



## Financial Management

Our financial situation influences everything we do. We have important work to do on behalf of our citizens and we must have resources to do that work. Managing those resources can be complicated, but our citizens can feel confident that we do it better than anyone else. For the 25<sup>th</sup> consecutive year, we have been recognized with the Certificate of



Achievement for Excellence in Financial Reporting. The Certificate of Achievement is “the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.” Congratulations to Yvonne Milligan, our City Controller, and her entire staff for another outstanding job of managing and reporting our finances.

In this section of the report, we will highlight the financial information essential to helping you understand the state of our city. I often think of the financial situation as a moving target with a lot of uncertainties and variables that affect it one way or another. The “administrative chaos” that is our property tax system has continued to present unique and difficult challenges. Not once in my first six years as Mayor have we had anything related to property taxes be predictable or normal. Not once have we had a regular tax distribution. Not once have the tax bills gone out on time. Sound financial management and the conservative planning in our budgets and our conservative approach to spending have helped us to navigate these sometimes difficult waters. It is hard though when you don’t know when you will get tax distributions or how much you might receive. We have regular and predictable obligations we must pay, regardless of whether we have a regular or predictable revenue stream. Our team has done an outstanding job making sure we deliver those exceptional services and control our costs. Under the current property tax

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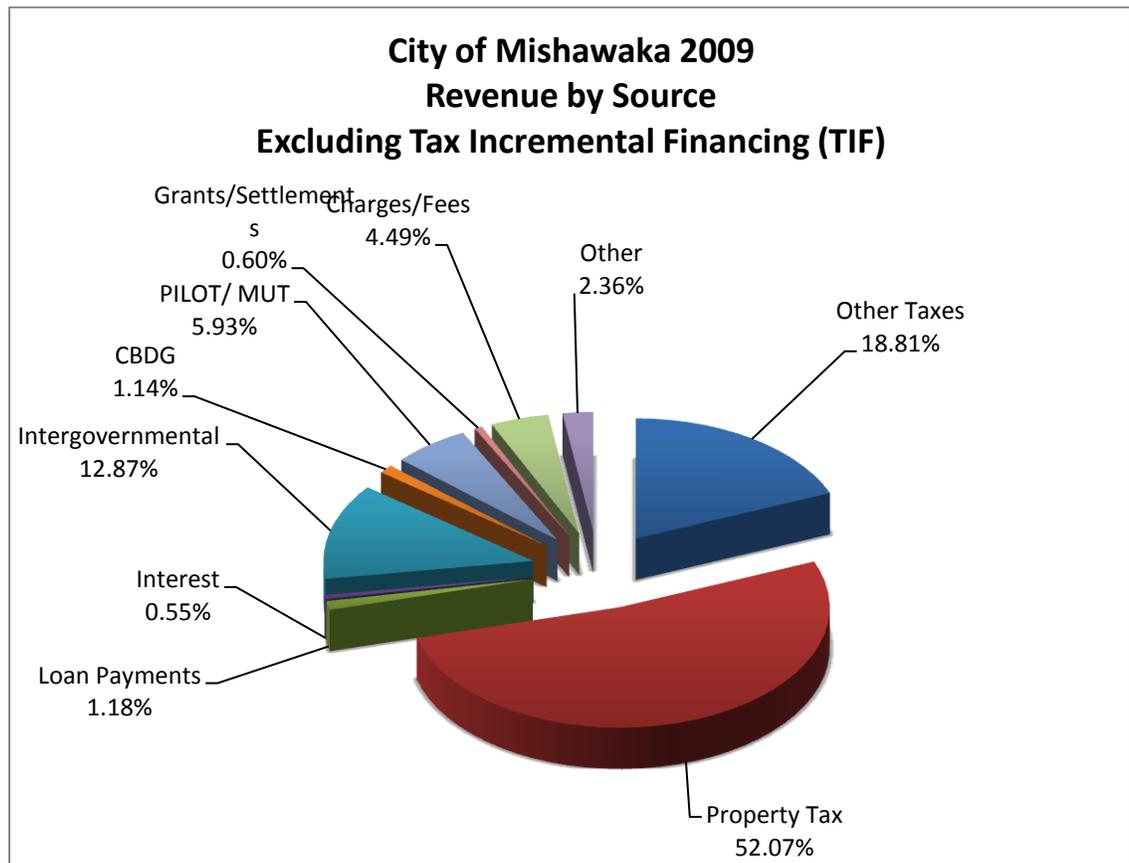


system, bills are due in May and November of each year. Finally in November of 2009, the first tax bill went out; with a due date of December 11, 2009. On December 30, 2009 we received 80% of our 2009 distribution.

When I think of the responsibilities associated with financial management, I think of four specific areas. First, we must manage our taxpayer's resources wisely, second, we must operate efficiently and effectively, third we must reduce or eliminate waste, and fourth we must accurately account for each of those public dollars we have been entrusted with. I think we do a fine job meeting those responsibilities.

Our total City budget for 2010 is \$43,491,406. That represents an increase of \$3,173,658 (7.87%) from the 2009 budget. The significant increase is due to one time capital needs (\$2,511,500.00). For many years, we have not made necessary investment in buildings and facilities, and now have a number of issues like roof, heating and air conditioning systems, and other improvements that are needed. Also, in 2009 St. Joseph County and the City of South Bend passed a local Public Safety Income tax. Mishawaka will see a portion of that revenue that is collected, and it must be used for public safety needs. In 2010 we have budgeted \$1 million of new money for Public Safety Capital from this fund.

As we discuss our financial resources, it is important for our public to understand where our revenue comes from. In 2009, 52.07% of our revenue came from property taxes. Another 31.68% of our revenue came from other taxes and intergovernmental revenue. The remainder comes from a variety of other sources. The corresponding graph included herein outlines those other sources. Over the past few years, we have worked hard to reduce our reliance on property taxes and maximize our other revenue sources. Proposed changes in our property tax system will place greater demands on maximizing other revenue opportunities to fund our operations. In 2010, we will adjust our fee structure for a number of the services we provide, as we continue to diversify the revenue sources. Many have not been adjusted in years and are inconsistent with the cost of delivering the service or out of line with where communities are charging for similar services.

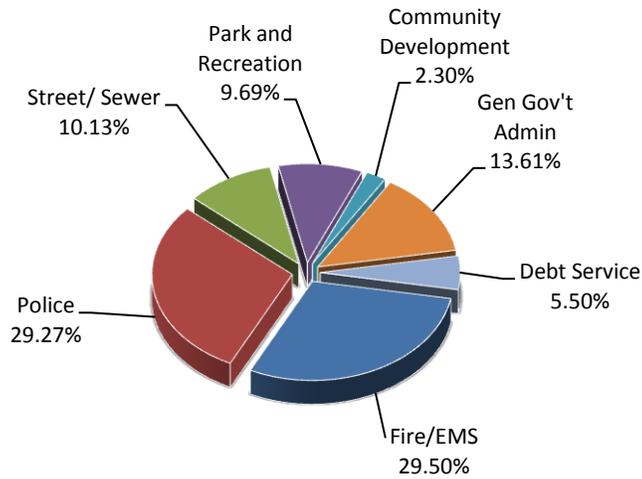


Each year in the State of the City I like to remind our citizens about where we spend our money. In 2009, like in previous years, public safety remains our top priority. Over 58% of our expenditures were related to public safety. The corresponding graph included herein further outlines where we spend the rest of those dollars. In addition, it is important to look at our expenditures in a different way. If we do a careful analysis of our major budget categories, we spend 74.92% on salaries and benefits for our employees, 13.77% for our operating expenses, and small percentages for infrastructure, capital, and bond payments. You can view the corresponding chart for more complete information. Government work is typically very labor intensive. We have worked hard to reduce our labor costs and in 2009 this has resulted in a more efficient operation and lower cost to the taxpayers.

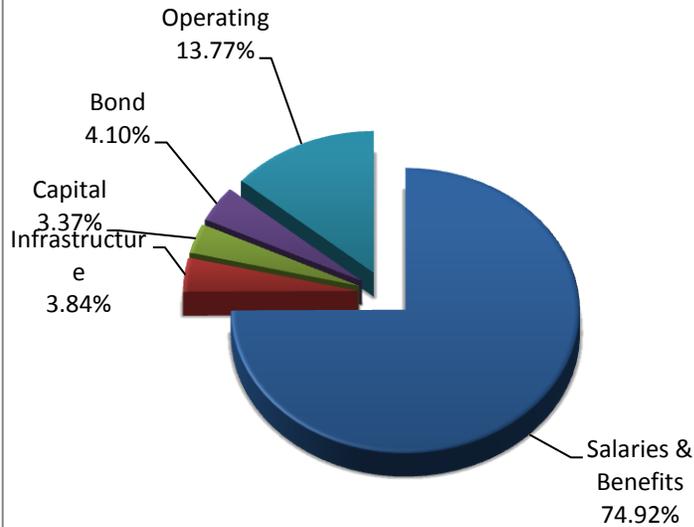
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**City of Mishawaka 2009 Expenditures by Function  
Excluding Tax Incremental Financing (TIF)**



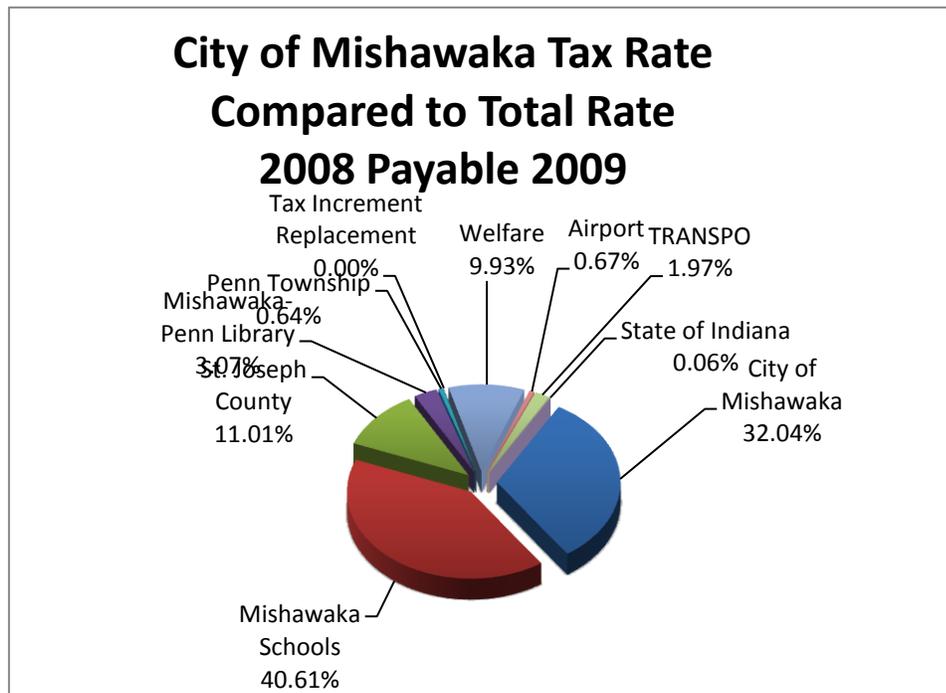
**Major Budget Categories 2009**

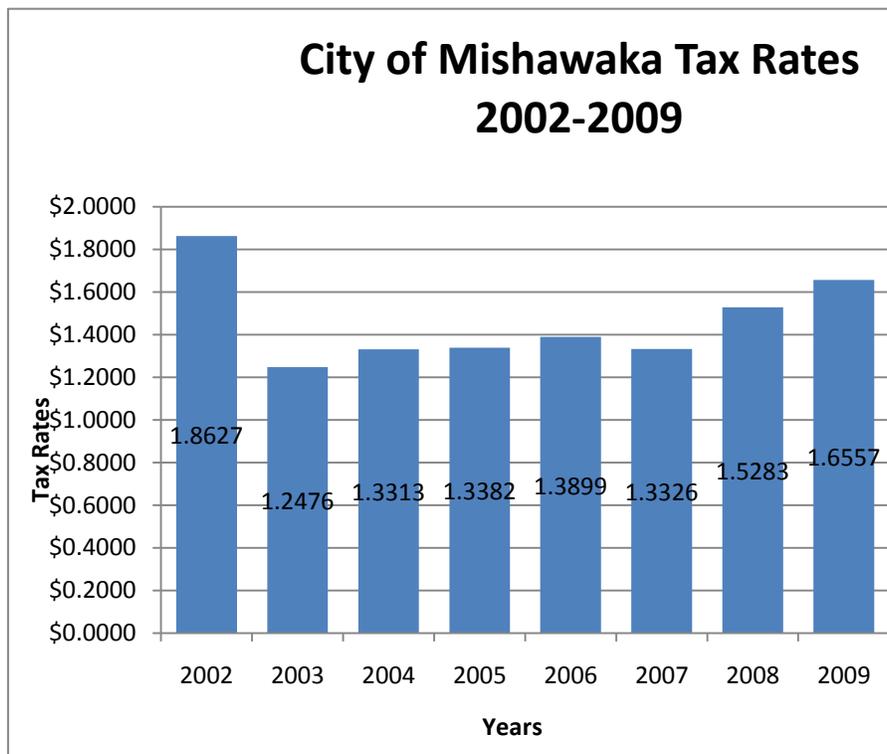
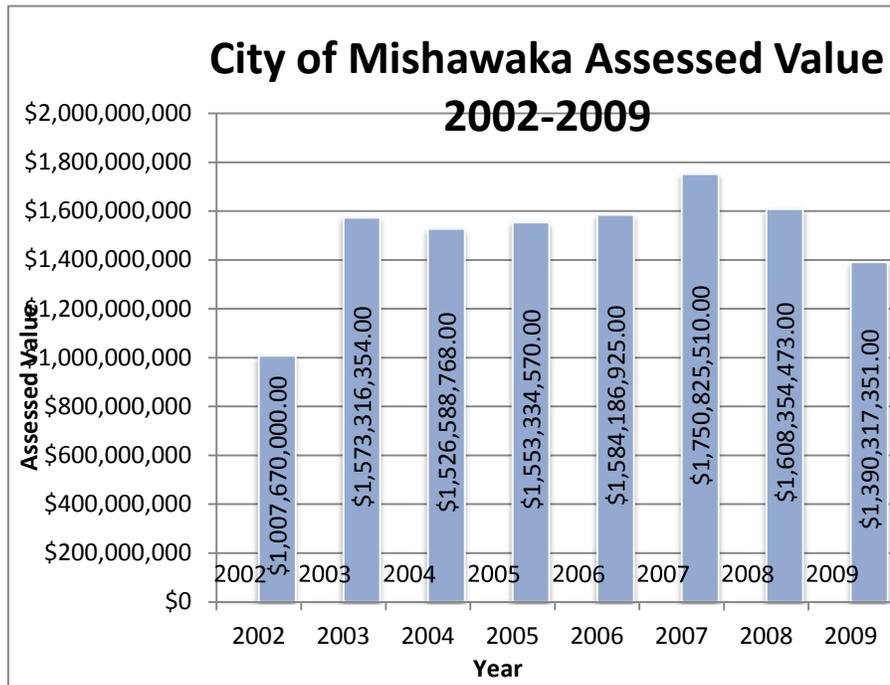


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In 2009, the City's portion of the average resident's tax bill accounted for about 32% of the total bill. We have worked hard to limit the size of government and make smart financial decisions that have kept that portion relatively unchanged in recent years. The good news is that people continue to invest in our City, when people are investing in our community that is good for everyone. We should however be concerned, as the difficult economic conditions we are currently enduring could lead to one of our worst construction years ever. In 2009, our assessed value dropped significantly, to \$1, 390,317,351, down almost 15.6% from the previous year. As assessed value changes, so does the tax rate. The bad news I report to our citizens is that the decrease in assessed value has led to an increase in our City of Mishawaka tax rate.



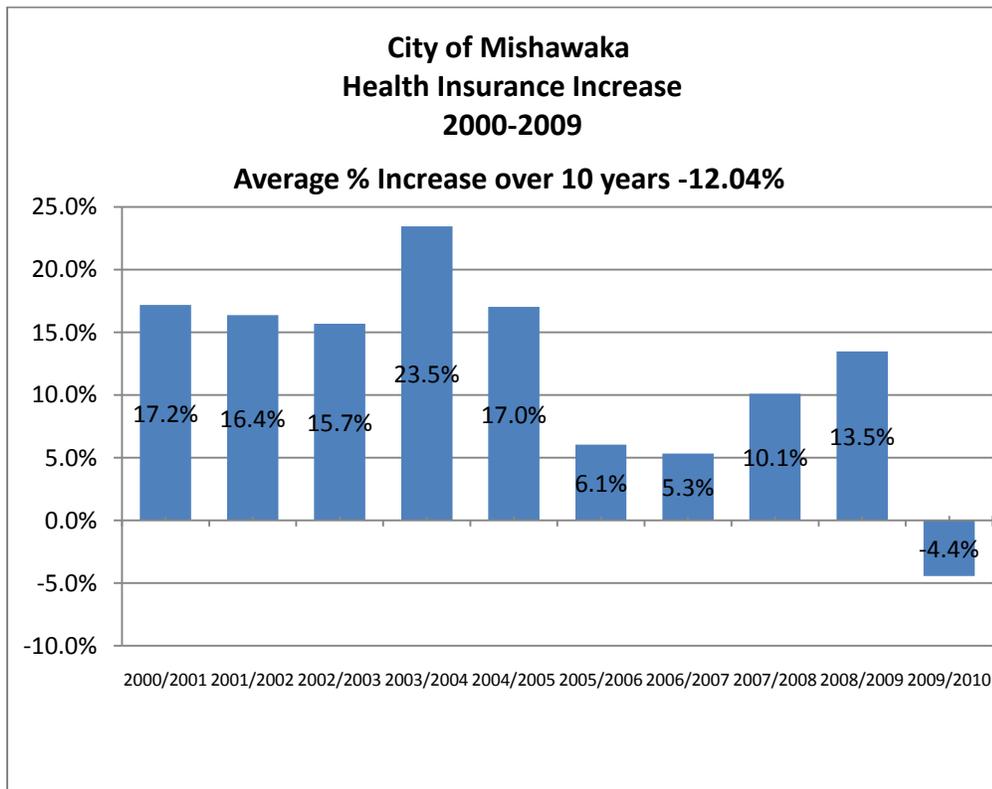


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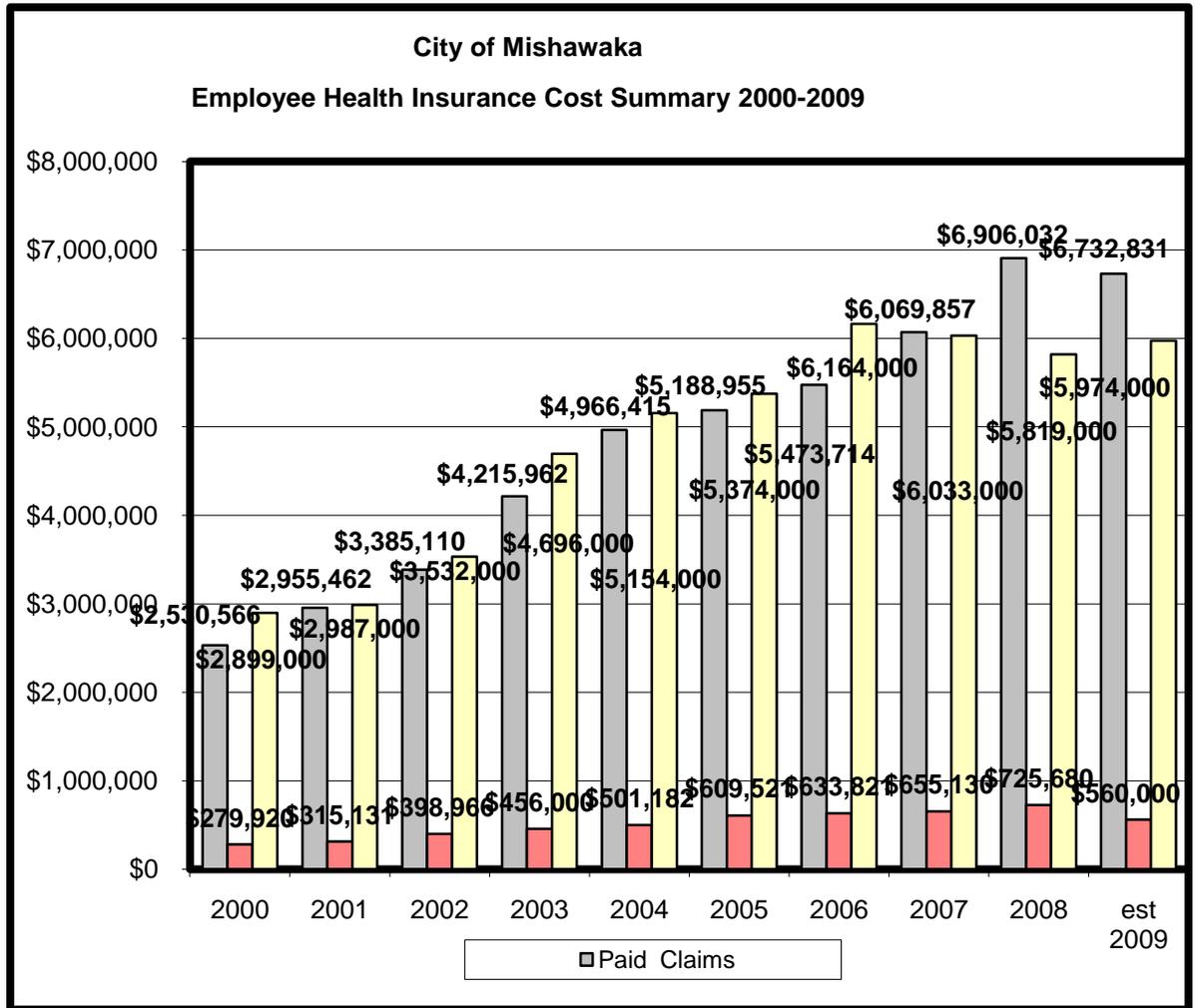


Our employee health insurance costs account for 11% of our total budget, our general liability insurance for 2.6% of our budget, our energy costs 2.7% of our budget, and fuel about 2.2% of our budget.

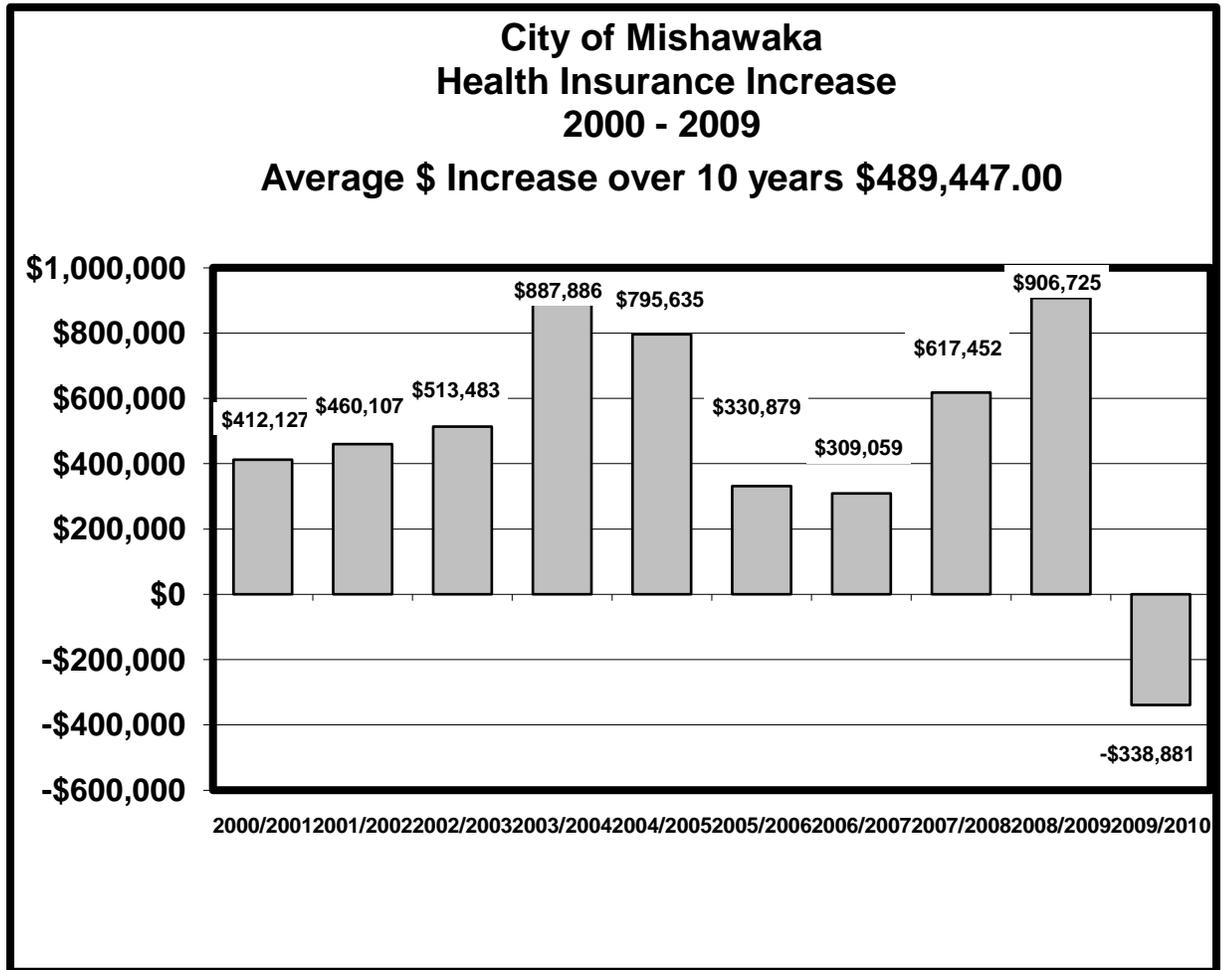
Perhaps the most alarming of budget items is our employee health insurance cost. Due to a changes in health insurance carriers 2009 was a better year than 2008. We are self funded, so basically our costs are largely related to claims. Our costs were at approximately \$7.2million which also includes administrative fees compared to \$7.6 million in 2008. This was a decrease of about 4.4%. Our average increase over the last five years has been 6.12% we hope with continual changes in our health insurance program we can keep our increases at a minimum. We will be changing insurance companies in 2010. Our plan year runs April 1, 2010 through January 1, 2011. We must work to maintain a plan that is consistent with those in the marketplace.



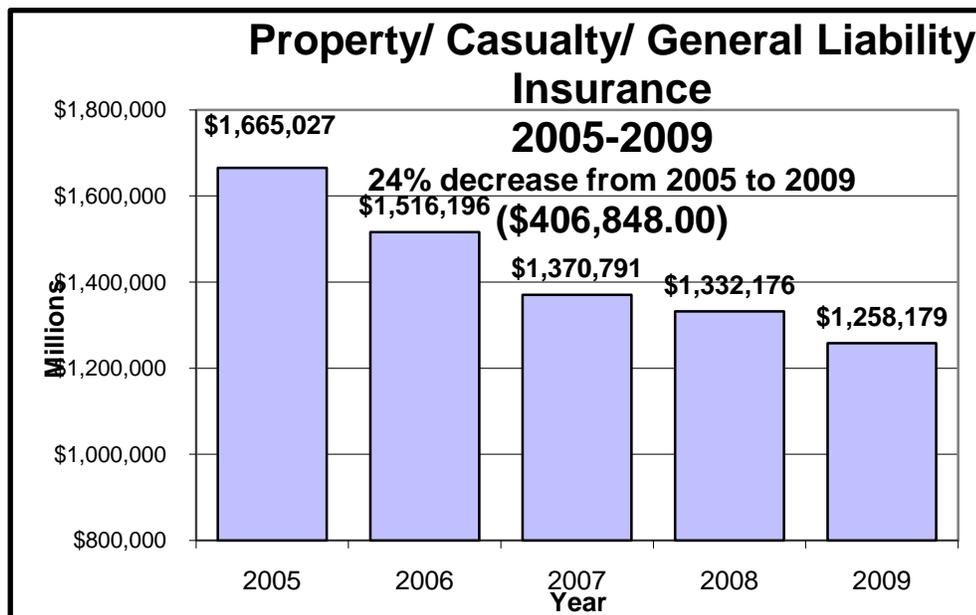
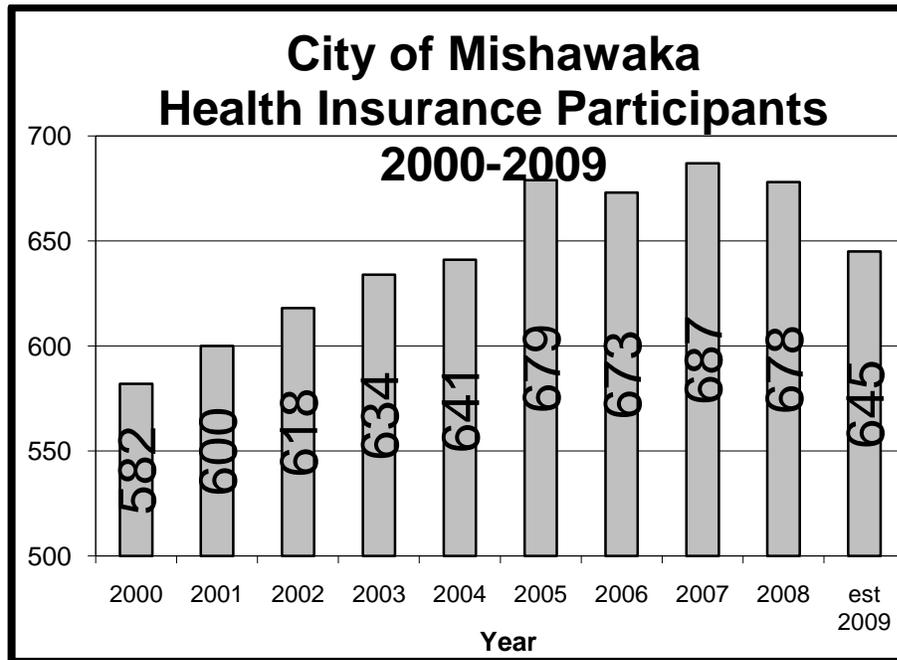
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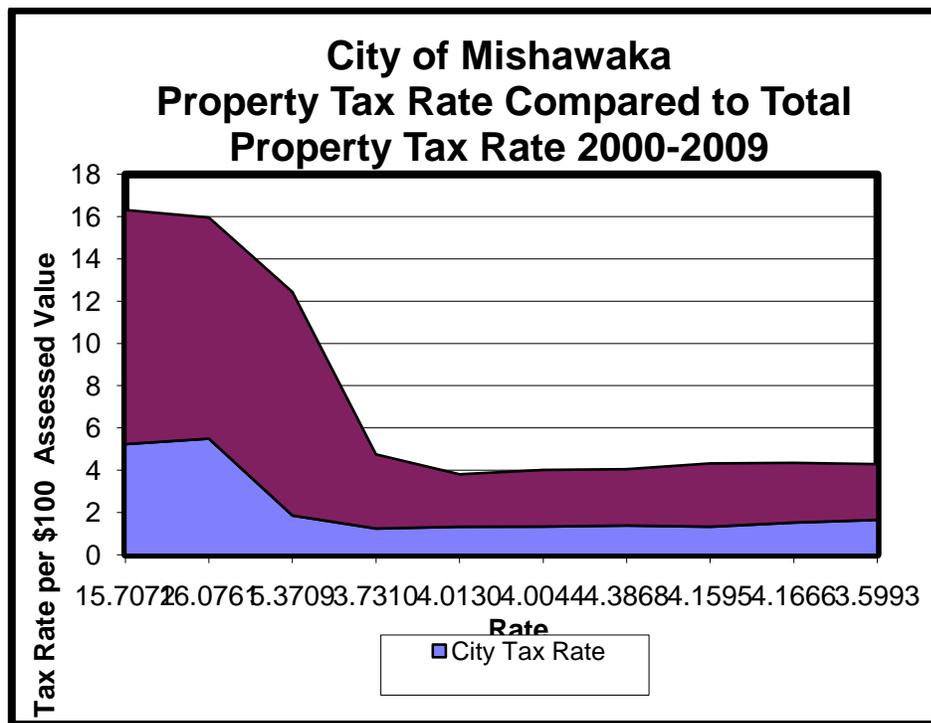
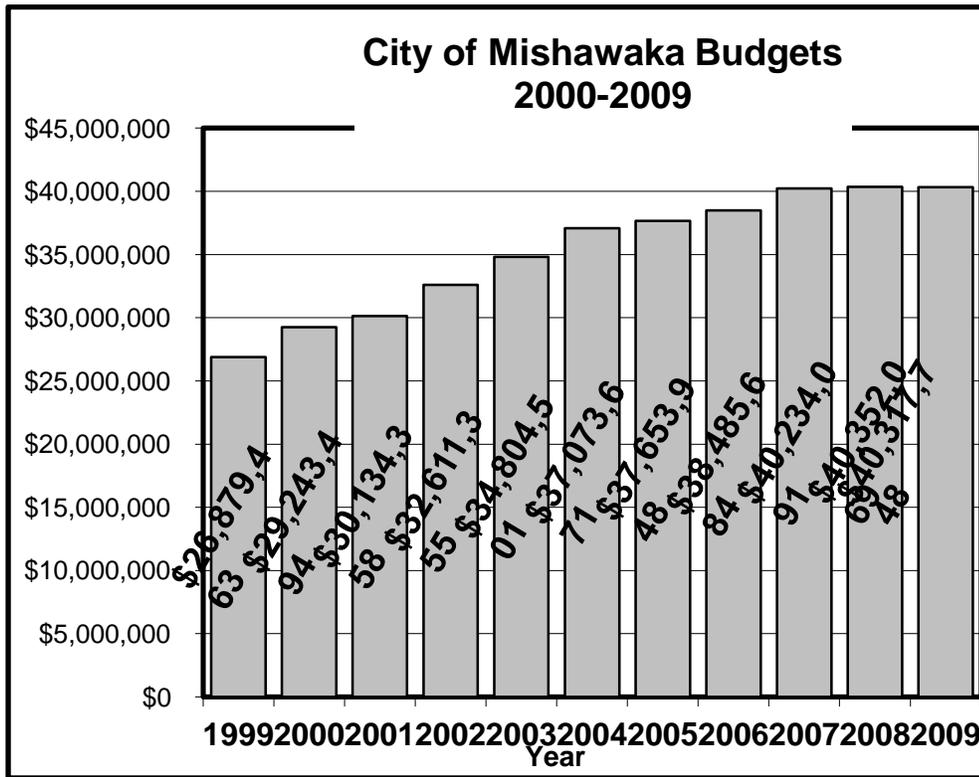
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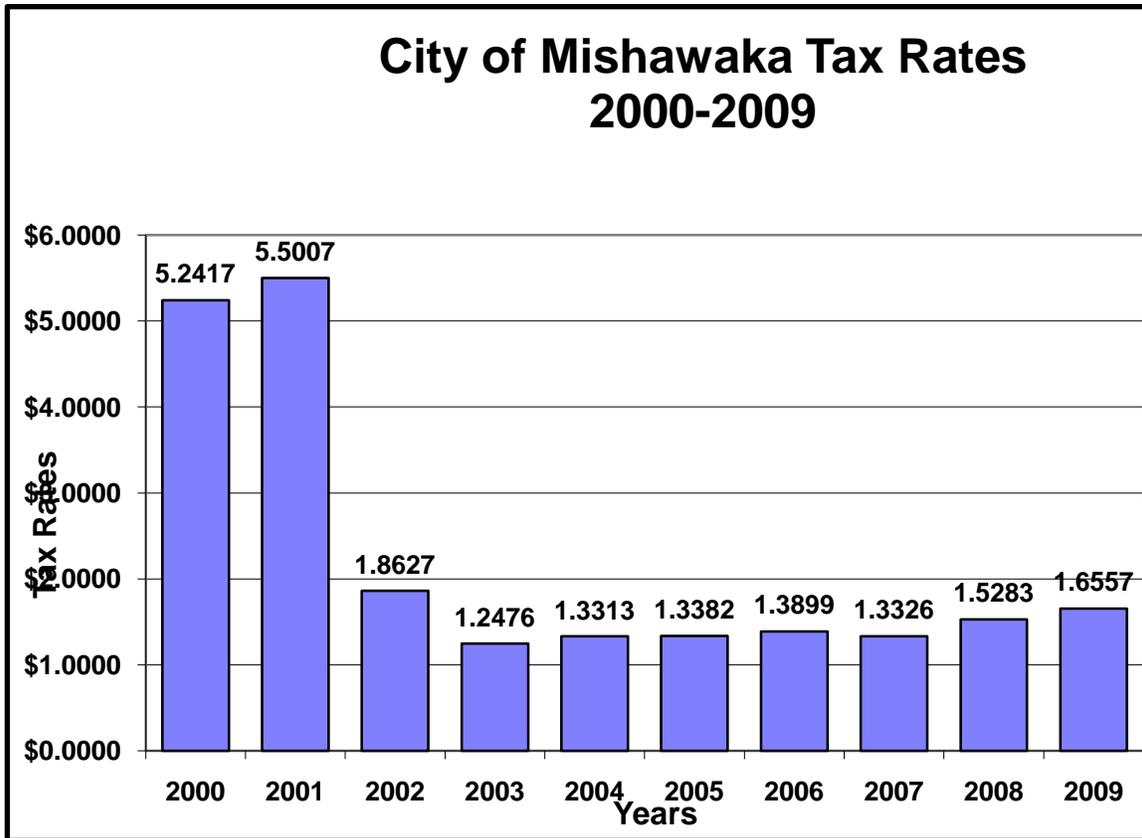
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## Employees

Our leadership team strives to retain our current employee's by providing them with a good, supportive work environment. We ended 2009 with 493 full time employees that were employed with Mishawaka City and Utilities, 138 of those full-time employees, were employed solely with Mishawaka Utilities. Over the last three years we have seen a significant drop in the number of full time employees. In 2007 the number of full time employees was 542, in 2008- 529, to the current number of 493 in 2009. Overall turnover for 2009 for the City and Utilities stands at 6.1%; this included the reduction in force that occurred in July. We had a total of 14 employees retire from the City and Utilities in 2009. Overall this left the City with the loss of 364 years of service, which averages 26 yrs of service per employee. We truly appreciate these employees and the years of service they have given to our citizens and wish them all the best of luck and relaxation!

During 2009 one of the City's major goals was integration of the City's workforce. This took a collaborative effort between all of the City Departments. In looking at each departments staffing levels, job descriptions and workload, some very tough decisions were made, which led to a reduction in force of 25 employees. Moving forward, and as the current financial situation continues, as an employee leaves the City or Utilities, each position will be looked at and analyzed to see if the position needs to be filled or if the City can shift work responsibilities among the department employees. Despite these very tough times, the employees still continue to work diligently on providing exceptional services to our citizens.

## The Human Resources Department

The Human Resource Department grew in 2009 and moved locations within City Hall. Josh Callander, Safety Director and Barb Botka, Staff Consultant joined the Human Resource Department and moved locations from their Utility worksites to their new home in City Hall. Their knowledge and excitement



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has been a wonderful addition to the Human Resource team.

Human Resources took in 410 applications this year, down significantly from 578 in 2008. The City and Utilities hired 10 full time employees and 60 seasonal employees in 2009. The City added only one FTE in 2009 and that was the Web Developer/Systems Analyst position. All other positions with the City and Utilities were replacements of vacant positions. The City and Utilities had 31 full-time employees and 84 seasonal that were terminated this year.



Public Safety had new employees join the ranks this year in 2009. The Mishawaka Fire Department added three sworn Firefighters in 2009 and also conducted Fire testing in which 58 candidates passed and will move on to the next phase of physical testing. The Police Department did not conduct testing in 2009, but did add two sworn Police Officers this year. Testing will be conducted in 2010 for Police

Officers.

Our Safety Director continues to do safety audits and has high levels of participation with our Safety Committee, however, workers compensation numbers increased in both recordable illnesses and injuries in 2009. This year we had 42 recordable injuries and 23 recordable illnesses. Overall total work related events in 2009 were 128. These numbers are up over 2008 numbers of 91 total events, 32 recordable injuries and 5 recordable illnesses.

In late 2009, we began Employee Forums that occurred every month to reach out to employees in a small group setting. This gave the employees and the Mayor the opportunity to ask questions and get answers, to dispel rumors and to meet other employees from different departments. Human Resources and the Mayor's office also started up the Princess City Social Committee. This committee is committed to increase the morale of the employees citywide and bring them together for events in a social setting and in a charitable way by giving back to our community.

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**In completing a review of claims and safety audits, it was determined that of those injuries in 2009, 77% could not be tied to a safety related issue. The injury trend indicates that a majority of the work related injuries could be tied to overall employee health and wellness. Human Resources will continue to offer wellness screenings in 2010, as we have in past years, to try increase our wellness participation.**



**In 2009 HR/Safety also instituted an official return to work program to get the injured worker back in their work environment, in a job appropriate with their medical status.**

**In 2009 the employees underwent a change in healthcare benefits. This ended a 30 year relationship with Anthem Health and the City of Mishawaka. The City changed health carriers and went with a third party administrator, Allied Benefit Systems. With this change, we anticipated a savings of \$250,000 for the City; however, it was a difficult transition for the employees and their families to make. Human Resources and Allied have been able to have Allied Representatives on-site every quarter to answer any employee questions or concerns.**