000	-3.8%
	<b>Total Revenue</b>	<b>183,325,723</b>	<b>283,950,972</b>	<b>289,183,254</b>	<b>287,392,988</b>	<b>305,320,398</b>	<b>301,344,693</b>	<b>286,491,633</b>	<b>-4.9%</b>
<b>Expenditures</b>									
	<i>General Fund</i>	66,503,546	61,327,868	59,241,185	61,438,862	63,399,284	64,967,316	55,673,430	-14.3%
	<i>Total Special Revenue Funds</i>	41,204,024	35,253,141	56,823,840	53,543,871	52,176,078	66,250,748	63,153,197	-4.7%
	<i>Total Capital &amp; Debt Service Funds</i>	7,377,491	10,333,632	8,765,807	7,355,824	9,669,642	12,747,372	11,466,274	-10.0%
	<i>Enterprise Funds</i>	74,460,068	75,348,774	74,145,059	86,579,570	89,188,333	122,703,541	126,521,534	3.1%
	<i>Internal Service Funds</i>	15,461,269	16,099,353	15,876,382	16,864,943	21,636,374	24,615,132	25,408,937	3.2%
	<i>Trust Funds</i>	11,593,997	11,647,851	11,799,890	12,323,516	12,215,209	12,844,161	13,106,386	2.0%
	<i>Tax Increment Financing Funds</i>	12,654,336	17,141,720	22,186,208	36,848,085	30,746,010	48,835,125	42,705,929	-12.6%
	<i>Redevelopment Funds</i>	4,007,239	4,004,889	5,190,586	8,014,158	2,335,038	2,004,493	5,277,706	163.3%
	<i>Debt Service Funds</i>	170,848	42,595	17,797	253,807	1,497,758	337,050	11,000	-96.7%
	<b>Total Expenditures</b>	<b>233,432,818</b>	<b>231,199,823</b>	<b>254,046,754</b>	<b>283,222,236</b>	<b>282,863,726</b>	<b>355,304,938</b>	<b>343,324,393</b>	<b>-3.4%</b>
	<b>Net</b>	<b>(50,107,095)</b>	<b>52,751,149</b>	<b>35,136,500</b>	<b>4,170,752</b>	<b>22,456,672</b>	<b>(53,960,245)</b>	<b>(56,832,760)</b>	<b>5.3%</b>
	- Transfers In/ Transfers Out \$24,660,252 for the 2014 Proposed Budget.								



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# Five-Year Capital Improvement Plan Summary



Type	2014 Budget	2015 Projection	2016 Projection	2017 Projection	2018 Projection
<b>Summary by Type</b>					
Vehicles	4,268,150	3,709,599	4,656,005	5,281,365	4,344,800
Computer Equipment	710,390	1,451,481	1,067,000	1,000,000	1,000,000
Machinery & Equipment	1,787,774	1,134,406	1,270,706	1,342,021	1,168,756
Building & Building Improvements	3,189,000	7,730,000	5,455,000	3,843,400	1,070,000
Land & Land Improvements	43,880,160	10,638,258	4,389,400	6,177,700	6,458,500
Water & Wastewater Systems	37,127,580	26,427,125	25,217,500	24,952,350	24,695,000
Other	338,400	285,000	375,000	290,000	275,000
<b>Total</b>	<b>91,301,454</b>	<b>51,375,869</b>	<b>42,430,611</b>	<b>42,886,836</b>	<b>39,012,056</b>



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## Conclusion

We are well on our way to delivering the changes that residents hired us to make. In reality, perception, and reputation, our city is improving. That's what's at stake in this budget—not just dollars and cents, but the ability to fuel our city's accelerating comeback. As we come together to review and refine our proposal, the administration needs the partnership of the Council to ensure we continue to live up to the extremely high expectations of our residents.

Only by changing our outlook, ...

...

...We are well on our way to delivering the changes that residents hired us to make. In reality, perception, and reputation, our city is improving.

We're just getting started, paving the way for South Bend to once again become a frontier for re-development.

South Bend has large untapped potential for fostering economic growth. We're small enough to be affected by incremental change—and large enough to afford opportunities that will create substantial impact.

We're changing the way we do business, embracing what our residents want and working together to become stronger than ever before. An exciting future lies ahead.

That's what's at stake in this budget—not just dollars and cents, but the ability to fuel our city's accelerating comeback.]]