

Revenues

Total revenue for the City of South Bend is estimated at \$324,182,623 for 2018, which is an 14% decrease from total estimated revenue of \$378,683,292 for 2017. The contributing factors to the decrease in revenue can be seen below:

Revenue Category	2016 Actual	2017 Amended Budget	2018 Adopted Budget	Budget Variance 2017-2018	Percentage Change
Property Taxes	76,708,416	77,024,124	77,700,690	676,566	1%
Local Income Taxes	31,463,184	28,360,244	29,256,797	896,553	3%
Other Taxes	25,491,250	26,135,699	27,718,675	1,582,976	6%
Grants/Intergovernmental	6,911,112	14,946,800	8,180,000	(6,766,800)	-45%
Charges for Services	96,495,309	104,923,447	99,910,245	(5,013,202)	-5%
Interfund Allocations	8,185,682	15,000,221	16,385,528	1,385,307	9%
Bond Proceeds	-	44,355,100	4,601,750	(39,753,350)	-90%
Fines & Forfeitures	1,035,402	927,219	825,960	(101,259)	-11%
Donations	491,694	809,414	513,250	(296,164)	-37%
Interest Earnings	2,118,038	2,715,694	1,868,514	(847,180)	-31%
Other Income	14,151,492	15,530,305	9,852,236	(5,678,069)	-37%
PILOT	5,711,808	6,208,332	6,332,487	124,155	2%
Transfers In	24,482,414	41,746,693	41,036,491	(710,202)	-2%
Total Revenue	\$293,245,801	\$378,683,292	\$324,182,623	(\$54,500,669)	-14%

The City does not anticipate receiving as much in grant funding in 2018 as it did in 2017. Due to uncertainty with grant programs with various federal and state agencies, the City is conservatively budgeting in this area.

Several bonds were issued in 2017, totaling \$30.6 million. So far only one bond is budgeted for 2018, in the amount of \$4.6 million relating to a newly constructed fire station which will be replacing a fire station that no longer meets the needs of the department.

Although actual interest earnings continue to rise, the City budgets interest earnings conservatively.

Other Income includes many one-time sources of revenue such as property and fixed asset sales, miscellaneous reimbursements, and insurance claims. As a result, Other Income was conservatively budgeted.

Charges for Services is expected to decline significantly. The EMS Capital Fund and EMS Operating Fund receive Medicaid reimbursement revenue. Per the Fire Department's consultant on Medicaid reimbursement programs, the payments are going to start decreasing in 2018 and will eventually disappear. Also, Solid Waste revenue decreased due to the fact that recycling program has been taken over by the County.

The following is a discussion of major revenue categories and trends:

Property Taxes – \$77,700,690 – 24.0%

Property taxes are based on the net assessed valuation of real and personal property in the City multiplied by the tax rate as determined by the Indiana Department of Local Government Finance. Property taxes are an important source of revenue for the General Fund, Parks & Recreation Fund, Cumulative Capital Development Fund, Hall of Fame Bond Fund and Tax Increment Financing (TIF) Funds. Property tax revenue is limited by “circuit breaker” property tax reform that limits the amount of property taxes paid to a fixed percentage of gross assessed valuation—1% for homestead/residential, 2% for rental, 3% for commercial/personal property. Based on actual receipts in 2016 and 2017, it appears that property tax revenues are increasing slightly instead of decreasing as they have been since 2009. The effect of circuit breaker property tax reform and lower net assessed values has reduced property tax revenue received by the City in recent years:

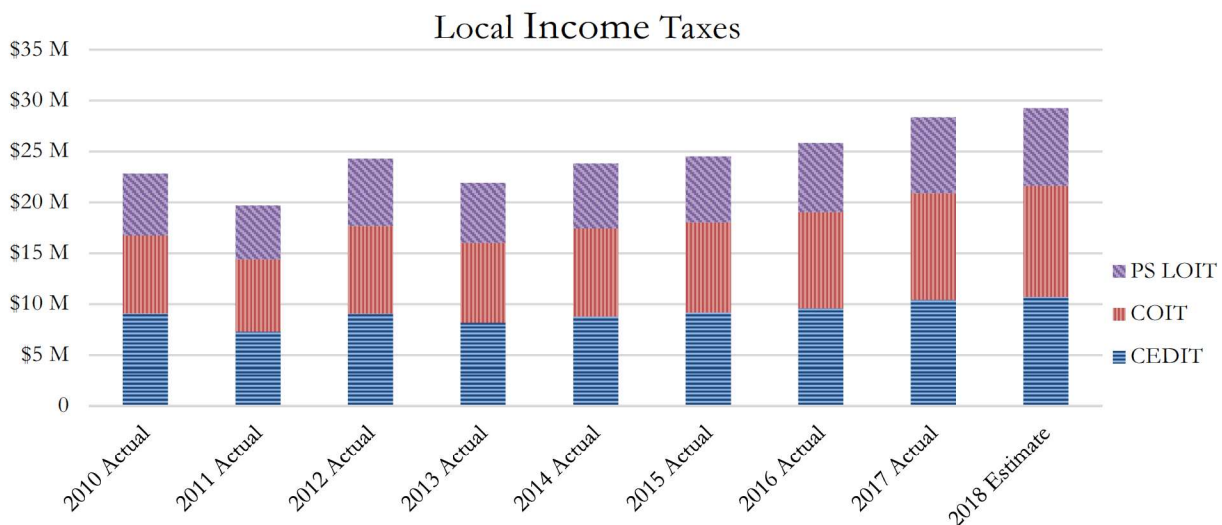
	<u>Civil City Funds</u>	<u>TIF Funds</u>	<u>Total Property Tax Collections</u>
2008 Actual	\$65,200,047	\$19,286,939	\$84,486,986
2009 Actual	\$52,033,758	\$22,256,716	\$74,290,474
2010 Actual	\$49,710,529	\$27,578,275	\$77,288,804
2011 Actual	\$48,218,718	\$24,743,455	\$72,962,172
2012 Actual	\$48,843,403	\$24,061,128	\$72,904,531
2013 Actual	\$45,189,966	\$24,790,322	\$69,980,288
2014 Actual	\$45,002,931	\$27,031,090	\$72,034,021
2015 Actual	\$46,171,932	\$24,742,902	\$70,914,835
2016 Actual	\$49,067,532	\$27,640,882	\$76,708,415
2017 Actual	\$49,858,701	\$27,277,646	\$77,136,347
2018 Estimated	\$49,822,557	\$27,878,133	\$77,700,690



Local Income Taxes – \$29,256,797 - 9.0%

Local income taxes are based on employee wages earned in Saint Joseph County multiplied by the tax rate and then allocated to the local governmental units in the county based on several factors including property tax levy amounts. Saint Joseph County has adopted three local income taxes (LIT) that result in direct revenue to the City—namely, the County Option Income Tax (COIT) (.6% of wages), the County Economic Development Income Tax (CEDIT) (.4% of wages) and the Public Safety Local Option Income Tax (PS LOIT) (.25% of wages). In addition, the Saint Joseph County has adopted the Property Tax Replacement LIT (.5% of wages) that results in no direct revenue to the City but does reduce circuit breaker property tax losses. LIT revenue has been strong in recent years as the local economy continues to improve. During 2012, the State of Indiana made a one-time payment of additional LIT to make up for some prior state accounting errors. 2018 values are certified values from the Department of Local Government Finance. It is assumed that due to the improvement in the local economy, the LIT increased. However, the City is not projecting this increase to continue in future years. In 2016, the State of Indiana made a one-time special distribution of local income tax revenue to be used for road projects (\$4,217,550) and added to the City’s Rainy Day Fund (\$1,405,850). Therefore, all projections subsequent to 2018 are assuming the average increase of 2%:

	<u>CEDIT</u>	<u>COIT</u>	<u>PS LOIT</u>	<u>Total</u>
2010 Actual	\$9,090,415	\$7,648,824	\$6,078,454	\$22,817,693
2011 Actual	\$7,300,866	\$7,097,462	\$5,293,619	\$19,691,947
2012 Actual	\$9,068,785	\$8,610,742	\$6,605,601	\$24,285,128
2013 Actual	\$8,177,352	\$7,846,939	\$5,892,386	\$21,916,677
2014 Actual	\$8,796,821	\$8,645,811	\$6,380,029	\$23,822,661
2015 Actual	\$9,181,206	\$8,859,912	\$6,466,190	\$24,507,308
2016 Actual	\$9,594,602	\$9,454,023	\$6,791,160	\$25,839,785
2017 Actual	\$10,433,361	\$10,459,265	\$7,467,618	\$28,360,244
2018 Estimated	\$10,720,965	\$10,906,293	\$7,629,539	\$29,256,797



Charges for Services – \$99,910,245 - 30.8%

Charges for services are fees charged by the City's enterprise funds (i.e. Wastewater, Water Works, Solid Waste, Emergency Medical Services, and Century Center convention facility) and certain governmental funds (i.e. Parks & Recreation) for services provided. Most fees charged have remained fairly consistent in recent years with the exception of the fees charged by Wastewater that increased each year through 2016 in order to finance capital improvements to wastewater plant and collection system in response to an EPA-mandated consent decree agreed to by the City. The annual rate increases in Wastewater Fees are as follows:

2018 – 0%
2017 – 0%
2016 – 5%
2015 – 5%
2014 – 5%
2013 – 9%
2012 – 9%
2011 – 9%

In 2017, the South Bend WaterWorks undertook the lengthy process of requesting a water rate increase through the Indiana Office of Utility Consumer Counselor (OUCC). This is the first water rate increase in more than 10 years for the City. The City anticipates receiving a favorable ruling which will allow for a 22% increase each year for 2 years. This increase will allow for continued maintenance and improvement of the water infrastructure. The anticipated rate increases are included in the 2018 and 2019 budgets.

Total charges for services revenue for the major utility funds are as follows:

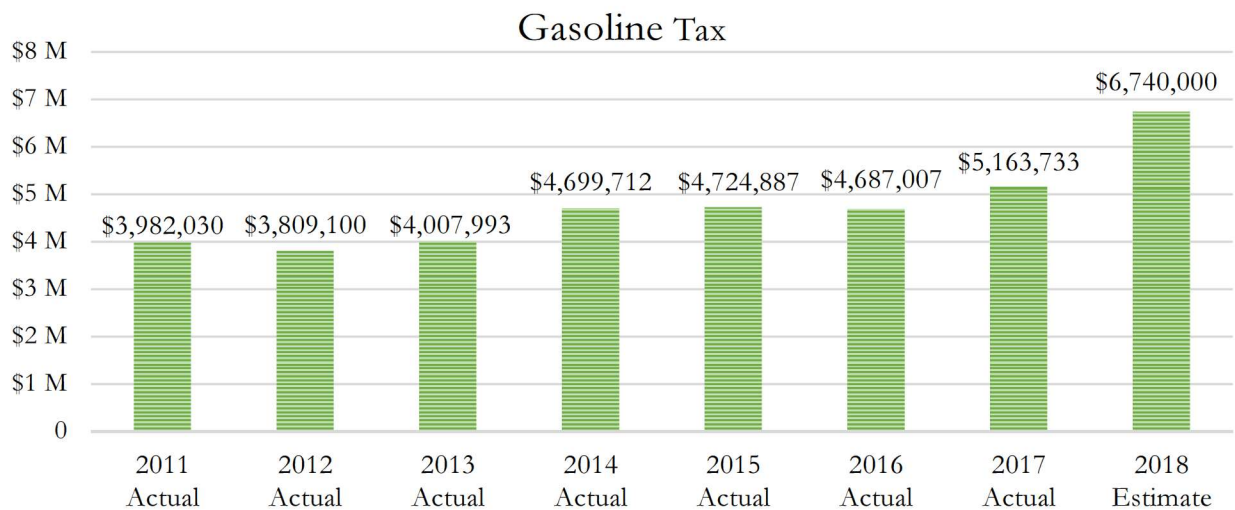
2018 Estimated	- \$84,569,365
2017 Actual	- \$77,847,650
2016 Actual	- \$74,239,529
2015 Actual	- \$76,990,774
2014 Actual	- \$71,622,687
2013 Actual	- \$67,363,085
2012 Actual	- \$66,262,435
2011 Actual	- \$62,364,971
2010 Actual	- \$59,549,775

Gasoline Taxes – \$6,740,000 - 2.1%

Distributions of gasoline tax revenue are made monthly by the Indiana Department of Revenue to the City for use in the construction, operation and maintenance of streets. Distributions are based on a formula that takes into account population, road and street mileage and other factors. Gasoline tax revenue helps fund the Motor Vehicle Highway Fund and the Local Roads & Streets Fund.

Effective July 1, 2017, a 10-cent per gallon gas tax increase was implemented to assist with the funding of road maintenance. This increase significantly increased the revenues expected for the City of South Bend. 2018 will be the first full year of this tax increase, which is expected to allow for much needed road repairs and maintenance in the coming years.

Total gasoline tax revenue is as follows:

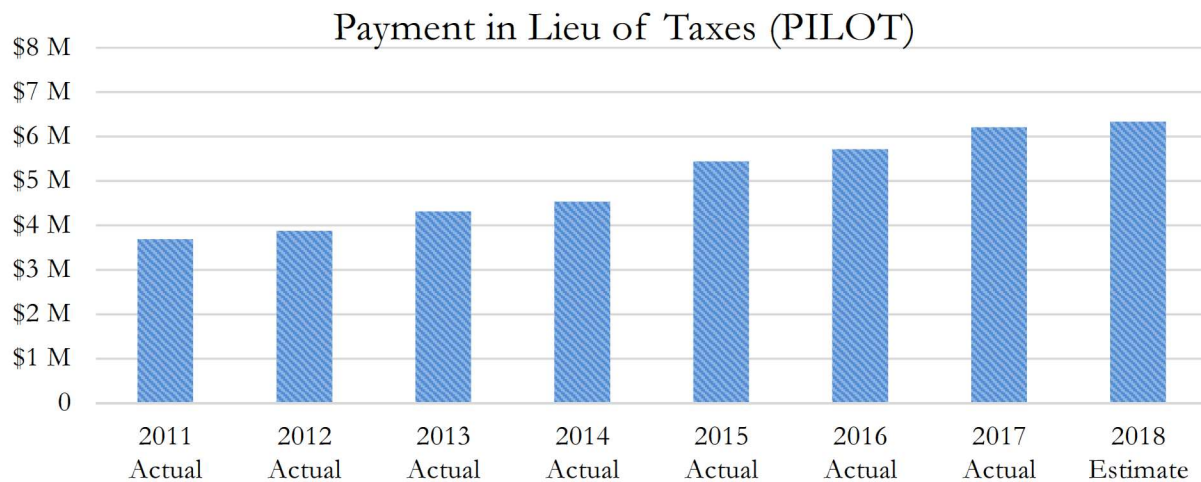


Payment in Lieu of Taxes – \$6,332,487 - 2.00%

Payment in lieu of tax (PILOT) revenue is received as an internal charge to the City’s Wastewater and Water Works utility funds. PILOT is computed as the net book value of the capital assets of the utilities multiplied by the property tax rate. Beginning in 2017, PILOT revenue is received by only the General Fund. The City has elected not to charge the maximum amount of PILOT computed but did increase PILOT revenue by 20% from 2014 to 2015 to assist in balancing the budget. The 2016 increase was back to the normal 5% increase over 2015. In 2017, it was decided to revise the calculation of the charge to limit each paying entity to the maximum 3% charge they would receive should the entity be a tax paying business and that all PILOT charges will be deposited directly into the General Fund. The increase in 2018 was limited to a 2% increase based on need of the General Fund and the current conditions in the utility funds.

Total payment in lieu of tax (PILOT) revenue is as follows:

	<u>General Fund</u>	<u>Parks & Recreation</u>	<u>Football Hall Of Fame</u>	<u>Cumulative Capital Development</u>	<u>Total</u>
2011 Actual	\$2,974,460	\$580,875	\$88,695	\$45,140	\$3,689,170
2012 Actual	\$3,120,225	\$616,596	\$93,040	\$43,768	\$3,873,628
2013 Actual	\$3,503,778	\$696,009	\$71,468	\$40,055	\$4,311,310
2014 Actual	\$3,671,422	\$729,389	\$85,677	\$46,692	\$4,533,180
2015 Actual	\$4,282,212	\$884,835	\$220,578	\$52,191	\$5,439,816
2016 Actual	\$4,620,384	\$926,268	\$112,116	\$53,040	\$5,711,808
2017 Actual	\$6,208,332	\$0	\$0	\$0	\$6,208,332
2018 Estimated	\$6,332,487	\$0	\$0	\$0	\$6,332,487



Investment Earnings – \$1,868,514 - 0.58%

Interest rates earned on City cash reserves and investments have been low in recent years and are less than 1% per year on average. The City has a custodial investment agreement with a local financial institution to manage its investments in a professional manner. One of the goals of the investment manager is to increase yields over what a normal certificate of deposit would pay. Investment earnings increased in 2012-2017 as the City has accumulated additional cash reserves and has authorized the investment manager to invest a certain percentage of the portfolio in 2-5 year maturities. The City is limited by state law to only invest in fixed income instruments. Investment earnings are budgeted to decrease during 2018; however, due to the recent increase in investment earnings, it is likely that the City will exceed budgeted investment earnings in 2018.

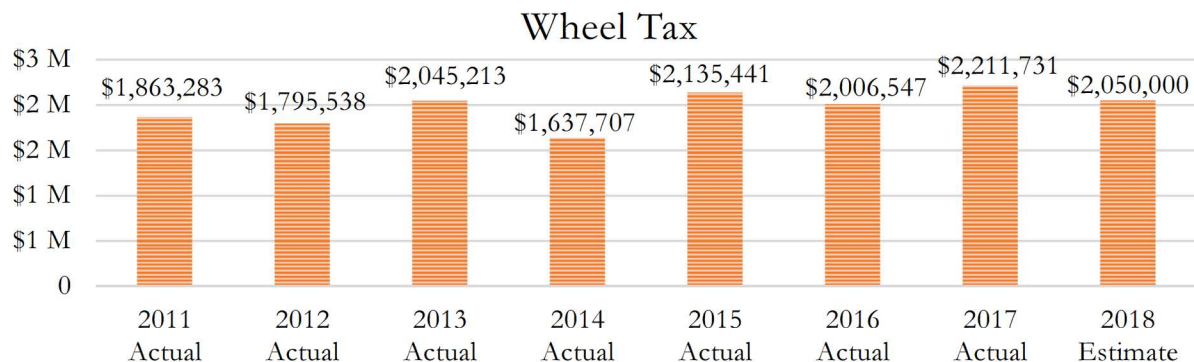
Total investment earnings revenue is as follows:

2018 Estimated	\$1,868,514
2017 Actual	\$2,580,471
2016 Actual	\$2,118,038
2015 Actual	\$1,769,890
2014 Actual	\$1,025,058
2013 Actual	\$1,119,139
2012 Actual	\$1,474,283
2011 Actual	\$643,643

Wheel Tax Revenue – \$2,050,000 - 0.63%

Effective January 1, 2004, Saint Joseph County enacted a wheel tax of \$25 per year for most vehicles registered in the county. The wheel tax revenue is collected by the State of Indiana and distributed periodically to the local governmental units in the county based on a formula. Wheel tax revenue helps fund the Motor Vehicle Highway Fund and has remained fairly consistent from year to year. Due to the inconsistent nature of receipts from funds from the State, revenues tend to fluctuate year-over-year.

Total wheel tax revenue is as follows:



City Administration/Technology Allocation – \$10,174,457 - 3.80%

The General Fund charges a fee to all departments to cover a portion of the general and administrative costs of the Mayor’s Office, City Clerk’s Office, Common Council, Administration & Finance, and Legal Department. The costs of these “overhead” departments are paid from the General Fund and charged back to other funds based on their respective adopted expenditure budgets (City Administration Fee). Prior to 2017, this fee was charged back only to non-general fund departments. However, in an effort to understand the full cost of service for all departments, this fee was calculated and charged back 100% to all departments beginning in 2017. The allocations are charged back on a monthly basis.

The costs for Innovation and Technology are allocated to all departments based on services provided (Innovation Technology) and are deposited into the internal service fund dedicated to innovation and technology costs. The allocations are charged back on a monthly basis.

Prior to 2017, only administrative costs were allocated. In 2017, the full cost of the Innovation and Technology Department was charged back to all of the user departments.

The large increase in revenue from 2017 to 2018 is due to the IT department taking on all IT related costs for all departments. In order to better understand the technology costs throughout the City, all technology costs will be paid through one fund and then allocated out to the receiving departments.

Total City Administration/Innovation Technology fee allocation revenue is as follows:

	<u>Administration</u>	<u>Technology</u>
2018 Estimated	- \$5,454,725	- \$6,850,931
2017 Actual	- \$4,976,976	- \$5,167,452
2016 Actual	- \$3,824,590	- \$0
2015 Actual	- \$3,642,955	- \$0
2014 Actual	- \$3,470,989	- \$0
2013 Actual	- \$3,228,996	- \$0
2012 Actual	- \$2,868,204	- \$0
2011 Actual	- \$2,379,984	- \$0

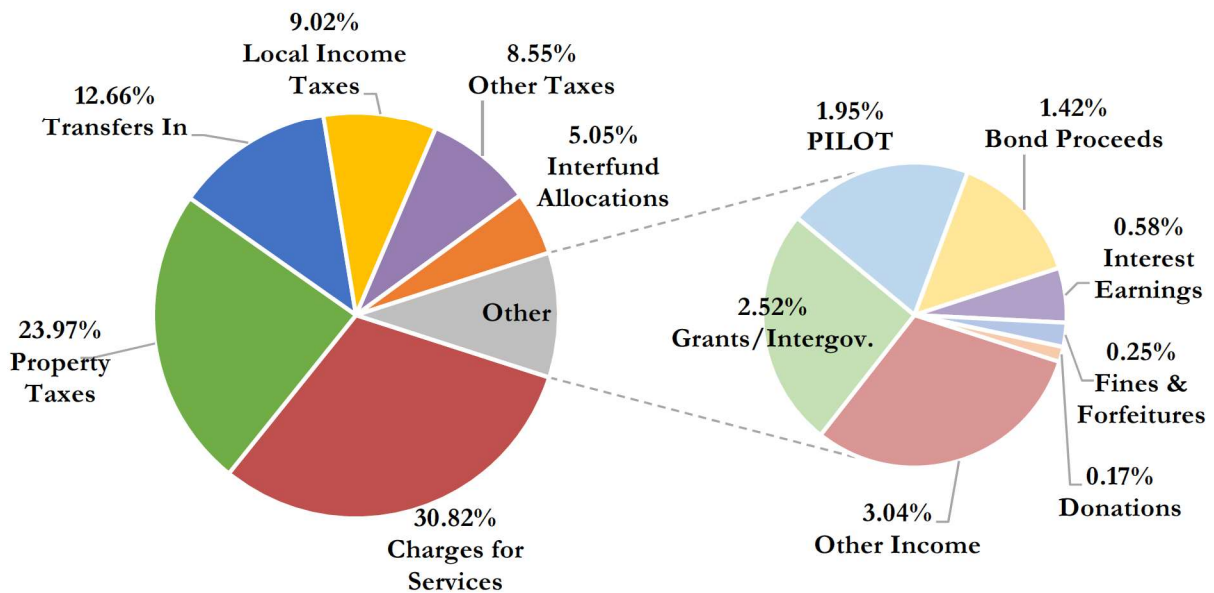
Other Revenue – \$88,018,234 - 27.15%

The City collects a variety of other revenue including hotel/motel tax, professional sports development tax, certified technology park funding, internal charges to other City funds (i.e. health insurance premiums), commercial vehicle excise tax, auto excise tax, cable television franchise fees, community development block grants, community support from a local university, bond proceeds and other revenue. The revenue

collection is monitored on a monthly basis and a report of revenue and expenditures is prepared monthly by the Department of Administration & Finance and distributed to the Mayor, Administration Officials, Department Heads, Fiscal Officers and the Common Council. The monthly financial report is also posted to the City website.

2018 Adopted Budget Revenue Summary

Revenue by Type



Revenue Type	2018 Adopted Budget	2018 Percent of Total
Charges for Services	\$ 99,910,245	30.82%
Property Taxes	\$ 77,700,690	23.97%
Transfers In	\$ 41,036,491	12.66%
Local Income Taxes	\$ 29,256,797	9.02%
Other Taxes	\$ 27,718,675	8.55%
Interfund Allocations	\$ 16,385,528	5.05%
Other Income	\$ 9,852,236	3.04%
Grants/Intergovernmental	\$ 8,180,000	2.52%
PILOT	\$ 6,332,487	1.95%
Bond Proceeds	\$ 4,601,750	1.42%
Interest Earnings	\$ 1,868,514	0.58%
Fines & Forfeitures	\$ 825,960	0.25%
Donations	\$ 513,250	0.17%
Total Revenues	\$ 324,182,623	100.00%