



CITY OF SOUTH BEND

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Office of the Mayor

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REMARKS AS PREPARED

Good afternoon and thank you for this opportunity to present an overview of our proposed budget for 2014. I would like to begin with context for this budget, starting with the “why” before we discuss the “how”—and the “how much.”

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 environment and the psychological feel 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 certain. First, we have seen a change in South Bend’s trajectory, with clear differences 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.

A budget is not just a fiscal document. It’s a statement of our priorities. This coming year, our third year together, brings a chance to consolidate our gains, and accelerate down the right track.

Progress made

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

What a difference two years can make. Just last week, 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 Cisco-systems backed "Smart Cities expose" put us alongside Singapore and San Francisco as one of the world's ten 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, making the whole city better off.

The economic recovery is fragile but real and visible. The Business section of the *South Bend Tribune* brings story after story of new restaurants and job expansion—on the same pages where we used to see only headlines about closures and departures. Our area added 1,600 jobs last year, according to the Bureau of Labor Statistics. On the West Side, the once-empty Bosch facility is coming back to life as the home of Curtis products, retaining hundreds of jobs for our area. The near South side of downtown boasts a ballpark rated as the best stadium improvement in America last year. Ignition Park's first tenant is a successful tech startup. After years of finger-pointing over why no IEDC-backed, state-sponsored economic development opportunities had happened in St. Joseph County, I stood side by side with a governor from the other party at the opening of a new expansion of Hubbell-Raco that has generated good paying, union jobs on our West Side. Over \$23 million in private investment has been secured in City-supported 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 and get to where we all want to go, we have to push harder. If you feel impatient, so do I. 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 talented and hard-working City employees. We have to maintain our credit status as the most highly-rated Class Two city in the state of Indiana, with AA and AA+ ratings. And we have to do all of it within the constraints of a hard ceiling on property tax revenue. And all while balancing the general fund and maintaining adequate cash reserves.

Today I am introducing our plan to do that for 2014.

City priorities

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

First, we make the basics of life easy for residents. Since holding down a job, raising a family, getting through school, is tough enough on its own, we have to 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 residents first.

And third, the most urgent thing in front of us, closely 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. Our way forward is to continue to change the way we do business in order to accelerate South Bend's comeback.

Beyond 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 must adapt and make changes that cut across our departments, our funds, our districts.

I'd like to highlight some of these cross-cutting initiatives, including their fiscal implications, and our proposals for how to keep score, to see how well they are working. Some of these initiatives entail investments; others represent savings opportunities. All of them are included in this budget in order to make us a strong and open community where everyone can thrive.



Creating jobs with investment-ready places

Five years after the housing bubble burst, all eyes continue to be on the economy first and foremost. Last year our economic development team contributed to 1,391 jobs retained and another 536 announced for the future. We still 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 live and businesses want to invest. Not just because of advertising or positioning, 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. We had better be ready.

Reaching the next level of job creation means priming our places for investment. 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 this year, we will push to completion of the building's remediation next year, keeping the Renaissance District on track for tens of millions of dollars in investment and the high-paying jobs that will go with it. We seek to grow Eddy Street Commons and Blackthorn. And we continue to find partnerships that create jobs and tax base, while unlocking on average \$5 of private investment for every dollar in public money committed.

The most important things a City can do to promote growth have to do with the fundamentals. The basic services, the infrastructure. Most noticeably, the streets. If we want to realize our economic potential, our city needs to invest in smarter streets.

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 mistaken pattern that can actually destroy value. 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 and encourage the exchange that makes cities what they are. When they do it right, retail activity and land values skyrocket. Our streets should be promoting exchange, not depressing it; supporting our comeback, not holding it back. We need to move our streetscapes out of the 1970s and restore a pro-city, vibrant street pattern. Creating value, with investments to



establish smarter streets, means lifting up our corridors, and rationalizing our downtown traffic patterns.

Relying largely on TIF dollars, Loss Recovery Funds, and Major Moves funding that was always intended for infrastructure, our 2014 budget paves the way for interventions on key corridors and downtown thoroughfares with over ten million dollars for physical and design improvements. These changes ensure our streets create rather than destroy value, enhancing the look and feel, ease of navigation, pedestrian safety, and economic viability of critical South Bend streets. This also includes an expansion of our curb and sidewalk program, something we have heard a great deal about from residents through members of the Council. It's all part of making sure we have vibrant streets in our downtown area and throughout our community. Other communities making similar moves have seen tremendous increase in assessed value, private investment, and jobs in their downtowns, and there's no reason we should continue to sit out this economic opportunity and fall behind our peers.

Vacant and abandoned homes

Meanwhile, the effort continues to conquer our legacy problem of vacant and abandoned homes. Earlier this year I challenged our community to muster the resources to repair or demolish 1,000 houses in 1,000 days. If you're counting, that's less than three years, and 2014 will be year two. Though we are largely in a data-gathering and planning phase, 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, with \$2 million identified in order to make continued progress. We are also piloting a deconstruction program that will give underemployed South Bend workers a chance to gain new skills while helping to free neighborhoods of blighted houses.

Information technology

We're budgeting for a more robust IT infrastructure and strategy for our city. Information technology 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 improved reputation in recent years relates to our openness to technology, from the Luecke administration's CSOnet innovations to our current Code for America engagement. One of the most rewarding things about representing South Bend to the national media has been hearing the disbelieving and fascinated tone of reporters from around the country as I tell them about our use of technology. Even better is watching as this improves lives and supports our bottom line here in South Bend. Getting this right will enable us to do better with all three of the mission priorities



of our city—making the basics easier, delivering good government, and creating jobs. We will invest to make sure both the human and physical requirements are in place for a truly up-to-date approach to information technology.

Customer service

When it comes to making good on residents' expectations that we change the way we do business, nothing is more visible than the courtesy and efficiency of our 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. We will build on this success. As calls directly into departments are re-routed to 311, this budget continues to reallocate resources to the call center accordingly 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. In 2014 the 311 center will have enough staff members to handle calls for code enforcement and other areas in addition to its present coverage of streets, water, solid waste, and our front office.

Organization

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 outstanding leadership team and a professional city administration. Much of our effort last year went into reorganizing the mayor's office and restructuring the Department of Community Investment, both of which are now 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 key change you will notice is that we propose bringing the building department and the code enforcement department under the same roof, together with animal control, in a combined Department of Building Services. 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 so that we can have some professionals cross-trained to handle both building and code inspection duties. I should note that



this does not change our relationship with the County, with whom the building department is shared.

We are also normalizing compensation in leadership positions to ensure that there is better equity, both internally and with respect to our peer cities. We're doing this after hearing from the Council in the past budget session that this needed to be addressed—and because it's the right thing to do. Finding a way to do this has not been easy in this fiscal 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 this year's payroll and staff changes taken together lead to no overall increase but instead a taxpayer savings compared to business as usual. In other words, it's paid for.

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 are now able to run city operations with 1,146 full time positions for 2014, compared to 1,160 in this year's budget and 1,164 budgeted for 2012. There is not a lot of room left for reductions in workforce, but continued productivity and technology gains mean that we can continue to serve residents with a leaner city workforce moving forward.

Income/revenue, expenditures

All of this is taking place in the context of reduced income for the City. As a consequence of changes to assessments, circuit breaker credits and other exemptions and adjustments, the city is seeing a reduction in the neighborhood of \$2 million from property taxes, and we are also preparing to absorb a potential reduction in federal and state grants that go through the Department of Community Investment. At the same time, the Studebaker settlement insurance recovery announced earlier this summer provides a one-time injection into the Loss Recovery Fund which is helping us to support key priorities on our streets and in our neighborhoods.

We have cut expenditures overall by 3.4% in order to balance the general fund, stay on a fiscally responsible path, hold our cash reserves at acceptable levels, and preserve our credit rating. We have balanced the General Fund once again, while Parks and COIT funds will draw down on cash, about \$260,000 and \$700,000 respectively, in order to make needed capital investments such as technology, police cars, and deferred maintenance on park facilities, while preserving adequate cash reserves.



Capital budget

When it comes to the five-year path for capital investment, the overall pattern is similar to what was proposed in the 2013 budget. You will see continued investment to modernize our vehicle fleet, allowing us to improve fuel efficiency, implement the use of more affordable and sustainable CNG (containerized natural gas) fuel, and reduce long-term maintenance costs.

We are investing in much-needed improvements and backup capabilities in technology as well as strategic support to manage our use of technology more usefully and move more of our computing activity into the cloud.

We have building improvements identified including another new fire station, land investment funded largely by TIF to ensure we have investment-ready places throughout the city, and an ongoing investment in our basic infrastructure.

The largest long-term capital item is, of course, related to our 20-year sewer separation project, the largest public works project in our community's history. We are in the early years of the Long-Term Control Plan imposed by consent decree with the federal government, and we plan to fund the required wastewater infrastructure improvements without increases in water rates, using increases in sewer rates held to the minimum needed to fund the required improvements. We can't kick the can down the road on these sewer improvements, but we must recognize the pain associated with rate increases, and we will of course continue to seek out more ways to use technology and good design to hold the cost, which is in the neighborhood of \$500 million, to a minimum over the years to come.

Parks bond

One important priority you won't see here has to do with our parks capital needs. I want to point out that taking quality of life to the next level means it's time for us to look at a parks bond. Since payments for that would not begin in 2015, it will not appear in this 2014 budget, but now is the time to launch the conversation.

Issuing a bond is something we will only do with a strong plan after a robust community discussion with participation from Council members, which will take longer than this budget cycle, but I want to be sure there is awareness that this is up ahead.



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. We're changing the way we do business, embracing what our residents want and working together to become stronger than ever before. As we come together to review and refine our proposal, the administration will partner with the Council to ensure we continue to live up to the extremely high expectations of our residents.

The changes that you and I were hired to implement become real every year in the passage of our budget.

We've already seen that by changing our outlook, we can change how the world looks at us.

When we change our use of technology, we make complicated things simpler.

When we change the design of our streets, we make investment and growth possible where it was stalled.

When we change what it is like to deal with the city online and on the phone, we make South Bend a community of choice.

When we change the organization of our team, we make our administration more responsive and efficient.

When we change the way we do business, business comes to us.

Together we have already changed the trajectory of a city that had lost track of how to believe in itself. We're not just changing with the times; we're changing the times we live in.

That's what is at stake in this year's budget—not just dollars and cents, but the ability to fuel our city's accelerating comeback. Let's work together to make sure it counts.